

ETIHAD ATHEEB TELECOMMUNICATION COMPANY
(A Saudi Joint Stock Company)

Financial Statements
For The Year Ended March 31, 2022
Together with Independent Auditor's Report



Crowe

Al Azem, Al Sudairy, Al Shaikh & Partners
For Professional Consulting
Member Crowe Global

ETIHAD ATHEEB TELECOMMUNICATION COMPANY
(A Saudi Joint Stock Company)

Financial Statements
For The Year Ended March 31, 2022
Together with Independent Auditor's Report

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the financial statements of **Etihad Atheeb Telecommunication Company (the "Company")**, which comprise the statement of financial position as of March 31, 2022, 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, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the "Basis for Qualified Opinion" section, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of March 31, 2022, its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Chartered and Professional Accountants (SOCPA).

Basis for Qualified Opinion

As shown in Note (1), the Company received a letter from the Communications and Information Technology Commission (CITC) on May 26, 2022, notifying the Company of its intention to revoke the frequency spectrum license related to providing fixed telecommunications services with an infrastructure of band frequencies (3500 MHz) in the event of passing the stipulated deadline on June 30, 2022 related to network deployment obligations for the frequency. As this event is uncertain and related to future events, the management was unable to determine the amount of financial impact on its financial statements ended March 31, 2022. We were unable to obtain sufficient appropriate audit evidence as to whether there was an impairment of the frequency spectrum license as on March 31, 2022 mentioned in Note (6) under the licenses category related to intangible assets.

We conducted our audit in accordance with International Standards on Auditing ("ISAs") that are endorsed in the Kingdom of Saudi Arabia. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements section" of our report. We are independent of the Company in accordance with the professional code of conduct and ethics that are endorsed in the Kingdom of Saudi Arabia that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.



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

Material Uncertainty Related to Going Concern

We draw attention to Note (1) to the accompanying financial statements, which indicates that, as of March 31, 2022, the accumulated losses of the Company amounted to SR 16 million, which represents 17.8% of its share capital, and the Company's current liabilities exceeded its current assets by SR 182.57 million and it incurred a loss by SR 37.74 million for the year then ended. These conditions indicate the existence of a material uncertainty, which may cast significant doubt about the Company's ability to continue as a going concern. As stated in Note (1), the management has made an assessment of the Company's ability to continue as a going concern, and as result, the accompanying financial statements has been prepared on a going concern basis. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Basis for Qualified Opinion section and the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

| Revenue Recognition | |
|---|---|
| Key audit matter | How the matter was addressed in our audit |
| There is an inherent risk relating to the completeness, existence and accuracy of recorded revenue given the complexity of the systems, the high volumes of data and the combination of different services into different products which are sold at varying prices. Significant management judgment is required in determining the appropriate measurement and timing of recognition of different elements of revenue within bundled products. Due to the estimates and judgment involved in the application of the revenue recognition standard and the complexity of the related IT systems and processes, we have identified this matter as a key audit matter. | <p>Our audit procedures included testing of relevant controls and substantive procedures. In particular:</p> <ul style="list-style-type: none"> • Assessing the appropriateness of the revenue recognition policy that is applied to different products and combination of products to assess whether it is in accordance with the applicable accounting framework; • Assessing, with the assistance of our internal IT specialists, the design, implementation and operating effectiveness of management's key internal controls over the IT environment in which the business systems operate, including access controls, program change controls, program development controls and IT operation controls; • Assessing, with the assistance of our internal IT specialists, the design, implementation and operating effectiveness of management's key internal IT controls over the completeness and accuracy of rating and bill generation and the end to end reconciliation controls from the rating and billing systems to the accounting system; • Performing tests on the accuracy of customer invoice generation on a sample basis and testing the credits and discounts applied; • Performing analytical reviews of significant revenue streams; • Performing specific procedures to test the completeness and accuracy of adjustments relating to contracts containing multiple performance obligations. |
| Refer to note (3.10) for the accounting policy and note (19) for related disclosures. | |



INDEPENDENT AUDITOR'S REPORT (CONTINUED)
ETIHAD ATHEEB TELECOMMUNICATION COMPANY
(A SAUDI JOINT STOCK COMPANY)

Key Audit Matters (Continued)

| Capitalization of assets and the assessment of useful lives and residual values for property and equipment | |
|--|---|
| Key audit matter | How the matter was addressed in our audit |
| Property and equipment represent a significant proportion of the Company's asset base. The estimates and assumptions made to determine the carrying amounts, including whether and when to capitalize or expense certain costs, and the determination of depreciation charges are material to the Company's financial position and performance. The charges in respect of periodic depreciation are derived after estimating an asset's expected useful life and the expected residual value. Changes to assets' carrying amounts, expected useful lives or residual values could result in a material impact on the financial statements and is a matter of significance to our audit. We considered this matter to be a key audit matter due to the extent of judgment and assumptions involved in the assessment of useful lives and residual values. | <p>We obtained an understanding of the relevant management controls relating to the capitalization of property and equipment.</p> <p>We evaluated the capitalization policies and assessed the timeliness of the transfer of assets under construction by agreeing the date that depreciation commenced to the date that the asset is ready for use.</p> <p>Our substantive testing of the determination of estimated useful lives and residual values included the following:</p> <ul style="list-style-type: none"> • Considering management's judgments, including the appropriateness of the useful life assumptions and residual values applied in the calculation of depreciation. • Testing on a sample basis the accuracy of the cost capitalization and capex accrual. |
| Refer to notes (3.1) for the accounting policy and note (5) for related disclosures. | |

| Allowance for impairment of trade receivable | |
|---|--|
| Key audit matter | How the matter was addressed in our audit |
| <p>The Company's trade receivables amounted to SR 229.2 million against which an impairment allowance of SR 111.5 million is maintained as at March 31, 2022.</p> <p>The Company uses the expected credit loss model (ECL) as required by International Financial Reporting Standard 9 (Financial Instrument) (IFRS 9) to calculate allowance for impairment in trade receivable. Further, the Company perform an assessment based on a set of relevant qualitative factors for some of the customers' categories.</p> <p>We considered this as a key audit matter as it involves complex calculations and use of assumptions by management in addition to the materiality of the amounts involved.</p> | <p>Our audit procedures performed included, among others, the following:</p> <ul style="list-style-type: none"> • Assessed the design, implementation, and operating effectiveness of the key controls over the recording of trade receivables and settlements, and trade receivables aging reports. • Tested a sample of trade receivables to assess whether ECL has been recorded on a timely manner. • Assessed significant assumptions that are used to calculate the expected credit loss. • Tested the mathematical accuracy of the ECL model. • Assessed the appropriateness of the relevant disclosures included in the financial statements. |
| Refer to notes (3.5) for the accounting policy and note (9) for related disclosures. | |



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

| Impairment of non-financial assets | |
|---|--|
| Key audit matter | How the matter was addressed in our audit |
| <p>As at March 31, 2022, the Company's financial position included non-financial assets amounting to SR 586,265,525.</p> <p>At each reporting date, the Company's management assesses whether there is any indication that non-financial assets may be impaired. If any indication exists, an assessment of the recoverable amounts for the non-financial assets is performed. The management has carried out an exercise to determine the recoverable amount of Cash Generating Units ("CGU").</p> <p>We identified the impairment of non-financial assets as a key audit matter, as the impairment assessment involves a significant degree of management judgement in determining the key assumptions of recoverable amounts; such as; projected revenue, projected costs, growth rates, discount rate, etc.</p> | <p>Our audit procedures performed included, among others, the following:</p> <ul style="list-style-type: none"> • Reviewed the management's process in identifying impairment indicators for non-financial assets; • Evaluated the reasonableness of management's assumptions and estimates in determining the recoverable amounts of the Company's CGUs, including those relating to projected revenue, projected costs, growth rates and discount rate, etc. This included involvement of our internal specialists in evaluating these assumptions against external benchmarks and knowledge of the Company and its industry; • Validated the mathematical accuracy of impairment models and agreed relevant data to the latest business plans and budgets; and • Assessed the adequacy of the Company's disclosures in respect of underlying assumptions, estimates used to determine carrying values and impairment losses of the respective CGUs. |
| Refer to notes (3.4) for the accounting policy and note (5) for related disclosures. | |

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the annual report and conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.



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

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the International Financial Reporting Standards that are endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA, 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.

Those charged with governance, the Company's Board of Directors, are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs that are endorsed in the Kingdom of Saudi Arabia will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs that are endorsed in the Kingdom of Saudi Arabia, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



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 communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.



Al Azem, Al Sudairy, Al Shaikh & Partners
for Professional Consulting

Salman B. Al Sudairy
License No. 283

1 Dul Qida 1443H (Corresponding to May 31, 2022)
Riyadh, Kingdom of Saudi Arabia

ETIHAD ATHEEB TELECOMMUNICATION COMPANY
(A Saudi Joint Stock Company)
STATEMENT OF FINANCIAL POSITION
As of March 31, 2022
(Saudi Riyal)

| | <u>Note</u> | <u>As of March 31,</u> | |
|--|-------------|------------------------|----------------------|
| | | <u>2022</u> | <u>2021</u> |
| ASSETS | | | |
| Non-current assets | | | |
| Property and equipment | 5 | 124,448,792 | 117,623,737 |
| Intangible assets | 6 | 344,538,031 | 365,023,588 |
| Right of use assets | 7.1 | 117,278,702 | 248,807,738 |
| Total non-current assets | | 586,265,525 | 731,455,063 |
| Current assets | | | |
| Inventories | 8 | 8,150,838 | 9,556,609 |
| Trade receivables | 9 | 117,680,829 | 187,749,978 |
| Other current assets | 10 | 50,094,283 | 35,270,978 |
| Cash and cash equivalents | 11 | 83,256,552 | 71,112,667 |
| Total current assets | | 259,182,502 | 303,690,232 |
| TOTAL ASSETS | | 845,448,027 | 1,035,145,295 |
| EQUITY AND LIABILITIES | | | |
| Equity | | | |
| Share capital | 1 | 89,999,000 | 228,529,000 |
| Accumulated losses | | (16,003,184) | (116,789,640) |
| Total equity | | 73,995,816 | 111,739,360 |
| Liabilities | | | |
| Non-current liabilities | | | |
| Long term accounts payable | 13&31 | 185,012,918 | 211,583,356 |
| Non-current portion of lease liabilities | 7.2 | 132,503,001 | 250,254,221 |
| Employees' defined benefit obligation | 1&14 | 8,844,000 | 8,332,000 |
| Decommissioning provision | 15 | 3,335,815 | 3,212,937 |
| Total non-current liabilities | | 329,695,734 | 473,382,514 |
| Current liabilities | | | |
| Accounts payable | 13 | 188,043,443 | 160,224,327 |
| Other current liabilities | 16&31 | 136,694,072 | 112,087,406 |
| Current portion of lease Liabilities | 7.2 | 55,644,169 | 113,417,377 |
| Deferred income | 17 | 43,975,550 | 36,895,353 |
| Provision for zakat and tax | 1&18 | 17,399,243 | 27,398,958 |
| Total current liabilities | | 441,756,477 | 450,023,421 |
| Total liabilities | | 771,452,211 | 923,405,935 |
| TOTAL EQUITY AND LIABILITIES | | 845,448,027 | 1,035,145,295 |

The accompanying notes from (1) to (33) form an integral part of these financial statements.

