

ETIHAD ATHEEB TELECOMMUNICATION COMPANY
(A Saudi Joint Stock Company)
Condensed Interim Financial Statements
And Review Report
For the three and six month periods ended
30 September 2019



Crowe

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

ETIHAD ATHEEB TELECOMMUNICATION COMPANY
(A Saudi Joint Stock Company)
Condensed Interim Financial Statements
And Review Report
For the three and six month periods ended 30 September 2019

Index	Page
Report on Review of Condensed Interim Financial Statements	1-2
Condensed Interim Statement of Financial Position	3
Condensed Interim Statement of Profit or Loss and Other Comprehensive Income	4
Condensed Interim Statement of Changes in equity	5
Condensed Interim Statement of Cash Flow	6
Notes to the Condensed Interim Financial Statements	7-26

**REPORT ON REVIEW OF CONDENSED
INTERIM FINANCIAL STATEMENTS**

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

Introduction

We have reviewed the accompanying condensed interim statement of financial position of **ETIHAD ATHEEB TELECOMMUNICATION COMPANY** (the "Company ") as at 30 September 2019, and the related condensed interim statement of profit or loss and other comprehensive income for the three and six-month periods ended 30 September 2019, and the condensed interim statements of changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and presentation of these condensed interim financial statements in accordance with International Accounting Standard (34) "Interim Financial Reporting" that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these condensed interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of interim financial information performed by the independent auditor of the entity", that is endorsed in the Kingdom of Saudi Arabia. However, because of the significance of the matters described in the Basis for Disclaimer of Conclusion section of our report, we were not able to express a review conclusion on these condensed interim financial statements.

Basis for Disclaimer of Conclusion

The Company's condensed interim financial statements as at and for the period ended 30 September 2019 have been prepared on a going concern basis of accounting. However, we were unable to conclude whether the use of the going concern assumption basis of accounting to prepare these condensed interim financial statements is appropriate, due to the following factors:

- (a) As disclosed in Note 2 of the condensed interim financial statements, the Company's current liabilities exceed its current assets by SAR 526.62 million as at 30 September 2019, and for the period then ended, the Company incurred a net loss of SAR 52.69 million.
- (b) The Company's condensed interim statement of financial position includes non-financial assets amounting to SAR 957.55 million as at 30 September 2019. There was a significant change in the market whereby the Communication and information Technology Commission ("industry regulator") awarded a unified telecommunications concession to mobile telecommunications network operators. However, the industry regulator did not award the Unified License to the Company. Management has carried out an impairment assessment in accordance with the IAS 36 "Impairment of assets", and has determined that the recoverable amounts of the aforementioned assets exceed their carrying amounts as at 30 September 2019 and hence no impairment loss has been recognized. Management's impairment assessment is highly dependent on a number of subjective judgements and assumptions about future business performance. Certain assumptions made by management in the impairment review are key judgements, including deferral of payments to key suppliers, cash flows, overall long-term growth rates and discount rate. The impairment review includes the assumption that the Company will acquire ongoing financial and technical support from its key suppliers to implement the business plan.

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REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)
ETIHAD ATHEEB TELECOMMUNICATION COMPANY
(A Saudi Joint Stock Company)

Basis for Disclaimer of Conclusion (continued)

However, as of the date of approval of the condensed interim financial statements, a binding agreement has not been signed with the key suppliers, confirming their continued financial and technical support, including acceptance of deferment of payments. Moreover, the business plan is highly sensitive to changes in the revenue and the operating cost growth rates and any reasonably possible change in these assumptions could lead to the erosion of headroom in the impairment of assessment.

- (c) The Company has an overdue balance owed to its key supplier amounting to SAR 563.80 million as at 30 September 2019. The Company has contacted the key supplier with the intention of entering into an agreement to restructure the repayments of the amounts owed to them. The discussions with the key supplier are still ongoing.

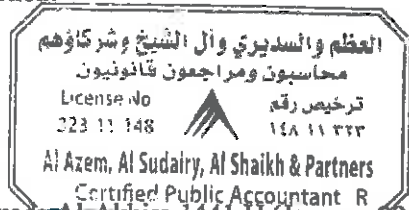
The condensed interim financial statements have been prepared using the going concern assumption basis of accounting as the Board of Directors are of the view that the Company will be able to successfully complete the restructuring of the repayment terms of the key supplier as discussed in Note 2 of the condensed interim financial statements. However, we are unable to conclude whether the use of going concern assumption basis of accounting to prepare these condensed interim financial statements is appropriate as the outcome of the restructuring has yet to be satisfactorily concluded at the date of these condensed interim financial statements and is inherently uncertain. If the going concern basis of accounting is not appropriate and the condensed interim financial statements were presented on a realization basis, the carrying value of assets and liabilities may be materially different from that currently recorded in the condensed interim statements of financial position. If the Company is unable to continue in operational existence for the foreseeable future, the Company may be unable to discharge its liabilities in the normal course of the business and adjustments may have to be made to reflect the situation that assets may need to be realized other than in the normal course of the business and at amounts which could differ significantly from the amounts at which they are currently recorded in the condensed interim statement of financial position. In addition, the Company may have to reclassify its non-current assets and non-current liabilities as current. No such adjustments have been made to these condensed interim financial statements.