Yahya Al Mansour
Chief Executive Officer

Dr. Eisa Baeisa
Chairman

Mahmoud Al Abdullah
Acting Chief Financial Officer



ETIHAD ATHEEB TELECOMMUNICATION COMPANY
(A Saudi Joint Stock Company)
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 March 2022
(Saudi Riyal)

| | Note | For The Year Ended March 31, | |
|---|-------|------------------------------|---------------------|
| | | 2022 | 2021 (Note 31) |
| Revenue | 1&19 | 378,553,765 | 282,099,669 |
| Cost of revenue | 20&31 | (286,710,000) | (226,730,533) |
| Gross profit | | 91,843,765 | 55,369,136 |
| Selling and marketing expenses | 21 | (47,889,307) | (34,598,920) |
| General and administrative expenses | 22&31 | (81,215,817) | (43,913,788) |
| Impairment loss on trade receivables | 9 | (7,585,860) | (18,208,134) |
| Impairment of fixed assets | 5 | - | (93,369,022) |
| Other income, net | 23 | 29,354,479 | 102,168,358 |
| Operating loss | | (15,492,740) | (32,552,370) |
| Finance (cost) income, net | 24 | (19,122,451) | 18,993,476 |
| Loss before zakat and income tax | | (34,615,191) | (13,558,894) |
| Zakat and income tax | 18.4 | (2,784,695) | (24,700,000) |
| Net loss for the year | | (37,399,886) | (38,258,894) |
| Other comprehensive income: | | | |
| <i>Items that will not be reclassified to profit or loss in subsequent periods:</i> | | | |
| Re-measurement of defined benefit obligation | 14 | (343,658) | (743,594) |
| Total comprehensive loss for the year | | (37,743,544) | (39,002,488) |
| Loss per share – basic and diluted | 25 | (1.84) | (1.89) |

The accompanying notes from (1) to (33) form an integral part of these financial statements.

Yahya Saleh Al Mansour
Chief Executive Officer

Dr. Eisa Baeisa
Chairman

Mahmoud Al Abdullah
Acting Chief Financial Officer



ETIHAD ATHEEB TELECOMMUNICATION COMPANY
(A Saudi Joint Stock Company)
STATEMENT OF CHANGES IN EQUITY
For the year ended 31 March 2022
(Saudi Riyal)

| | Share capital | Accumulated losses | Total |
|---------------------------------------|--------------------|----------------------|---------------------|
| Balance at April 1, 2020 | 228,529,000 | (77,787,152) | 150,741,848 |
| Loss for the year | - | (38,258,894) | (38,258,894) |
| Other comprehensive loss for the year | - | (743,594) | (743,594) |
| Total comprehensive loss for the year | - | (39,002,488) | (39,002,488) |
| Balance at March 31, 2021 | 228,529,000 | (116,789,640) | 111,739,360 |

| | Share capital | Accumulated losses | Total |
|---|--------------------|----------------------|---------------------|
| Balance at 1 April 2021 | 228,529,000 | (116,789,640) | 111,739,360 |
| Loss for the year | - | (37,399,886) | (37,399,886) |
| Other comprehensive loss for the year | - | (343,658) | (343,658) |
| Total comprehensive loss for the year | - | (37,743,544) | (37,743,544) |
| Reduction of share capital to absorb accumulated losses | (138,530,000) | 138,530,000 | - |
| Balance at 31 March 2022 | 89,999,000 | (16,003,184) | 73,995,816 |

The accompanying notes from (1) to (33) form an integral part of these financial statements

Yahya Saich Al Mansour
Chief Executive Officer

Mahmoud Al Abdullah
Acting Chief Financial Officer

Dr. Eisa Baeisa
Chairman



ETIHAD ATHEEB TELECOMMUNICATION COMPANY
(A Saudi Joint Stock Company)
STATEMENT OF CASH FLOWS
For the year ended 31 March 2022
(Saudi Riyal)

| | <u>Note</u> | <u>For The Year Ended March 31,</u> | |
|---|-------------|-------------------------------------|---------------------|
| | | <u>2022</u> | <u>2021</u> |
| Cash flows from operating activities | | | |
| Loss before zakat and income tax | | (34,615,191) | (13,558,894) |
| <i>Adjustments for non-cash items:</i> | | | |
| Depreciation and amortization | 5,6,7 | 67,000,554 | 99,675,778 |
| Impairment of fixed assets | 5 | - | 93,369,022 |
| Settlement with vendors | 23 | (29,632,646) | (101,132,388) |
| Support fund | 23 | (4,385,934) | - |
| Impairment loss on trade receivables | 9 | 7,585,860 | 18,208,134 |
| Loss from disposal of lease contracts | 23 | 352,672 | - |
| Finance cost/(income), net | 24 | 19,122,451 | (18,993,476) |
| Provision for employees' defined benefit obligation | 14 | 1,112,000 | 1,017,000 |
| | | 26,539,766 | 78,585,176 |
| <i>Changes in working capital:</i> | | | |
| Inventories | | 1,405,771 | (1,300,376) |
| Trade receivables | | 62,483,289 | 6,438,425 |
| Other current assets | | (20,292,056) | (1,609,217) |
| Accounts payable | | (11,267,480) | (99,405,909) |
| Other current liabilities | | 23,122,639 | 2,836,515 |
| Deferred income | | 7,080,197 | 1,490,908 |
| | | 89,072,126 | (12,964,478) |
| Finance costs paid | | (9,820,296) | (1,155,485) |
| Employees' defined benefit obligation paid | 14 | (1,278,658) | (2,053,594) |
| Zakat Paid | | (12,784,410) | - |
| Net cash generated from (used in) operating activities | | 65,188,762 | (16,173,557) |
| Cash flows from investing activities | | | |
| Additions to property and equipment | 5 | (20,753,366) | (7,092,662) |
| Additions to intangible assets | | (2,528,000) | - |
| Net cash used in investing activities | | (23,281,366) | (7,092,662) |
| Cash flows from financing activities | | | |
| Repayment of Murabaha financing | | - | (7,737,007) |
| Payment of lease liabilities | 7.2 | (29,763,511) | (20,414,418) |
| Net cash used in financing activities | | (29,763,511) | (28,151,425) |
| Increase (decrease) in cash and cash equivalents | | 12,143,885 | (51,417,644) |
| Cash and cash equivalents at the beginning of the year | | 71,112,667 | 122,530,311 |
| Cash and cash equivalents at the end of the year | | 83,256,552 | 71,112,667 |
| Supplementary information for non-cash transactions: | | | |
| Disposal of intangible assets | | - | 292,196,494 |
| Reduction in other current assets | | - | 97,800,000 |
| Addition of inventory | | - | (4,903,750) |
| Offset of current portion of lease liability | | (48,018,765) | - |
| Lease liability offset during the year | | - | (18,000,000) |
| Reduction in other current liabilities | | (1,484,027) | (22,565,429) |
| Disposal /Additions to right of use assets | | 101,470,350 | (26,435,307) |
| Reduction in accounts payable | | 35,502,607 | (445,659,703) |

The accompanying notes (1) to (33) form an integral part of these financial statements.

Yahya M. Al Mansour
Chief Executive Officer

Mahmoud Al Abdullah
Acting Chief Financial Officer

Dr. Eisa Baeisa
Chairman



ETIHAD ATHEEB TELECOMMUNICATION COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2022
(Saudi Riyal)

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 3704 King Abdullah Branch Rd – AlMughrizat district P.O. Box 12482-6488 Riyadh, Kingdom of Saudi Arabia.

Pursuant to the Ministerial Resolution No.41 dated 18 Safar 1429H (25 February 2008) which was approved by the issuance of Royal Decree No. M/6 dated 19 Safar 1429H (26 February 2008), the Company was granted a fixed-line telecommunication license and the used-frequency spectrum to provide fixed telephone services in the Kingdom of Saudi Arabia for a period of 25 years (starting on 1 April 2009 and ending on 31 March 2034). On 30 Rabi'I 1438H (corresponding to 29 December 2016), the Communications and Information Technology Commission (CITC) has extended the life of the Company's license by 15 years (ending on 31 March 2049) (see note 6.1).

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

On Shawwal 25, 1443H (corresponding to May 26, 2022), the Company received a letter from the CITC notifying the Company with the CITC decision to revoke the 3.5 GHz band frequencies license if the Company did not meet the deployment of network deadline on June 30, 2022 (Note 32).

The Company is working to deploy the network and fulfill the obligations set forth by the CITC with regards to the spectrum license and it has completed 70% of phase 1 of the obligation (10%) as of May 30, 2022 and it is certain to meet the network deployment obligation within the CITC stipulated deadline. In addition, the Company presented to the CITC several alternatives to meet the obligation and is awaiting the study and approval from the CITC. Moreover, given the above facts, the management believes that it will be able to reach a solution with the CITC whether via fulfilling the Network deployment or the proposed alternatives to the CITC.

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

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

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

On 20 Jumada II 1443H (corresponding to 23 January 2022), the General Assembly in its Extraordinary meeting approved to reduce the Company's share capital by SAR 138,530,000 (from SAR 228,529,000 to SAR 89,999,000) by way of cancellation of 13,853,000 shares to extinguish the accumulated losses as the end of September 2021 amounting to SAR 138,577,873 at a rate of (99.97%).

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

On December 19, 2021 the board of directors recommended to the Extraordinary General Assembly to increase the company's capital by issuing shares with a value of three hundred and fifty million (350,000,000) Saudi Riyals divided into thirty-five million (35,000,000) new ordinary shares of ten 10 Saudi Riyals per share. The Company has submitted the file to the competent authorities and still waiting for the final approval as of the date of these financials. Its main objective is to increase the capital to pay the company's obligations and to develop and update its business systems and networks.

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1. ORGANIZATION AND ACTIVITIES (CONTINUED)

- b) In response to the spread of the Covid-19 resulting in disruptions to the social and economic activities in the markets around the world and kingdom of Saudi Arabia, the management has proactively assessed its impacts on its operations and has taken a series of preventive measures. The telecommunications industry has been designated as an essential service by the Government of the Kingdom of Saudi Arabia and as such the Company continues to operate while taking into account the health and safety of its workforce. The Company ensured that all of its employees have received full vaccinations according to the instructions of Ministry of Health and the Ministry of Human Resources and Social Development.

Management believes that the Covid-19 pandemic has had no fundamental effects on the Company reported financial statement results for the year ended March 31, 2022.

Management will continue to monitor the situation closely and will adjust any changes required in the future financial reporting periods.

Going concern:

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

The statement of financial position as at March 31, 2022 shows that the accumulated losses of the Company amounting to SAR 16 million represents (17.8%) of its share capital. Also the Company's current liabilities exceeded its current assets by SAR 182.57 million (March 31, 2021: SAR 146.33 million) and the Company incurred a total comprehensive loss of SAR 37.74 million for the year then ended. In January 2022, the Company reduced its share capital by SAR 138,530,000 (from SAR 228,529,000 to SAR 89,999,000) by canceling of 13.853 million share to close the accumulated losses.

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

- In February 2021, the Company signed an agreement, with an effective date of December 31, 2020, with one of its major vendors to settle all balances and dues between the two parties which resulted in a net reduction (gain) of SAR 101 million on net balances payable to a major vendor. As of the effective date, the new balance payable to the major vendor was SAR 370 million and its payment was re-scheduled as a down-payment of SAR 125 million upon signing the agreement with the remaining amount of SAR 245 million (as shown below) to be paid in five equal installments resulting in an additional gain of SAR 36 million on rescheduling (refer Note 10).

| <u>Installment No.</u> | <u>Amount (SAR)</u> | <u>Date of payment</u> |
|------------------------|---------------------|------------------------|
| First | 49 million | July 1, 2022 |
| Second | 49 million | July 1, 2023 |
| Third | 49 million | July 1, 2024 |
| Fourth | 49 million | July 1, 2025 |
| Fifth | <u>49 million</u> | January 1, 2026 |
| Total | <u>245 million</u> | |

- On 22 Jumada II 1443H (corresponding to 25 January 2022), the Company received an approval from Ministry of Finance on the installment related to government charges of SAR 22.23 million over 36 months starting from 20 February 2022.
- The Company's business is improving by sealing new sales agreements which will result in the growth in revenue for the future periods and in the generation of cash that will enable the Company to meet its obligations as and when they become due.
- 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.

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

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2. BASIS OF PREPARATION

a) Statement of compliance

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2. BASIS OF PREPARATION (continued)

b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for employees' defined benefit obligation that has been valued at present value of future liabilities using the projected unit credit method.

c) Functional and presentation currency

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

3.1 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.

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

| | <u>Years</u> |
|--------------------------------------|---------------------------|
| Leasehold improvements | Lower of lease term or 10 |
| Network infrastructure | 4-25 |
| Facilities, support and IT equipment | 5 |

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

3.2 Intangible assets

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

Subsequent expenditure

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

The Company's intangible assets comprise of the following:

Licenses

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3. SUMMARY SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Intangible assets (continued)

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

Indefeasible rights of use (IRUs) – network capacity

IRUs represent the rights to use portions of the capacity of transmission cables granted for a fixed period. IRUs are recognized at cost as intangible assets when the Company has the specific indefeasible right to use an identified portion of the underlying asset, generally optical fibers. 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 intangible assets are as follows:

| | <u>Years</u> |
|-------------------|--------------|
| Licenses | 40 |
| Network capacity | 7-15 |
| Computer software | 5 |

3.2 Leases

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

Right-of-use assets

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

Lease liabilities

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

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

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3. SUMMARY SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 *Impairment of non-financial assets*

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

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

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

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

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

3.4 *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.

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.

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3. SUMMARY SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 *Financial instruments (continued)*

Financial assets classified as amortized cost (continued)

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

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

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

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

Financial assets designated as FVOCI with recycling

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

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

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

Financial assets classified as FVPL

Investments in equity instruments are classified as at FVPL, unless the Company designates an investment that is not held for trading as at FVOCI on initial recognition.

Debt instruments that do not meet the amortized cost or 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.

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3. SUMMARY SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Financial instruments (continued)

Financial assets classified as FVPL (continued)

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.

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. 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 rate based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

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3. SUMMARY SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 *Financial instruments (continued)*

Impairment of financial assets (continued)

For all other financial instruments, the Company applies the general approach to calculate impairment. Lifetime ECL is recognized when there has been a significant increase in credit risk since initial recognition and 12 month ECL is recognized the credit risk on the financial instrument has not increased significantly since initial recognition. The assessment of whether credit risk of the financial instrument has increased significantly since initial recognition is made through considering the change in risk of default occurring over the remaining life of the financial instrument.

Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default for financial assets, this is represented by the assets' gross carrying amount at the reporting date. Exposure at default for off balance sheet items is arrived at by applying a credit conversion factor to the undrawn portion of the exposure. Where lifetime ECL is measured on a collective basis to cater for cases where evidence of significant increases in credit risk at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

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

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

Derecognition of financial assets

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

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.

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3. SUMMARY SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Financial instruments (continued)

Financial liabilities (continued)

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

Derecognition of financial liabilities

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

3.6 Inventories

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

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

3.7 Cash and cash equivalents

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

3.8 Employees' defined benefit obligation

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 2022.

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3. SUMMARY SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Provisions

(i) Decommissioning provisions

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

(ii) General

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

3.10 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.

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3. SUMMARY SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 Revenue recognition (continued)

Significant accounting judgements and estimates

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

Data and voice revenue

Revenue from data and voice services is recognized when obligation is performed or services are rendered. When services include multiple performance obligations, the Company allocates transaction price to each distinct performance obligation based on respective standalone selling price. If performance obligations are not distinct, revenue is recognized over the contract term. Revenue from additional consumption is recognized when services are rendered.

Installation and set-up fee revenue

The B2C services provided by the Company has onetime installation and set-up fee elements that is invoiced to the customer at the inception of the service.

The Company identifies that one-time installation and set-up fees as incidental to the provision of services under the contract and that the customer cannot benefit from the installation and set-up alone. Hence, revenue is recognized over the average contract life.

Customer acquisition cost and contract fulfillment

The Company incurs costs that are solely incremental to

- obtaining contracts with customers (i.e. commission, sales incentives etc.)
- fulfilling the obligations under the contracts with customers (i.e. sub-contractor costs) and that would not otherwise be incurred.

All such costs that are incremental and incurred directly as a result of obtaining a contract / fulfilling obligations under a contract with a customer and are capitalized and amortized over the contract term, to the extent that the Company intends to recover such balances.

3.11 Expenses

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

3.12 Foreign currency transactions

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

3.13 Zakat and income tax

The Company is subject to zakat and income tax in accordance with the regulations of the Zakat, Tax and Customs Authority (ZATCA). The Company's zakat and income tax is charged to the statement of profit or loss.

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3. SUMMARY SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 Zakat and income tax (continued)

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

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

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

3.14 Borrowing costs

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

3.15 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.

3.16 Offsetting

Financial liabilities are set off against financial assets, and the net amount is shown in the financial position only when the obliging legal rights are available and when settled on net basis or the realization of assets or settlement of liabilities is done at the same time.

3.17 New Standards, Interpretations and Amendments

New IFRS Standards, Issued and Effective

The Company has adopted the following standards and amendments effective from April 1, 2021.

Amendments to IFRS 7 and IFRS 16 interest rate benchmark reform – Phase 2

The Phase 2 amendments address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one. The Phase 2 amendments provide additional temporary reliefs from applying specific IAS 39 and IFRS 9 hedge accounting requirements to hedging relationships directly affected by IBOR reform.

Amendment to IFRS 16, 'Leases' – COVID-19 related rent concessions

As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. In May 2020, the International Accounting Standards Board ("IASB") published an amendment to IFRS 16 that provided an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification.

On 31 March 2021, the IASB published an additional amendment to extend the date of the practical expedient from 30 June 2021 to 30 June 2022. Lessees can select to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs. The adoption of above amendments does not have any material impact on the Financial Statements during the year.

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3. SUMMARY SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.17 New Standards, Interpretations and Amendments Adopted by The Company (Continued)

Other Amendments of relevant IFRS's issued but not yet effective

Following are the new standards and amendments to standards which are effective for annual periods beginning on or after April 1, 2022 and earlier application is permitted; however, the Company has not early adopted them in preparing these Financial Statements.

Amendments to IAS 1, 'Presentation of financial statements' on classification of liabilities

These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability.