Disclaimer of Conclusion

Because of the significance of the matter described in the Basis for Disclaimer of Conclusion section of our report and their possible cumulative effect on the condensed interim financial statements, we have not been able to obtain sufficient appropriate audit evidence to provide a basis of a review conclusion on the accompanying condensed interim financial statements of Etihad Atheeb Telecommunication Company for the period ended 30 September 2019.

Emphasis of Matter

We draw attention to note (19) of the condensed interim financial statements which describes that the Board of Directors decided on January 22, 2020 to recommend to the Extra-ordinary General Assembly to reduce the Company's capital from SAR 350,529,000 to SAR 228,529,000, thereby reducing the number of Company's shares from 35,052,900 shares to 22,852,900 shares by cancelling 12,200,000 shares. This represents a reduction of SAR 122 million to absorb the accumulated losses, which exceeded 50% of the capital. The Company is working to complete the legal procedures and to get the approval from Capital Market Authority regarding capital reduction.



4 Jumada Al-Akhira 1441 H (January 29, 2020)
Riyadh, Kingdom of Saudi Arabia

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



Salman B. Al Sudairy
License No. 283

ETHAD ATHEEB TELECOMMUNICATION COMPANY
(A Saudi Joint Stock Company)
CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION
As at 30 September 2019
(Saudi Riyal)

	Note	30 September 2019 Unaudited	31 March 2019 Audited
ASSETS			
Non-current assets			
Property and equipment	4	229,824,143	237,790,766
Intangibles	5	727,727,932	754,440,124
Right of use assets	6	272,688,234	
Total non-current assets		1,230,240,309	992,230,890
Current assets			
Inventories		1,395,855	1,097,665
Trade receivables	7	204,601,111	162,913,123
Prepayments and other current assets		127,684,799	135,567,511
Cash and cash equivalents	8	123,728,932	97,574,234
Total current assets		457,410,697	397,152,533
TOTAL ASSETS		1,687,651,006	1,389,383,423
EQUITY AND LIABILITIES			
Equity			
Share capital		350,529,000	472,500,000
Accumulated losses		(180,978,942)	(250,262,112)
Total equity		169,550,058	222,237,888
Liabilities			
Non-current liabilities			
Murabaha financing	10	—	7,767,053
Long term accounts payable	11	254,190,293	112,770,461
Lease Liabilities		267,925,400	
Defined benefit obligation – employees' benefit		8,916,049	9,524,000
Decommissioning provisions		3,037,112	2,980,651
Deferred gain		—	53,571,450
Total non-current liabilities		534,068,854	186,613,615
Current liabilities			
Murabaha financing – current portion	10	23,301,148	31,068,184
Accounts payable – short term		701,059,753	754,518,154
Accrued expenses and other current liabilities		133,285,101	145,560,804
Lease Liabilities – current portion		86,260,103	—
Deferred gain – current portion		—	12,857,112
Deferred income		37,427,031	33,828,708
Provision for zakat and tax	17	2,698,958	2,698,958
Total current liabilities		984,032,094	980,531,920
Total liabilities		1,518,100,948	1,167,145,535
TOTAL EQUITY AND LIABILITIES		1,687,651,006	1,389,383,423

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

Fahad Al Bawardi
Acting Chief Executive Officer

Husam Sadagah
Chairman

Mahmoud Al Abdulkhalik
Acting Chief Financial Officer

ETIHAD ATHEEB TELECOMMUNICATION COMPANY
(A Saudi Joint Stock Company)
CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME
For the three and six months period ended 30 September 2019
(Saudi Riyal)