Amendments to IFRS 3, IAS 16, IAS 37

-IFRS 3, 'Business combinations' update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.

-IAS 16, 'Property, plant and equipment' prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.

-IAS 37, 'Provisions, contingent liabilities and contingent assets' specify which costs a company includes when assessing whether a contract will be loss-making.

Amendments to IAS 1, Practice statement 2 and IAS 8

The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.

Amendment to IAS 12 – deferred tax related to assets and liabilities arising from a single transaction

These amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.

4. SIGNIFICANT ACCOUNTING JUDGMENTS AND KEY SOURCES OF UNCERTAINTY ESTIMATES

Preparation of the financial statements and application of the accounting policies require management to make judgments, estimates, and assumptions that affect the amounts of financial assets and financial liabilities and to disclose potential liabilities. Moreover, these estimates and judgments affect revenues, expenses, provisions, in general, expected credit losses, as well as changes in fair value that appear in the statement of profit or loss and other comprehensive income and within shareholders' equity. In particular, the Company's management requires judgments to be made to estimate the amounts and timing of future cash flows. These estimates are necessarily based on multiple hypotheses and factors with varying degrees of estimation and uncertainty. Meanwhile, the actual results may differ from estimates due to the changes arising from the conditions and circumstances of those estimates in the future.

Judgments, estimates, and assumptions are reviewed periodically. Moreover, the effect of the change in estimates is recognized in the financial period in which the change occurs if the change affects only the financial period. On the other hand, the effect of the change in estimates is recognized in the financial period in which the change occurs and in future periods if the change affects the financial period and future financial periods.

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4. SIGNIFICANT ACCOUNTING JUDGMENTS AND KEY SOURCES OF UNCERTAINTY ESTIMATES
(CONTINUED)

Company Management believes that its estimates in the financial statements are reasonable. Based on the following details:

Tangible and intangible assets useful life

Management periodically reassesses the economic useful life of property, plant and equipment, intangible assets, based on the general condition of these assets and the expectation of their useful economic lives in the future. The impairment loss is recognized in the statement of profit or loss for the year.

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.

Zakat

Management recognizes Zakat and required Zakat provision for the year based on management's estimate for taxable profit in accordance with the prevailing laws, regulations and IFRSs.

Litigation provision

A provision is made to meet any potential legal liabilities based on a legal study prepared by the Company's legal counsel. This study identifies potential future risks and is reviewed periodically.

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.

Assets and liabilities at cost

Management periodically reviews assets and liabilities to assess and evaluate impairment, and any loss incurred is recognized within the statement of profit or loss for the year.

Allowance for expected credit losses

Management is required to use significant judgments and estimates to estimate the amounts and timing of future cash flows and assess the risks of a significant increase in credit risks for financial assets after initial recognition and future measurement information for the expected credit losses, that depend on inputs, bases and assumptions approved by the Company's management and what includes future aspirations to estimate The provision to be established in accordance with the requirements of IFRS (9).

Evaluation of business model

The classification and measurement of financial assets depend on the results of the principal and interest payments test on the principal outstanding and the business model test. The Company defines a business model at a level that reflects how the groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgment that reflects all relevant evidence, including how to assess the performance of the assets and measure their performance, the risks that affect the performance of assets and how they are managed, and how asset managers are compensated. The Company monitors financial assets measured at amortized cost or fair value through other comprehensive income and derecognized before maturity to understand the reason for derecognition and whether the reasons are consistent with the objective of the business held. In this respect, control is part of the Company's continuous assessment of whether the business model under which the remaining financial assets are retained is appropriate, and whether it is inappropriate if there is a change in the business model, and therefore, a future change is made in the classification of those assets.

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4. SIGNIFICANT ACCOUNTING JUDGMENTS AND KEY SOURCES OF UNCERTAINTY ESTIMATES (CONTINUED)

Classification and measurement of financial assets and liabilities

The Company classifies financial instruments or components of financial assets at initial recognition either as a financial asset or a financial liability, or as an equity instrument in accordance with the substance of the contractual agreements and the definition of the instrument. The reclassification of a financial instrument is subject to the substance of the financial statements and not to its legal form. The Company shall determine the classification at initial recognition and reassess such determination, if possible and appropriate, at each date of the statement of financial position. When measuring financial assets and liabilities, certain assets and liabilities of the Company are re-measured at fair value for financial reporting purposes. In assessing the fair value of any assets or liabilities, the Company uses available observable market data. In the absence of Tier 1 inputs, the Company conducts evaluations using professionally qualified independent evaluators. The Company works closely with qualified external evaluators to develop appropriate valuation and data valuation techniques.

Fair value measurement

If the fair values of financial assets and financial liabilities included in the statement of financial position cannot be obtained from active markets, these fair values are determined using a range of valuation techniques involving the use of accounting models. If possible, the entered data for those models will be extracted from the market data. In the absence of such market data, fair values are determined by making judgments. These provisions include liquidity considerations and model data such as derivative volatility, longer-term discount rates, pre-payment ratios and default rates on asset-backed securities.

Management believes that the valuation techniques used are appropriate to determine the fair value of financial instruments.

Leases

Some leases have extension options exercisable by the Company up to one year before the end of the non-cancellable contract period. Where practical, the Company looks to include extension options in new leases to supply operational flexibility. The extension options held are exercisable only by the Company and not by the lessors. The Company assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Company reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

Key Sources of Uncertainty Estimates

The principal estimates used by Management in applying the Company's accounting policies that have the most significant effect on the amounts recognized in the financial statements are as follows:

Determining the number and relative weight of scenarios, the outlook for each type of product / market, and the identification of future information relevant to each scenario

When measuring the expected credit loss, the Company uses reasonable and supported future information based on the assumptions of the future movement of the various economic drivers and the manner in which they affect each other.

Probability of Default

The potential for default is a key input in measuring the expected credit loss. The probability of default is an estimate of the probability of default over a given period of time, which includes the calculation of historical data, assumptions, and expectations relating to future circumstances.

Loss Given Default

Loss given default is an estimate of the loss arising from default. It is based on the difference between the contractual cash flows due and those that the financier expects to collect, taking into account cash flows from collateral and integrated credit adjustments.

Fair Value Measurement and Valuation Procedures

When estimating the fair value of financial assets and financial liabilities, the Company uses available observable market data. In the absence of level (1) inputs, the Company conducts evaluations using appropriate valuation models to determine the fair value of financial instruments.

Lease Payments Discount

Lease payments are discounted using the implicit lease interest rate or the incremental borrowing rate. Management have applied the judgments and estimates to determine additional borrowing rate on the start of the lease date.

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4. SIGNIFICANT ACCOUNTING JUDGMENTS AND KEY SOURCES OF UNCERTAINTY ESTIMATES
(CONTINUED)

Contingencies

The Company is currently involved in a number of 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.

Revenue

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

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

b) Consideration of significant financing component in a contract

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

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5. PROPERTY AND EQUIPMENT, NET

| <u>Cost:</u> | <u>Leasehold Improvement</u> | <u>Network Infrastructures</u> | <u>Facilities, vehicles, support & IT equipment</u> | <u>Capital work in progress</u> | <u>Total</u> |
|--|----------------------------------|------------------------------------|---|---|---------------|
| Balance as of April 1, 2020 | 3,670,619 | 1,066,160,802 | 32,752,811 | 4,629,519 | 1,107,213,751 |
| Additions during the year | 1,376,517 | 4,772,775 | 943,370 | - | 7,092,662 |
| Balance as of March 31, 2021 | 5,047,136 | 1,070,933,577 | 33,696,181 | 4,629,519 | 1,114,306,413 |
| Additions during the year | 2,462,511 | 15,805,030 | 2,485,825 | - | 20,753,366 |
| Transfer during the year | - | 762,379 | - | (762,379) | - |
| Balance as of March 31, 2022 | 7,509,647 | 1,087,500,986 | 36,182,006 | 3,867,140 | 1,135,059,779 |
| <u>Accumulated depreciation and impairment loss:</u> | | | | | |
| Balance as of April 1, 2020 | 3,670,619 | 852,189,541 | 29,475,171 | - | 885,335,331 |
| Depreciation for the year | 22,669 | 17,573,087 | 382,567 | - | 17,978,323 |
| Impairment loss | - | 93,369,022 | - | - | 93,369,022 |
| Balance as of March 31, 2021 | 3,693,288 | 963,313,650 | 29,857,738 | - | 996,682,676 |
| Depreciation for the year | 375,096 | 12,934,377 | 618,838 | - | 13,928,311 |
| Balance as of March 31, 2022 | 4,068,384 | 976,066,027 | 30,476,576 | - | 1,010,610,987 |
| Net book value as of March 31, 2021 | 1,353,848 | 107,801,927 | 3,838,443 | 4,629,519 | 117,623,737 |
| Net book value as of March 31, 2022 | 3,441,263 | 111,434,959 | 5,705,430 | 3,867,140 | 124,448,792 |

- During the year, the Company capitalized the salaries of its internal technicians at SAR 1.43 million (For the year ended March 31, 2021: SAR 1.21 million).

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5. PROPERTY AND EQUIPMENT (CONTINUED)

Allocating depreciation to operating cost:

| | For The Year Ended March 31, | |
|----------------------------|-------------------------------------|-------------------|
| | 2022 | 2021 |
| Cost of Revenue | 12,959,073 | 17,451,001 |
| General and Administrative | 969,238 | 527,322 |
| | 13,928,311 | 17,978,323 |

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 2022. 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 for current year and previous year 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 ten 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 ten years.

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6. INTANGIBLE ASSETS

| | License Note (6.1) | Network capacity Note (6.2) | Software | Total |
|--|-----------------------|--------------------------------|-------------------|--------------------|
| Cost: | | | | |
| Balance as of April 1, 2020 | 527,904,000 | 580,929,926 | 52,164,807 | 1,160,998,733 |
| Disposals during the year | - | (415,076,586) | - | (415,076,586) |
| Balance as of March 31, 2021 | 527,904,000 | 165,853,340 | 52,164,807 | 745,922,147 |
| Additions during the year | - | 2,528,000 | - | 2,528,000 |
| Balance as of March 31, 2022 | 527,904,000 | 168,381,340 | 52,164,807 | 748,450,147 |
| Accumulated Amortization | | | | |
| Balance as of April 1, 2020 | 199,623,912 | 208,364,069 | 51,995,010 | 459,982,991 |
| Amortization for the year | 11,320,003 | 32,378,626 | 97,031 | 43,795,660 |
| Disposals during the year | - | (122,880,092) | - | (122,880,092) |
| Balance as of March 31, 2021 | 210,943,915 | 117,862,603 | 52,092,041 | 380,898,559 |
| Amortization for the year | 11,320,023 | 11,620,768 | 72,766 | 23,013,557 |
| Balance as of March 31, 2022 | 222,263,938 | 129,483,371 | 52,164,807 | 403,912,116 |
| Net book value as of March 31, 2021 | 316,960,085 | 47,990,737 | 72,766 | 365,023,588 |
| Net book value as of March 31, 2022 | 305,640,062 | 38,897,969 | - | 344,538,031 |

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

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

6.3 Allocating amortization to operating cost:

| | For The Year Ended March 31, | |
|----------------------------|------------------------------|-------------------|
| | 2022 | 2021 |
| Cost of Revenue | 11,620,783 | 32,378,630 |
| General and Administrative | 11,392,774 | 11,417,030 |
| | 23,013,557 | 43,795,660 |

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7. Leases

7.1 RIGHT OF USE ASSETS

| | Tower Sites* | Telecommunication Towers | Building & Warehouses | Total |
|--|---------------------|---------------------------------|----------------------------------|--------------------|
| Cost: | | | | |
| Balance as of April 1, 2020 | 308,901,400 | 848,222 | 997,977 | 310,747,599 |
| Additions during the year | 13,306,064 | - | 13,129,243 | 26,435,307 |
| Balance as of March 31, 2021 | 322,207,464 | 848,222 | 14,127,220 | 337,182,906 |
| Disposals during the year* | (139,807,996) | - | - | (139,807,996) |
| Balance as of March 31, 2022 | 182,399,468 | 848,222 | 14,127,220 | 197,374,910 |
| Accumulated depreciation: | | | | |
| Balance as of April 1, 2020 | 49,850,223 | 175,416 | 447,734 | 50,473,373 |
| Amortization for the year** | 35,651,678 | 175,416 | 2,074,701 | 37,901,795 |
| Balance as of March 31, 2021 | 85,501,901 | 350,832 | 2,522,435 | 88,375,168 |
| Amortization for the year** | 27,551,379 | 175,416 | 2,331,891 | 30,058,686 |
| Disposals during the year* | (38,337,646) | - | - | (38,337,646) |
| Balance as of March 31, 2022 | 74,715,634 | 526,248 | 4,854,326 | 80,096,208 |
| Net book value as of March 31, 2021 | 236,705,563 | 497,390 | 11,604,785 | 248,807,738 |
| Net book value as of March 31, 2022 | 107,683,834 | 321,974 | 9,272,894 | 117,278,702 |

* This amount reflect the right of use contract signed with sites landlords, the Company canceled some tower contracts (unutilized 543 tower contracts) during the year ended 31 March 2022.

** Allocating amortization to operating cost:

| | For The Year Ended March 31, | |
|----------------------------|-------------------------------------|-------------------|
| | 2022 | 2021 |
| Cost of Revenue | 27,726,795 | 35,827,094 |
| General and Administrative | 2,331,891 | 2,074,701 |
| | 30,058,686 | 37,901,795 |

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7.2 Lease Liability

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

| | As of March 31, | |
|---|------------------------|--------------------|
| | 2022 | 2021 |
| Balance at the beginning of the year | 363,671,598 | 363,195,887 |
| Additions during the year | - | 26,435,307 |
| Disposals during the year | (101,117,678) | - |
| Finance cost | 8,606,944 | 12,454,822 |
| Paid during the year | (29,763,511) | (20,414,418) |
| Settlement during the year | (5,231,418) | - |
| Lease liability transferred to payables | (48,018,765) | - |
| Lease liability offset during the year | - | (18,000,000) |
| Lease liability at the end of the year | 188,147,170 | 363,671,598 |
| Current portion | 55,644,169 | 113,417,377 |
| Non-current portion | 132,503,001 | 250,254,221 |
| | 188,147,170 | 363,671,598 |

7.3 Amounts recognized in profit or loss

| | For The Year Ended March 31, | |
|-----------------------------|-------------------------------------|-------------------|
| | 2022 | 2021 |
| Amortization for the year | 30,058,686 | 37,901,795 |
| Interest on lease liability | 8,606,944 | 12,454,822 |
| | 38,665,630 | 50,356,617 |

7.4 Amounts recognized in statement of cash flows

| | For The Year Ended March 31, | |
|-------------------------------|-------------------------------------|--------------|
| | 2022 | 2021 |
| Total cash outflow for leases | (29,763,511) | (20,414,418) |

8. INVENTORIES

| | As of March 31, | |
|---|------------------------|-------------------|
| | 2022 | 2021 |
| Customer Premises Equipment and USB Dongles | 14,221,085 | 21,181,881 |
| Spare parts | 7,709,004 | 2,153,979 |
| Prepaid cards | 171,261 | 171,261 |
| | 22,101,350 | 23,507,121 |
| Provision for obsolete and slow moving inventories* | (13,950,512) | (13,950,512) |
| | 8,150,838 | 9,556,609 |

* There were no movement on the provision for obsolete and slow moving inventories during the year.

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9. TRADE RECEIVABLES

| | Note | As of March 31, | |
|------------------------------------|-------------|------------------------|--------------------|
| | | 2022 | 2021 |
| Trade receivables | 9.1 | 229,198,496 | 291,681,785 |
| Less: Provision of impairment loss | 9.3 | (111,517,667) | (103,931,807) |
| | | 117,680,829 | 187,749,978 |

9.1 Trade receivables include an amount of SAR 841,492 (31 March 2021: SAR 47,944,492) due from related parties. (Note 28).

9.2 Ageing analysis of trade receivables as follows:

| Aging Bracket | As of March 31, 2022 | | | As of March 31, 2021 | | |
|----------------------|-----------------------------|-----------------------------|-----------------------|-----------------------------|-----------------------------|-----------------------|
| | Gross Amount | Expected Credit Loss | ECL Percentage | Gross Amount | Expected Credit Loss | ECL Percentage |
| Not Due | 39,608,683 | 1,870,035 | 4.72% | 94,354,458 | 4,648,484 | 4.93% |
| 1 to 90 days | 40,505,221 | 5,264,042 | 13.00% | 35,322,543 | 2,469,081 | 6.99% |
| 91 to 180 days | 27,478,161 | 3,026,793 | 11.02% | 19,527,480 | 2,137,051 | 10.94% |
| 181 to 270 days | 7,193,385 | 2,914,619 | 40.52% | 9,900,864 | 1,845,408 | 18.64% |
| 271 to 360 days | 7,074,453 | 2,267,308 | 32.05% | 5,134,880 | 1,492,861 | 29.07% |
| More than 360 days | 107,338,593 | 96,174,870 | 89.60% | 127,441,560 | 91,338,922 | 71.67% |
| Total | 229,198,496 | 111,517,667 | | 291,681,785 | 103,931,807 | |

9.3 Movement in Impairment loss is as follows:

| | 2022 | 2021 |
|----------------------------------|--------------------|--------------------|
| Balance at beginning of the year | 103,931,807 | 85,723,673 |
| Charge for the year | 7,585,860 | 18,208,134 |
| Balance at end of the year | 111,517,667 | 103,931,807 |

10. OTHER CURRENT ASSETS

| | As of March 31, | |
|---|------------------------|-------------------|
| | 2022 | 2021 |
| Margins held by banks against letters of guarantee issued | 20,522,281 | 15,458,941 |
| Advances to suppliers | 20,695,049 | 10,825,459 |
| Prepayments | 731,505 | 7,266,520 |
| Advances to employees | 646,867 | 623,962 |
| Other receivables | 7,498,581 | 1,096,096 |
| | 50,094,283 | 35,270,978 |

11. CASH AND CASH EQUIVALENTS

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

12. STATUTORY RESERVE

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

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13. ACCOUNTS PAYABLE

| | Note | As of March 31, | |
|---------------------------------------|-------------|------------------------|--------------------|
| | | 2022 | 2021 |
| Due to a major vendor | | 258,080,960 | 222,452,115 |
| Due to related parties | 28 | - | 31,606,034 |
| Other vendors | | 114,975,401 | 117,749,534 |
| Balance at the end of the year | | 373,056,361 | 371,807,683 |
| | | | |
| Current-portion | | 188,043,443 | 160,224,327 |
| Non-current portion | 13.1 | 185,012,918 | 211,583,356 |
| | | 373,056,361 | 371,807,683 |

13.1 Movement in non-current portion is as follows:

| | | March 31, 2022 | | |
|--|------------------------|-----------------------|-------------------|--------------------|
| | Opening Balance | Major Vendor* | CITC** | Total |
| Balance at beginning of the year | 370,000,000 | 211,583,356 | - | 211,583,356 |
| Undiscounted balance at January 31, 2022 | - | - | 22,230,483 | 22,230,483 |
| Discount from present value calculation | (35,860,133) | - | (1,602,644) | (1,602,644) |
| Moved to Current Liability | - | (49,000,000) | (7,410,156) | (56,410,156) |
| Unwinding of discount during the year | 2,443,489 | 10,205,622 | 241,299 | 10,446,921 |
| Paid during the year | (125,000,000) | - | (1,235,042) | (1,235,042) |
| Balance at end of the year | 211,583,356 | 172,788,978 | 12,223,940 | 185,012,918 |

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

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

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14. EMPLOYEES' DEFINED BENEFIT OBLIGATION