	Note	For the three months period ended		For the six months period ended	
		30 September 2019	30 September 2018	30 September 2019	30 September 2018
Revenue, net		86,836,434	108,810,191	183,933,945	213,475,357
Cost of services		(44,610,288)	(78,131,702)	(102,029,151)	(150,362,753)
Gross profit		42,226,146	30,678,489	81,904,794	63,112,604
Operating expenses					
Selling and marketing expenses		(8,001,216)	(8,162,888)	(17,756,263)	(17,033,808)
Depreciation and amortization	4,5,6	(30,827,802)	(21,959,323)	(61,725,537)	(44,051,815)
Allowance for impairment in trade receivables		(6,687,951)	(5,029,764)	(13,982,673)	(13,830,413)
General and administration expenses		(15,310,522)	(20,541,534)	(32,987,965)	(46,120,200)
Other income	12	3,195,395	15,215,769	3,227,359	30,438,621
Operating loss		(15,405,950)	(9,799,251)	(41,320,285)	(27,485,011)
Financial charges		(5,420,362)	(3,869,539)	(11,367,545)	(8,054,002)
Loss for the period		(20,826,312)	(13,668,790)	(52,687,830)	(35,539,013)
Other comprehensive income					
Items that will not be reclassified to profit or loss in subsequent periods					
Re-measurement of defined benefit obligation					
Total comprehensive loss for the period		(20,826,312)	(13,668,790)	(52,687,830)	(35,539,013)
Loss per share – basic and diluted	13	(0.59)	(0.39)	(1.50)	(1.01)

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


Fahad Al Bawardi
Acting Chief Executive Officer


Husam Sadagah
Chairman


Mahmoud Al Abdullah
Acting Chief Financial Officer

ETIHAD ATHEEB TELECOMMUNICATION COMPANY
(A Saudi Joint Stock Company)
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
For the three and six months period ended 30 September 2019
(Saudi Riyal)

	Share capital	Accumulated losses	Total
Balance at 01 April 2018 (Audited)	472,500,000	(188,550,905)	283,949,095
Impact of adoption of IFRS 9	—	(9,496,132)	(9,496,132)
Loss for the period	—	(35,539,013)	(35,539,013)
Other comprehensive income	—	—	—
Total comprehensive loss for the period	—	(35,539,013)	(35,539,013)
Balance at 30 September 2018 (Unaudited)	472,500,000	(233,586,050)	238,913,950
Balance at 01 April 2019 (Audited)	472,500,000	(250,262,112)	222,237,888
Loss for the period	—	(52,687,830)	(52,687,830)
Other comprehensive income	—	—	—
Total comprehensive loss for the period	—	(52,687,830)	(52,687,830)
Reduction of share capital to absorb losses	(121,971,000)	121,971,000	—
Balance at 30 September 2019 (Unaudited)	350,529,000	(180,978,942)	169,550,058

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


Fahad Al Bewardi
Acting Chief Executive Officer


Husam Sadagah
Chairman


Mahmoud Al Abdullah
Acting Chief Financial Officer

ETIHAD ATHEEB TELECOMMUNICATION COMPANY
(A Saudi Joint Stock Company)
CONDENSED INTERIM STATEMENT OF CASH FLOWS
For the six month period ended 30 September 2019
(Saudi Riyal)

		For the six month period ended	
		30 September 2019	30 September 2018
	Note	Unaudited	Unaudited
Cash flows from operating activities			
Loss for the period		(52,687,830)	(35,539,013)
<i>Adjustments for non-cash items:</i>			
Depreciation and amortization	4,5,6	61,725,537	44,051,815
Amortization of deferred gain on disposal of property and equipment	12	-	(6,428,574)
Impairment loss on trade receivables	7	13,982,673	13,830,413
Finance costs		7,835,665	1,569,397
Provision for employees' end of service benefits		663,436	906,000
		<u>31,519,481</u>	<u>18,390,038</u>
<i>Changes in working capital</i>			
Inventories		(298,190)	564,302
Trade receivables		(55,670,661)	(55,060,528)
Prepayments and other current assets		(24,981,583)	(59,066,036)
Accounts payable		180,063,183	96,378,411
Accrued expenses and other current liabilities		(8,773,237)	31,728,179
Deferred income		<u>3,598,323</u>	<u>(2,754,733)</u>
		<u>45,457,236</u>	<u>30,179,633</u>
Finance costs paid		(820,008)	(1,283,015)
Employees' end of service benefits paid		(1,446,451)	(1,885,984)
Net cash generated from operating activities		<u>43,190,777</u>	<u>27,010,634</u>
Cash flows from investing activities			
Addition to property and equipment		(1,501,990)	(984,538)
Net cash used in investing activities		<u>(1,501,990)</u>	<u>(984,538)</u>
Cash flows from financing activities			
Repayment of murabaha financing		(15,534,089)	(15,534,064)
Net cash used in financing activities		<u>(15,534,089)</u>	<u>(15,534,064)</u>
Net increase in cash and cash equivalents		<u>26,154,698</u>	<u>10,492,032</u>
Cash and cash equivalents at the beginning of the period		<u>97,574,234</u>	<u>53,880,263</u>
Cash and cash equivalents at the end of the period		<u>123,728,932</u>	<u>64,372,295</u>
Supplementary information for non-cash transaction			
Impact of adoption of IFRS 16		298,234,404	-
Impact of adoption of IFRS 9		-	9,496,132