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

| | Note | March 31, 2022 | March 31, 2021 |
|--|------|------------------|------------------|
| Balance at beginning of the year | | 8,332,000 | 8,310,000 |
| Current service cost | | 1,112,000 | 1,017,000 |
| Interest cost | | 335,000 | 315,000 |
| Amount recognized in profit or loss account | | 1,447,000 | 1,332,000 |
| Re-measurement loss recognized in other comprehensive loss | 14.2 | 343,658 | 743,594 |
| Benefits paid during the year | | (1,278,658) | (2,053,594) |
| Balance at the end of the year | | 8,844,000 | 8,332,000 |

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

| | March 31, 2022 | March 31, 2021 |
|---|------------------|------------------|
| Gain resulting from the change in financial assumptions | - | - |
| Loss resulting from experience adjustments | (343,658) | (743,594) |
| Actuarial loss | (343,658) | (743,594) |

14.3 Principal actuarial assumptions

The following were the principal actuarial assumptions:

| | March 31, 2022 | March 31, 2021 |
|-----------------------------------|----------------|----------------|
| <u>Key actuarial assumptions:</u> | | |
| Discount rate used | 3.80% | 3.80% |
| Future growth in salary | 0.50% | 0.50% |
| <u>Demographic assumptions:</u> | | |
| Retirement Age | 60 years | 60 years |

14.4 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:

| | March 31, 2022 | | March 31, 2021 | |
|------------------------------------|----------------|-----------|----------------|-----------|
| | Increase | Decrease | Increase | Decrease |
| Discount rate (1% movement) | 8,399,000 | 9,347,000 | 7,907,000 | 8,815,000 |
| Future salary growth (1% movement) | 9,360,000 | 8,381,000 | 8,826,000 | 7,890,000 |

14.5 Risks associated with defined benefit plans

Longevity risks:

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

Salary increase risk:

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

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15. DECOMMISSIONING PROVISION

| | Note | As of March 31, | |
|---------------------------------------|-------------|------------------------|------------------|
| | | 2022 | 2021 |
| Balance at the beginning of the year | | 3,212,937 | 3,094,644 |
| Unwinding of discount for the year | 24 | 122,878 | 118,293 |
| Balance at the end of the year | | 3,335,815 | 3,212,937 |

16. OTHER CURRENT LIABILITIES

| | Note | As of March 31, | |
|-----------------------------|-------------|------------------------|--------------------|
| | | 2022 | 2021 |
| Government fees | 16.1 | 73,819,740 | 70,888,106 |
| Accrued expenses | | 38,904,552 | 24,656,720 |
| Employees' related expenses | | 22,295,785 | 9,127,062 |
| Voice interconnection | | 1,145,465 | 1,495,900 |
| Electricity | | 528,530 | 615,726 |
| Capacity lease | | - | 5,303,892 |
| | | 136,694,072 | 112,087,406 |

16.1 This represents amounts accrued in respect of royalty fees payable to CITC. As more fully explained in (Note 28a).

17. DEFERRED INCOME

This represent amounts billed/collected in advance from customers and will be recognized as revenue over the service period. Revenue recognized during the year that was included in the deferred income balance amounted to SAR 43.98 million (For the year ended March 31, 2021: SAR 29.01 million).

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18. PROVISION FOR ZAKAT AND TAX

18.1 Movement:

Movement in provision for zakat and tax is as follows:

| | As of March 31, | |
|--|------------------------|-------------------|
| | 2022 | 2021 |
| Balance at beginning of the year | 27,398,958 | 2,698,958 |
| Zakat charge during the year | 2,784,695 | 4,504,856 |
| Income tax charge during the year | - | 37,256 |
| Paid During the Year | (12,784,410) | - |
| Provision of Zakat assessment related to prior years | - | 20,157,888 |
| Balance at end of the year | 17,399,243 | 27,398,958 |

18.2 Computation of zakat

| | For The Year Ended March 31, | |
|---|-------------------------------------|--------------------|
| | 2022 | 2021 |
| Adjusted profit (loss) | | |
| Net loss for the year | (34,615,191) | (13,558,894) |
| Adjustments: provisions and others | (4,761,675) | 112,909,156 |
| Adjusted loss for the year | (39,376,866) | 99,350,262 |
| Saudi / GCC shareholders' share of adjusted (loss) / profit 96% | (19,242,399) | 99,101,886 |
| Additions | | |
| Share capital* | 228,529,000 | 228,529,000 |
| Long term payables | 196,833,647 | 301,985,784 |
| Provisions | 221,517,621 | 105,930,591 |
| Lease liabilities | 188,147,170 | 344,796,051 |
| | 835,027,438 | 981,241,426 |
| Deductions | | |
| Accumulated losses at beginning of year | (116,789,639) | (77,787,152) |
| Net book value of property and equipment at end of year | (586,265,525) | (824,824,085) |
| | 131,972,274 | 78,630,189 |
| Share of Saudi / GCC shareholders 96% | 126,693,383 | 78,433,614 |
| Saudi / GCC shareholders' share of adjusted profit | 130,630,183 | 99,101,886 |
| Zakat base | 111,387,783 | 177,535,500 |
| Zakat charge for the year | 2,784,695 | 4,504,856 |

* Zakat is calculated based on the capital before reduction as the reduced share capital did not complete one year.

- Zakat is calculated based on the adjusted net profit or the zakat base, whichever is higher.

- Zakat is calculated from the adjusted net profit at 2.5%, while the zakat base is calculated from the zakat base less the adjusted net profit at 2.57768% and 2.5% from the adjusted net profit. (March 31, 2021: zakat is calculated from the adjusted net profit at 2.584745% of the zakat base after deducting adjusted net income and 2.5%).

18.3 Computation of income tax:

| | For The Year Ended March 31, | |
|--|-------------------------------------|----------------|
| | 2022 | 2021 |
| Non-Saudi / GCC shareholders' share of adjusted (loss) / profit 4% | (1,575,075) | 248,376 |
| Deductions | | |
| Accumulated losses at beginning of year | - | (62,094) |
| Tax base | (1,575,075) | 186,282 |
| Tax charge for the year (20%) | - | 37,256 |

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18. PROVISION FOR ZAKAT AND TAX (continued)

18.4 Zakat Expense Appeared on The Statement of Profit or Loss:

| | For The Year Ended March 31, | |
|--|-------------------------------------|-------------------|
| | 2022 | 2021 |
| Zakat charge during the year | 2,784,695 | 4,504,856 |
| Income tax charge during the year | - | 37,256 |
| Provision of Zakat assessment related to prior years | - | 20,157,888 |
| Total charged during the year | 2,784,695 | 24,700,000 |

18.5 Zakat and tax status

The Company has filed its Zakat and tax return with the Zakat, Tax and Customs Authority ("ZATCA") for the years up to March 31, 2021, and the company is in process of filling the tax and zakat declaration with ZATCA for the year ended 31 March 2022.

- In July 2015, the ZATCA raised zakat and withholding tax (WHT) assessment for the years 2010 to 2012 amounting to SAR 17.43 million and SAR 0.83 million respectively. The Company filed an appeal with the ZATCA against the assessments in August 2015. In response to an appeal filed by the Company, the Preliminary Appeal Committee (PAC) issued a ruling in October 2016 based on which the Company's zakat liability was reduced to SAR 6.98 million while the WHT liability remained the same at SAR 0.83 million. The Company was also liable to pay a fine of SAR 0.6 million as per the PAC ruling, on making delay in the payment of WHT.
- In December 2016, the Company filed an appeal to the Higher Appeal Committee (HAC) against the PAC ruling in relation to zakat and imposition of a delay fine on WHT. However, the Company has settled the WHT liability of SAR 0.83 million and the related fine of SAR 0.6 million with the ZATCA. In March 2022 the company received a decision on the appeal from The First Appeals Chamber for Income Tax Interventions and Disputes mentioned that some points were accepted and others were rejected, and the Company raised an appeal to the General Secretariat of Tax Committees and no feedback was received yet.
- The ZATCA has not issued any assessment up to date with relation to the year 2013.
- In July 2020, the ZATCA raised the zakat assessment for the year 2014 by an additional amount of SAR 5.53 million. In September 2020, the Company objected against the assessment raised by the ZATCA. In December 2020, the ZATCA revised the additional amount to become SAR 5.44 million. However, the Company filed an appeal with the General Secretariat of Tax Committees ("GSTC") against the ZATCA's response received on the objection. The GSTC is on hold since the Company went for a settlement with the Settlement of Zakat and Tax Disputes Committee in August 2021 and the Company attended a hearing record with the settlement committee, and the settlement committee sent the Company a proposal for the years 2014, 2015, 2016, 2017, and 2018.
- In December 2020, the ZATCA raised zakat and tax assessment for the fiscal years 2015, 2016, 2017, and 2018 with an additional amount of SAR 4.089 million, SAR 4.57 million, SAR nil, and SAR 18 million respectively. In February 2021, the Company objected against the assessment raised by the ZATCA, and in July 2021, the ZATCA revised the additional amount for the fiscal year 2015 to become 4.087 million Saudi riyals, the additional amount for the fiscal year 2016 to become 4.44 million Saudi riyals and the additional amount related to the fiscal year 2018 to become 9.28 million Saudi riyals. However, the Company filed an appeal with the General Secretariat of Tax Committees ("GSTC") against the ZATCA's response received on the objection. The GSTC is on hold since the Company went for a settlement with the Settlement of Zakat and Tax Disputes Committee in August 2021 and the Company attended a hearing record with the Settlement Committee, and the Settlement Committee sent the Company a proposal to pay SAR 20.85 million for the years 2014, 2015, 2016, 2017, and 2018, and the Company accepted the proposal. The Company paid a 20% amount of SAR 4.17 million on the accepted proposal and the remaining SAR 16.68 million will be paid in four equal quarterly installments starting from March 2022.
- In October 2021 the ZATCA raised the zakat assessment for the year 2019 with an amount of zero SAR, which matched the filed form for the year, and as of the date of this financial statement, no zakat assessment for the year 2020 has been received from ZATCA yet.
- The first installment of an amount of SAR 4.17 million was paid in March 2022.
- The Company is in process of filling the tax and zakat declaration with ZATCA for the year ended March 31, 2022 with an expected zakat provision of SAR 2.78 million.

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

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19. REVENUE

19.1 Revenue per Service,

| | For The Year Ended March 31, | |
|------------------------------|-------------------------------------|--------------------|
| | 2022 | 2021 |
| Usage and activation revenue | 300,457,599 | 249,183,505 |
| Voice revenue | 78,096,166 | 32,916,164 |
| | 378,553,765 | 282,099,669 |

19.2 Timing of revenue recognition

| | For The Year Ended March 31, | |
|----------------------|-------------------------------------|--------------------|
| | 2022 | 2021 |
| Recognized over time | 368,609,005 | 279,002,297 |
| At a point in time | 9,944,760 | 3,097,372 |
| | 378,553,765 | 282,099,669 |

20. COST OF REVENUE

| | Note | For The Year Ended March 31, | |
|--|-------------|-------------------------------------|----------------------|
| | | 2022 | 2021 (Note31) |
| Capacity lease charges | | 111,611,658 | 73,076,942 |
| Depreciation and amortization | 5,6,7 | 52,306,651 | 85,656,725 |
| Voice interconnection charges | | 42,932,941 | 6,217,823 |
| Government fees | | 30,549,622 | 22,863,519 |
| Inventory consumption and installation | | 21,591,389 | 11,734,881 |
| Employees' costs | | 19,094,434 | 14,605,182 |
| Network maintenance and support | | 3,550,474 | 7,883,227 |
| Site rentals and utilities | | 2,765,453 | 1,638,507 |
| Other | | 2,307,378 | 3,053,727 |
| | | 286,710,000 | 226,730,533 |

21. SELLING AND MARKETING EXPENSES

| | For The Year Ended March 31, | |
|---------------------|-------------------------------------|-------------------|
| | 2022 | 2021 |
| Employees' costs | 28,386,000 | 21,264,300 |
| Dealers' commission | 17,371,432 | 11,246,492 |
| Customer care | 1,872,367 | 1,996,307 |
| Other | 259,508 | 91,821 |
| | 47,889,307 | 34,598,920 |

22. GENERAL AND ADMINISTRATIVE EXPENSES

| | Note | For The Year Ended March 31, | |
|--------------------------------------|-------------|-------------------------------------|----------------------|
| | | 2022 | 2021 (Note31) |
| Employees' costs | | 37,792,803 | 12,986,286 |
| Depreciation and amortization | 5,6,7 | 14,693,903 | 14,019,053 |
| Network maintenance and support | | 6,551,828 | 4,365,071 |
| Medical, visa and iqama charges | | 2,734,720 | 2,629,449 |
| Professional and consultancy charges | | 6,507,154 | 1,690,983 |
| Utilities charges | | 129,253 | 1,079,020 |
| Computer accessories and software | | 182,641 | 184,377 |
| Other | | 12,623,515 | 6,959,549 |
| | | 81,215,817 | 43,913,788 |

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23. OTHER INCOME

| | For The Year Ended March 31, | |
|---|-------------------------------------|--------------------|
| | 2022 | 2021 |
| Settlements with vendors and operators, net | 29,632,646 | 101,132,388 |
| Support fund | 4,385,934 | - |
| Loss from disposal of lease contracts | (352,672) | - |
| Government Penalties | (5,007,577) | - |
| Others | 696,148 | 1,035,970 |
| | 29,354,479 | 102,168,358 |

24. FINANCE (COST) INCOME, NET

| | Note | For The Year Ended March 31, | |
|--|-------------|-------------------------------------|-------------------|
| | | 2022 | 2021 |
| Finance income | 13.1 | 1,602,644 | 35,890,210 |
| Interest cost on lease liabilities | 7.2 | (8,606,944) | (12,454,822) |
| Unwinding of discount on long term liabilities | 13.1 | (10,446,921) | (2,845,822) |
| Net interest on defined benefit liability | 14.1 | (335,000) | (315,000) |
| Guarantee fee to the founding shareholders | | - | (7,312) |
| Unwinding of provision for dismantling cost | 15 | (122,878) | (118,293) |
| Others | | (1,213,352) | (1,155,485) |
| | | (19,122,451) | 18,993,476 |

25. LOSS PER SHARE

| | For The Year Ended March 31, | |
|--|-------------------------------------|---------------|
| | 2022 | 2021 |
| Net loss for the year | (37,399,886) | (38,258,894) |
| Weighted average number of shares for the year | 20,272,067 | 20,272,067 |
| Basic and diluted loss per share | (1.84) | (1.89) |

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

26. CONTINGENCIES

Contingencies

Letter of guarantees

The Company's banks have issued letters of guarantees amounting to SAR 50 million (March 31, 2021: 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 August 26, 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 January 31, 2018, the CITC has revised the calculation of the royalty fee to include internet services.

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27. SEGMENTAL INFORMATION

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

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

- **Voice** comprise of local and international calls including interconnection.
- **Data** comprise of internet broadband services provided to business-to-business (B2B) and business-to-consumer (B2C).
- **Unallocated** represents others which cannot be attributed to any of the reported operating segment.
- **E-Commerce** transactions are not material during the year-end financial statements. The Company will continuously assess e-commerce transactions materiality.

| | As of March 31, 2022 | | | |
|------------------------|----------------------|-------------|-------------|-------------|
| | Voice | Data | Unallocated | Total |
| Segment assets | | | | |
| Property and equipment | 3,249,584 | 121,199,208 | - | 124,448,792 |
| Intangible assets | 8,996,514 | 335,541,517 | - | 344,538,031 |
| Right of use assets | 3,062,360 | 114,216,342 | - | 117,278,702 |
| Total assets | 83,163,422 | 762,284,605 | - | 845,448,027 |
| Total liabilities | 403,741,782 | 367,710,430 | - | 771,452,211 |

| | For The Year Ended March 31, 2022 | | | |
|--------------------------------------|-----------------------------------|---------------|---------------|---------------|
| | Voice | Data | Unallocated | Total |
| Segment revenue and costs | | | | |
| Revenue | 78,096,165 | 300,457,600 | - | 378,553,765 |
| Cost of services | (11,437,239) | (275,272,761) | - | (286,710,000) |
| Gross profit | 66,658,926 | 25,184,839 | - | 91,843,765 |
| Selling and marketing expenses | - | - | (47,889,307) | (47,889,307) |
| Impairment loss on trade receivables | - | - | (7,585,860) | (7,585,860) |
| General and administrative expenses | - | - | (81,215,817) | (81,215,817) |
| Other income, net | - | - | 29,354,479 | 29,354,479 |
| Finance cost, net | - | - | (19,122,451) | (19,122,451) |
| Zakat and income tax | - | - | (2,784,695) | (2,784,695) |
| Net profit (loss) | 66,658,926 | 25,184,839 | (129,243,651) | (37,399,886) |

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27. SEGMENTAL INFORMATION (CONTINUED)

| | As of March 31, 2021 | | | Total |
|------------------------|----------------------|---------------|-------------|----------------------|
| | Voice | Data | Unallocated | |
| Segment assets | | | | |
| Property and equipment | 5,509,404 | 205,483,355 | - | 210,992,759 |
| Intangible assets | 9,531,428 | 355,492,160 | - | 365,023,588 |
| Right of use assets | 6,496,822 | 242,310,916 | - | 248,807,738 |
| Total assets | 123,495,867 | 1,005,018,450 | - | 1,128,514,317 |
| Total liabilities | 301,893,275 | 621,512,660 | - | 923,405,935 |

| | For The Year Ended March 31, 2021 | | | Total |
|--------------------------------------|-----------------------------------|---------------------|------------------|----------------------|
| | Voice | Data | Unallocated | |
| Segment revenue and costs | | | | |
| Revenue | 32,916,164 | 249,183,505 | - | 282,099,669 |
| Cost of services | (9,044,578) | (217,685,955) | - | (226,730,533) |
| Gross profit | 23,871,586 | 31,497,550 | - | 55,369,136 |
| Selling and marketing expenses | - | - | (34,598,920) | (34,598,920) |
| Impairment loss on trade receivables | - | - | (18,208,134) | (18,208,134) |
| Impairment in PPE | (2,438,035) | (90,930,987) | - | (93,369,022) |
| General and administrative expenses | - | - | (43,913,788) | (43,913,788) |
| Other income | - | - | 102,168,358 | 102,168,358 |
| Finance income, net | - | - | 18,993,476 | 18,993,476 |
| Zakat and income tax | - | - | (24,700,000) | (24,700,000) |
| Net profit (loss) | 21,433,551 | (59,433,437) | (259,008) | (38,258,894) |

Information about geographical segmentation
Geographical segmentation of revenues (Note 19)

| | For The Year Ended March 31, | |
|---------------------------------|------------------------------|--------------------|
| | 2022 | 2021 |
| Kingdom of Saudi Arabia | 336,967,556 | 264,985,966 |
| Outside Kingdom of Saudi Arabia | 41,586,209 | 17,113,703 |
| | 378,553,765 | 282,099,669 |

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28. 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.