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


Fahad Al Bawardi
Acting Chief Executive Officer


Husam Sadagah
Chairman


Mahmoud Al Abdullah
Acting Chief Financial Officer

ETIHAD ATHEEB TELECOMMUNICATION COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
For the six month period ended 30 September 2019
(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 P.O. Box 25039 Riyadh 11391 Kingdom of Saudi Arabia.

Pursuant to the Ministerial Resolution No.41 dated 18 Safar 1429H (25 February 2008) which was approved by the issuance of Royal Decree No. M/6 dated 19 Safar 1429H (26 February 2008), the Company was granted a fixed-line telecommunication license and the used-frequency spectrum to provide fixed telephone services in the Kingdom of Saudi Arabia for a period of 25 years (starting on 1 April 2009 and ending on 31 March 2034). On 30 Rabi'ul 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 5.1).

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

The Board of Directors of the Company recommended to reduce the Company's share capital by SAR 121.97 million in their meeting held on 27 March 2019, in order to comply with the Articles 150 and 224 of the new Companies' Regulation. The aforesaid reduction has been approved in the extra ordinary general meeting of shareholders held on 24 April 2019.

As at 30 September 2019, the authorized, issued and paid up share capital of the Company is SAR 350.53 million (31 March 2019: 472.50 million) divided into 35.05 million shares of SAR 10 each.

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

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

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

ETIHAD ATHEEB TELECOMMUNICATION COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
For the six month period ended 30 September 2019
(Saudi Riyal)

2. BASIS OF PREPARATION

a) Statement of compliance

These condensed interim financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by Saudi Organization for Certified Public Accountants (SOCPA) and should be read in conjunction with the Company's last annual financial statements as at and for the year ended 31 March 2019 ("last annual Financial Statements"). These condensed interim financial statements do not include all of the information required for a complete set of IFRS Financial Statements. However, selected accounting policies and explanatory notes are included to explain events and transactions that are significant to understand the changes in the Company's financial position and performance since the last annual financial statements. This is the first set of condensed interim financial statements where IFRS 16 have been applied. Changes to significant accounting policies are described in Note (3).

b) Basis of measurement

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

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

As at 30 September 2019, the Company's current liabilities exceeds its current assets by SAR 526.62 million (31 March 2019: SAR 583.38 million). Moreover, the Company has accumulated losses amounting to SAR 181 million as of 30 September 2019, which approximate 51.63% of the Company's share capital and the Company incurred a net loss of SAR 52.69 million for the period than ended.

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

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

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

ETIHAD ATHEEB TELECOMMUNICATION COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
For the six month period ended 30 September 2019
(Saudi Riyal)

2. BASIS OF PREPARATION (CONTINUED)

c) *Functional and presentation currency*

These condensed interim 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.

d) *Use of estimates and judgments*

In preparing these condensed interim financial statements management has made judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgments made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements, except for new significant judgments and key sources of estimation uncertainty related to the application of IFRS 16, which are described in Note (3).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the condensed interim financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended 31 March 2019, except for the adoption of new standards effective as of 1 April 2019. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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

The Company applies, for the first time, IFRS 16 "Leases". As required by IAS 34, the nature and effect of these changes are disclosed below.

3.1.1. Annual Improvements to IFRSs 2015–2017 Cycle

The Improvement to IFRS (11) "Joint Arrangements" related to Previously Held Interests in a Joint Operation.

Improvement to IAS (12) "Income Taxes" related to Income Tax Consequences of Payments on Financial Instruments Classified as Equity.

Improvement to IAS (23) "Borrowing Costs" related to Borrowing Costs Eligible for Capitalization.

3.2 Changes in significant accounting policies

Except as described below, the accounting policies applied in these condensed interim financial statements are the same as those applied in the last annual financial statements for the year ended 31 March 2019. The changes in accounting policies are also expected to be reflected in the annual financial statements for the year ending 31 March 2020.

IFRS 16 – Leases

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

ETIHAD ATHEEB TELECOMMUNICATION COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
For the six month period ended 30 September 2019
(Saudi Riyal)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
3.2 Changes in significant accounting policies (continued)

IFRS 16 – Leases (continued)

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

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

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

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

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

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

A. Prior to adoption of IFRS 16:

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

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

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

B. After adoption of IFRS 16:

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

ETIHAD ATHEEB TELECOMMUNICATION COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
For the six month period ended 30 September 2019
(Saudi Riyal)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)
3.3 Impact on the condensed interim financial statements

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

Impact on the condensed statement of financial position as at 30 September 2019

	Balance without adoption of IFRS 16	Adjustment IFRS 16	Balance as per Financials
ASSETS			
Non-current assets			
Property and equipment	229,824,143	--	229,824,143
Intangibles	727,727,932	--	727,727,932
Right of use assets	--	272,688,234	272,688,234
Total non-current assets	957,552,075	272,688,234	1,230,240,309
Current assets			
Inventories	1,395,855	--	1,395,855
Trade receivables	204,601,111	--	204,601,111
Prepayments and other current assets	144,944,956	(17,260,157)	127,684,799
Cash and cash equivalents	123,728,932	--	123,728,932
Total current assets	474,670,854	(17,260,157)	457,410,697
TOTAL ASSETS	1,432,222,929	255,428,077	1,687,651,006
EQUITY AND LIABILITIES			
Equity			
Share capital	350,529,000	--	350,529,000
Accumulated losses	(163,774,966)	(17,203,976)	(180,978,942)
Total equity	186,754,034	(17,203,976)	169,550,058
Liabilities			
Non-current liabilities			
Murabaha financing	--	--	--
Long term accounts payable	254,190,293	--	254,190,293
Lease Liabilities	--	267,925,400	267,925,400
Defined benefit obligation – employees' benefit	8,916,049	--	8,916,049
Decommissioning provisions	3,037,112	--	3,037,112
Deferred gain	47,142,876	(47,142,876)	--
Total non-current liabilities	313,286,330	220,782,524	534,068,854
Current liabilities			
Murabaha financing – current portion	23,301,148	--	23,301,148
Accounts payable – short term	701,059,753	--	701,059,753
Accrued expenses and other current liabilities	154,838,563	(21,553,462)	133,285,101
Lease Liabilities – current portion	--	86,260,103	86,260,103
Deferred gain – current portion	12,857,112	(12,857,112)	--
Deferred income	37,427,031	--	37,427,031
Provision for zakat and tax	2,698,958	--	2,698,958
Total current liabilities	932,182,565	51,849,529	984,032,094
Total liabilities	1,245,468,895	272,632,053	1,518,100,948
TOTAL EQUITY AND LIABILITIES	1,432,222,929	255,428,077	1,687,651,006

ETIHAD ATHEEB TELECOMMUNICATION COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
For the six month period ended 30 September 2019
(Saudi Riyal)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impact on interim statement of profit or loss and other comprehensive income for the six months period ended 30 September 2019

	Balance without adoption of IFRS 16	Adjustment IFRS 16	Balance as per Financials
Revenue	183,933,945	--	183,933,945
Cost of services	(123,355,675)	21,326,524	(102,029,151)
Gross profit	60,578,270	21,326,524	81,904,794
Selling and marketing expenses	(17,756,263)	--	(17,756,263)
Depreciation and amortization	(36,179,367)	(25,546,170)	(61,725,537)
Impairment loss on trade receivables	(13,982,673)	--	(13,982,673)
General and administrative expenses	(33,214,903)	226,938	(32,987,965)
Other income	9,655,933	(6,428,574)	3,227,359
Operating loss	(30,899,003)	(10,421,282)	(41,320,285)
Finance costs	(4,584,851)	(6,782,694)	(11,367,545)
Loss for the period	(35,483,854)	(17,203,976)	(52,687,830)
Other comprehensive income			
<i>Items that will not be reclassified to profit or loss in subsequent periods</i>			
Re-measurement of defined benefit obligation		--	--
Total comprehensive loss for the period	(35,483,854)	(17,203,976)	(52,687,830)

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

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

Impact on the statement of financial position (increase / (decrease)) as at 1 April 2019:

	1 April 2019 SAR
Assets	
Right-of-use assets	298,234,404
Prepayments	(17,260,157)
	280,974,247
Liabilities	
Lease liabilities	347,402,809
Deferred gain	(66,428,562)
	280,974,247

ETIHAD ATHEEB TELECOMMUNICATION COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
For the six month period ended 30 September 2019
(Saudi Riyal)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

For the six months ended 30 September 2019:

- Depreciation expense increased by SAR 25,546,170 relating to the depreciation of right of use assets recognized.
- Rent expense decreased by SAR 21,553,462 relating to previous operating leases.
- Finance costs increased by SAR 6,782,694 relating to the interest expense on additional lease liabilities recognized.
- Amortisation of deferred gain (Other income) decreased by SAR 6,428,574

Impact on the statement of profit or loss for the six months ended 30 September 2019:

	30 September 2019 SAR
Depreciation expense	(25,546,170)
Rent expense	21,553,462
Other income	(6,428,574)
Operating profit	(10,421,282)
Finance costs	(6,782,694)
Profit for the period	<u>(17,203,976)</u>

Amounts recognised in the statement of financial position

As at 30 September 2019, the cost of right of use assets is SAR 272,688,234 and accumulated depreciation is SAR 25,546,170.

For the quarter ended 30 September 2019, the company has recognised interest expense of SAR 6,782,694 on lease liability.

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

Leases

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

Right-of-use assets

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

ETIHAD ATHEEB TELECOMMUNICATION COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
For the six month period ended 30 September 2019
(Saudi Riyal)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Lease liabilities

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

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

Short-term leases and leases of low-value assets

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

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

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

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

Sale and leaseback of telecommunication towers

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

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

ETIHAD ATHEEB TELECOMMUNICATION COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
For the six month period ended 30 September 2019
(Saudi Riyal)

4. PROPERTY AND EQUIPMENT

Cost:	Leasehold improvements	Network infrastructure	Decommissioning cost	Facilities, support & IT equipment	Capital work in progress	Total
Balance at 01 April 2018	3,670,619	1,058,203,401	2,663,250	32,742,076	4,674,519	1,101,953,865
Additions during the year	--	2,516,521	--	29,942	--	2,546,463
Disposals during the year	--	--	--	(11,327)	--	(11,327)
Transfers during the year	--	45,000	--	--	(45,000)	--
Balance at 31 March 2019	3,670,619	1,060,764,922	2,663,250	32,760,691	4,629,519	1,104,489,001
Additions during the period	--	1,501,990	--	--	--	1,501,990
Disposals during the period	--	--	--	(7,880)	--	(7,880)
Balance at 30 September 2019	3,670,619	1,062,266,912	2,663,250	32,752,811	4,629,519	1,105,983,111
Accumulated depreciation:						
Balance at 01 April 2018	3,670,619	813,446,258	601,536	27,996,780	--	845,715,193
Charge for the year	--	19,787,035	300,752	901,559	--	20,989,346
Eliminated on disposals	--	--	--	(6,304)	--	(6,304)
Balance at 31 March 2019	3,670,619	833,233,293	902,288	28,892,035	--	866,698,235
Charge for the period	--	9,063,338	86,888	316,949	--	9,467,175
Eliminated on disposals	--	--	--	(6,442)	--	(6,442)
Balance at 30 September 2019	3,670,619	842,296,631	989,176	29,202,542	--	876,158,968
Net book value:						
At 30 September 2019	--	219,970,281	1,674,074	3,550,269	4,629,519	229,824,143
At 31 March 2019	--	227,531,629	1,760,962	3,868,656	4,629,519	237,790,766

4.1

On 30 January 2017, the Company entered into an agreement with STC for the sale of the passive structure of 500 telecommunication towers against total consideration of SAR 230 million. The legal formalities in respect of the transfer of the control and possession of the towers, were finalized during the prior year. Accordingly, network infrastructure costing SAR 104.1 million and having net book value of SAR 42.1 million has been derecognized in these financial statements. Further, out of the total gain of SAR 187.9 million arising from the transaction, an amount of SAR 90 million has been deferred and is included in deferred gain in the statement of financial position under non-current liabilities, while the remaining amount of SAR 97.9 million has been recognized in other income. simultaneously, the Company has also signed a site sharing agreement with STC for leasing back of 1/3rd of the usable space on each tower sold to STC, for a period of 7 years. On 1 April 2019, deferred gain has been netted off from the right-of-use asset as per the requirement of IFRS 16 (see note 3.3).

ETIHAD ATHEEB TELECOMMUNICATION COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
For the six month period ended 30 September 2019
(Saudi Riyal)

4. PROPERTY AND EQUIPMENT (CONTINUED)

4.2 Impairment test

Non-financial assets are tested annually for impairment where management determines that indicators of impairment exist. Management performed an impairment assessment of its non-current assets as at 31 March 2019. The recoverable amount was based on the value in use, determined by discounting the future cash flows to be generated from the continuing use of the non-financial assets. The recoverable amount was determined to be higher than the carrying value. Accordingly no impairment loss was recognized.