A. Statement of Profit or Loss and Other Comprehensive Income:

Significant transactions entered into with related parties are as follows:

| <u>Related parties name</u> | <u>Relationship</u> | <u>Nature of transaction</u> | <u>For the year ended</u> | |
|--|---------------------|------------------------------|---------------------------|------------------|
| | | | <u>31-Mar-22</u> | <u>31-Mar-21</u> |
| | | Data revenue | 1,082,090 | 3,895,043 |
| Bahrain Telecommunication Company | Major Shareholder | Interconnection revenue | 189,140 | 3,046,516 |
| | | Interconnection cost | 4,418,193 | 1,123,594 |
| | | Settlement absorbed expenses | 3,652,886 | - |
| Bithar Trading Company Limited* | Affiliate | Data revenue | 66,051 | 276,919 |
| Atheeb Saudi Intergraph Company Limited* | Affiliate | Data revenue | 58,296 | 189,660 |
| Saudi Arabian Marketing and Agencies Limited** | Affiliate | Data revenue | 56,464 | 643,662 |
| Etihad Shams Company Limited* | Affiliate | Data revenue | 5,947 | 30,141 |
| Atheeb Maintenance and Services limited* | Affiliate | Data revenue | - | 20,160 |
| Founding shareholders | - | Guarantee fee | - | 18,915 |

B. Statement of Financial Position:

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

| <u>Due from related parties</u> | <u>Relationship</u> | <u>As of March 31,</u> | |
|--|---------------------|------------------------|-------------------|
| | | <u>2022</u> | <u>2021</u> |
| Bahrain Telecommunications Company*** | Major Shareholder | 841,493 | 42,556,016 |
| Bithar Trading Company Limited* | Affiliate | - | 735,148 |
| Saudi Arabian Marketing and Agencies Limited | Affiliate | - | 4,460,352 |
| Atheeb Saudi Intergraph Company Limited | Affiliate | - | 94,930 |
| Atheeb Maintenance and Services | Affiliate | - | 86,068 |
| Etihad Shams Company Limited | Affiliate | - | 11,978 |
| | | <u>841,493</u> | <u>47,944,492</u> |

| <u>Due to related parties</u> | <u>Relationship</u> | <u>As of March 31,</u> | |
|--|---------------------|------------------------|-------------------|
| | | <u>2022</u> | <u>2021</u> |
| Bahrain Telecommunications Company*** | Major Shareholder | - | 29,710,737 |
| Bithar Trading Company Limited* | Affiliate | - | 53,381 |
| Traco Company Trading and Contracting Company | Affiliate | - | 924,988 |
| Saudi Internet Company Limited | Affiliate | - | 213,216 |
| Bithar Communications & Information Technology Company Limited | Affiliate | - | 265,716 |
| Atheeb Maintenance and Services Company Limited | Affiliate | - | 265,716 |
| Al Nahla Trading and Contracting Company Limited** | Affiliate | - | 172,280 |
| | | <u>-</u> | <u>31,606,034</u> |

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28. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

B. Statement of Financial Position (Continued):

*Bithar Trading Company Limited has sold all of its shares in the Company on June 30, 2021; accordingly, Bithar Trading Company Limited and its related affiliate companies became non-related parties after that date.

**Al Nahla Trading and Contracting Company Limited has sold all of its shares in the Company on July 2021, accordingly Al Nahla Trading and Contracting Company Limited and its related affiliate companies became non-related parties after that date.

*** In the ordinary course of business, the Company enters into transactions with Bahrain Telecommunication Company on terms approved by the Board of Directors of the Company. As a result of the previous years' transactions there is a difference in the balance with Bahrain Telecommunications Company by SAR 8.5 million as of March 31, 2021 due to the difference in interconnection and data services. In December 2021, the Company reached a settlement with Bahrain Telecommunication Company to close all differences and offset the receivable balances with payable balances.

C. Transactions with key management personnel:

Key management personnel compensation comprised of the following:

| | <u>31 March 2022</u> | <u>31 March 2021</u> |
|------------------------------|----------------------|----------------------|
| Short-term employee benefits | 17,231,104 | 3,740,724 |
| Long-term employee benefits | 1,248,750 | - |
| End of service | 1,406,662 | 1,261,368 |
| | <u>19,886,516</u> | <u>5,002,092</u> |

Compensation of the Company's key management personnel includes salaries, bonuses and end of service benefit.

29. FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT

i. Financial risk management

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

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

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

Risk Management framework

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

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

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29. FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT (continued)

Risk Management framework (continued)

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

Credit risk

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

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

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

| | As of March 31, | |
|-------------------------------------|------------------------|--------------------|
| | 2022 | 2021 |
| Trade receivables (note 9) | 117,680,829 | 187,749,978 |
| Other current assets (note 10) | 49,362,778 | 28,004,458 |
| Cash and cash equivalents (note 11) | 83,256,552 | 71,112,667 |
| | 250,300,159 | 286,867,103 |

Trade receivables:

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

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

| 2022 | Government | Non-government | Total |
|-----------------------------|-------------------|-----------------------|--------------------|
| Not past due | 2,812,112 | 34,926,536 | 37,738,648 |
| Past due: | | | |
| 1-180 days | 9,177,804 | 50,514,743 | 59,692,547 |
| Over 180 days | 5,874,046 | 14,375,588 | 20,249,634 |
| Total net trade receivables | 17,863,962 | 99,816,867 | 117,680,829 |
| 2021 | Government | Non-government | Total |
| Not past due | 1,058,276 | 88,647,699 | 89,705,975 |
| Past due: | | | |
| 1-180 days | 5,530,648 | 44,713,242 | 50,243,890 |
| Over 180 days | 5,170,183 | 42,629,930 | 47,800,113 |
| Total net trade receivables | 11,759,107 | 175,990,871 | 187,749,978 |

Cash and cash equivalents:

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

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

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.

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 March 31, 2022, the Company's current liabilities exceed its current assets by SAR 182.57 million (March 31, 2021: SAR 146.33 million).

Analysis of financial liabilities by remaining contractual maturities

The Company has a major payable representing 68% of total accounts payable as at March 31, 2022. The rest of the balances do not have significant concentration risk, with exposure spread over large number of counterparties.

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

| <u>2022</u> | <u>Within 1</u> <u>Year</u> | <u>1 to 5</u> <u>Years</u> | <u>More than 5</u> <u>Years</u> | <u>Total</u> |
|----------------------------|--|---|--|---------------------|
| Accounts payable | 188,043,443 | - | - | 188,043,443 |
| Long term accounts payable | - | 209,585,286 | - | 209,585,286 |
| Other current liabilities | 136,694,072 | - | - | 136,694,072 |
| Lease liability | 55,644,169 | 126,286,681 | 25,257,336 | 207,188,186 |
| | 380,381,684 | 335,871,967 | 25,257,336 | 741,510,987 |
| <u>2021</u> | <u>Within 1</u> <u>Year</u> | <u>1 to 5</u> <u>Years</u> | <u>More than 5</u> <u>Years</u> | <u>Total</u> |
| Accounts payable | 160,224,327 | - | - | 160,224,327 |
| Long term accounts payable | - | 245,000,000 | - | 245,000,000 |
| Other current liabilities | 112,087,406 | - | - | 112,087,406 |
| Lease liability | 113,417,377 | 199,225,365 | 79,690,145 | 392,332,887 |
| | 385,729,110 | 444,225,365 | 79,690,145 | 909,644,620 |

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

Market risk

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

- Currency risk

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

- Commission rate risk

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

ii. Fair Value levels

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

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

| As of March 31, 2022 | | | | |
|------------------------------|-------------|------------|---------|---------|
| | Book value | Fair value | | |
| | | Level 1 | Level 2 | Level 3 |
| SAR | | | | |
| Financial Assets | | | | |
| Trade receivables | 117,680,829 | - | - | - |
| Other current assets | 50,094,283 | - | - | - |
| Cash and cash equivalents | 83,256,552 | - | - | - |
| Financial Liabilities | | | | |
| Accounts payable | 188,043,443 | - | - | - |
| Other current liabilities | 136,694,072 | - | - | - |
| Long term accounts payable | 185,012,918 | | | |
| As of March 31, 2021 | | | | |
| | Book value | Fair value | | |
| | | Level 1 | Level 2 | Level 3 |
| SAR | | | | |
| Financial Assets | | | | |
| Trade receivables | 187,749,978 | - | - | - |
| Other current assets | 35,270,978 | - | - | - |
| Cash and cash equivalents | 71,112,667 | - | - | - |
| Financial Liabilities | | | | |
| Accounts payable | 160,224,327 | - | - | - |
| Other current liabilities | 112,087,406 | - | - | - |
| Long term accounts payable | 211,583,356 | | | |

The book value of the financial assets and financial liabilities stated in the Company's financial statements approximates their fair values.

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30. CAPITAL MANAGEMENT

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

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

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

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

| | As of March 31, | |
|---------------------------------|------------------------|--------------------|
| | 2022 | 2021 |
| Total Liabilities | 771,452,211 | 923,405,936 |
| Less: Cash and cash equivalents | (83,256,552) | (71,112,667) |
| Net Liabilities | 688,195,659 | 852,293,269 |
| Total equity | 73,995,816 | 111,739,360 |
| Net debt to equity | 9.30 | 7.63 |

31. COMPARATIVE FIGURES

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

(As of March 31, 2021)

Statement of Financial Position

| | Impact of reclassification | | |
|---------------------------|-----------------------------------|---------------|---------------|
| | As previously reported | Re-classified | As Classified |
| Accounts payable | 156,167,714 | 4,056,613 | 160,224,327 |
| Other current liabilities | 116,144,019 | (4,056,613) | 112,087,406 |

(For The Year Ended March 31, 2021)

Statement of Profit or Loss and Other Comprehensive Income

| | Impact of reclassification | | |
|-------------------------------------|-----------------------------------|---------------|---------------|
| | As previously reported | Re-classified | As Classified |
| Depreciation and Amortization | (99,675,778) | 99,675,778 | - |
| Cost of Revenue | (122,047,836) | (104,682,697) | (226,730,533) |
| General and Administrative Expenses | (48,920,707) | 5,006,919 | (43,913,788) |

32. SUBSEQUENT EVENTS

On Shawwal 25, 1443H (corresponding to May 26, 2022), the Company received a letter from CITC notifying the Company with the CITC decision to revoke the 3.5 GHz band frequencies license if the Company did not meet the deployment of network deadline, i.e. June 30, 2022 (Note 1.a).

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

33. APPROVAL OF THE FINANCIAL STATEMENTS

These financial statements were authorized for issue by the Board of Directors on 1 Dhul Qida 1443H (Corresponding to May 31, 2022).