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

	Percentage
Discount rate	10%
Terminal growth rate	2%

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

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

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

ETIHAD ATHEEB TELECOMMUNICATION COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
For the six month period ended 30 September 2019
(Saudi Riyal)

5. INTANGIBLES

	<u>License</u>	<u>Network capacity (note 5.2)</u>	<u>Software</u>	<u>Total</u>
Cost:				
Balance at 1 April 2018	527,904,000	580,929,926	52,164,807	1,160,998,733
Additions during the year	--	--	--	--
Balance at 31 March 2019	527,904,000	580,929,926	52,164,807	1,160,998,733
Additions during the period	--	--	--	--
Balance at 30 September 2019	527,904,000	580,929,926	52,164,807	1,160,998,733
Accumulated amortization:				
Balance at 1 April 2018	176,983,904	129,744,800	46,401,559	353,130,263
Charge for the year	11,320,004	39,311,617	2,796,725	53,428,346
Balance at 31 March 2019	188,303,908	169,056,417	49,198,284	406,558,609
Charge for the period	5,660,003	19,653,826	1,398,363	26,712,192
Balance at 30 September 2019	193,963,911	188,710,243	50,596,647	433,270,801
Net book value:				
At 30 September 2019	333,940,089	392,219,683	1,568,160	727,727,932
At 31 March 2019	339,600,092	411,873,509	2,966,523	754,440,124

- 5.1 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).
- 5.2 These represent various Indefeasible Rights of Use ("IRU") agreements signed with telecom operators in the Kingdom of Saudi Arabia. This also includes an IRU agreement with Saudi Telecom Company (STC), whereby STC granted the Company an IRU for 15 years for thirty thousand ports on its fiber optics network (i.e. Fiber-To-The-Home ("FTTH")). The IRU agreement allows both parties to agree upon increasing the ports to reach one hundred thousand ports.

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

ETIHAD ATHEEB TELECOMMUNICATION COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
For the six month period ended 30 September 2019
(Saudi Riyal)

6. RIGHT OF USE ASSETS

	Telecommunication Sites	Telecommunication Towers	Warehouses	Total
Cost:				
Balance at 1 April 2019				
Impact of adoption of IFRS 16				
As at 1 April 2019 (adjusted)	296,388,205	848,222	997,977	298,234,404
Additions during the period	296,388,205	848,222	997,977	298,234,404
Balance at 30 September 2019	296,388,205	848,222	997,977	298,234,404
Accumulated amortization:				
Balance at 1 April 2019				
Charge for the period	25,236,840	87,708	221,622	25,546,170
Balance at 30 September 2019	25,236,840	87,708	221,622	25,546,170
Net book value:				
At 30 September 2019	271,151,365	760,514	776,355	272,688,234

ETIHAD ATHEEB TELECOMMUNICATION COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
For the six month period ended 30 September 2019
(Saudi Riyal)

7. TRADE RECEIVABLES

	Note	30 September 2019	31 March 2019
Trade receivables	7.1	283,897,088	228,226,427
Allowance for impairment	7.2	(79,295,977)	(65,313,304)
		<u>204,601,111</u>	<u>162,913,123</u>

7.1 Trade receivables include an amount of SAR 39,174,924 (31 March 2019: SAR 33,746,093) due from related parties. (Note 16)

7.2 Movement in Impairment loss is as follows:

	For the period ended 30 September 2019	For the year ended 31 March 2019
Balance at beginning of the period / year	65,313,304	31,391,503
Impact of adoption of IFRS 9	—	9,496,132
Charge for the period / year	13,982,673	24,425,669
Balance at end of the period / year	<u>79,295,977</u>	<u>65,313,304</u>

8. CASH AND CASH EQUIVALENTS

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

9. STATUTORY RESERVE

In accordance with the Company's By-Laws, 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.

10. MURABAHA FINANCING

This represents murabaha financing obtained from a local bank (the "Bank") utilized to meet operating expenditure requirements of the Company. The Islamic financing involves the sale and purchase of commodities with the Bank as per mutually agreed terms. The Company obtained financing at an average rate of return of Saudi Interbank Offer Rate (SIBOR) plus the bank's commission of 1.75% per annum. The Company is to repay the outstanding balance in 3 equal quarterly installments ending April 2020.

	30 September 2019	31 March 2019
Current portion	23,301,148	31,068,184
Non-current portion	—	7,767,053
	<u>23,301,148</u>	<u>38,835,237</u>

ETIHAD ATHEEB TELECOMMUNICATION COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
For the six month period ended 30 September 2019
(Saudi Riyal)

11. LONG TERM ACCOUNTS PAYABLE

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

The movement in long term accounts payable is as follows:

	30 September 2019	31 March 2019
Balance at the beginning of the period / year	223,832,976	213,516,948
Rescheduling during the period / year	212,115,043	--
Unwinding of discount for the period / year	3,104,485	10,316,028
Balance at the end of the period / year	439,052,504	223,832,976

	30 September 2019	31 March 2019
Current Portion (included in short term accounts payable)	184,862,211	111,062,515
Non-current portion	254,190,293	112,770,461
Balance at the end of the period / year	439,052,504	223,832,976

12. OTHER INCOME

	Note	For the six month period ended 30 September 2019	30 September 2018
Marketing support income	12.1	--	24,000,000
Amortization of deferred gain on sale of property and equipment		--	6,428,574
Settlement from Vendor		3,195,249	--
Others		32,110	10,047
		3,227,359	30,438,621

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

13. LOSS PER SHARE – BASIC AND DILUTED

	For the six month period ended 30 September 2019	30 September 2018
Net loss for the period	(52,687,830)	(35,539,013)
Weighted average number of shares for the period	35,052,900	35,052,900
Loss per share - basic and diluted	(1.50)	(1.01)

- 13.1 Loss per share is computed by dividing the loss attributable to the ordinary shareholders of the Company for the period ended 30 September 2019 and 30 September 2018, by the weighted average number of shares outstanding during the period.

ETIHAD ATHEEB TELECOMMUNICATION COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
For the six month period ended 30 September 2019
(Saudi Riyal)

14. CONTINGENCIES AND COMMITMENTS

a) *Contingencies*

Letter of guarantees

The Company's banks have issued letters of guarantees amounting to SAR 50 million (31 March 2019: SAR 50 million) as at the reporting date.

Legal cases status

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

CITC liability

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

b) *Commitments*

The Company has commitments resulting from major agreements which were entered into and not yet executed at the reporting date amounting approximately to SAR 167.6 million pertaining to the various vendors.

15. SEGMENTAL INFORMATION

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

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

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

ETIHAD ATHEEB TELECOMMUNICATION COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
For the six month period ended 30 September 2019
(Saudi Riyal)

15. SEGMENTAL INFORMATION (CONTINUED)

	As at 30 September 2019			Total
	Voice	Data	Unallocated	
Segment assets				
Property and equipment	2,183,357	227,640,786	--	229,824,143
Intangibles	6,913,502	720,814,430	--	727,727,932
Right of use assets	2,590,571	270,097,663	--	272,688,234
For the three month period ended 30 September 2019				
	Voice	Data	Unallocated	Total
Segment revenue and costs				
Revenue, net	5,198,701	81,637,733	--	86,836,434
Cost of services	(1,779,563)	(42,830,725)	--	(44,610,288)
Selling and marketing expenses	--	--	(8,001,216)	(8,001,216)
Depreciation and amortization	(292,868)	(30,534,934)	--	(30,827,802)
Allowance for impairment in trade receivables	--	--	(6,687,951)	(6,687,951)
General and administrative expenses	--	--	(15,310,522)	(15,310,522)
Other income	--	--	3,195,395	3,195,395
Finance cost	--	--	(5,420,362)	(5,420,362)
For the six month period ended 30 September 2019				
	Voice	Data	Unallocated	Total
Segment revenue and costs				
Revenue, net	11,011,710	172,922,235	--	183,933,945
Cost of services	(4,070,077)	(97,959,074)	--	(102,029,151)
Selling and marketing expenses	--	--	(17,756,263)	(17,756,263)
Depreciation and amortization	(586,400)	(61,139,137)	--	(61,725,537)
Allowance for impairment in trade receivables	--	--	(13,982,673)	(13,982,673)
General and administrative expenses	--	--	(32,987,965)	(32,987,965)
Other income	--	--	3,227,359	3,227,359
Finance cost	--	--	(11,367,545)	(11,367,545)

ETIHAD ATHEEB TELECOMMUNICATION COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
For the six month period ended 30 September 2019
(Saudi Riyal)

15. SEGMENTAL INFORMATION (CONTINUED)

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

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

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

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

ETIHAD ATHEEB TELECOMMUNICATION COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
For the six month period ended 30 September 2019
(Saudi Riyal)

16. RELATED PARTY TRANSACTIONS AND BALANCES

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

Significant transactions entered into with related parties are as follows:

<i>Related parties</i>	<i>Relationship</i>	<i>Nature of transaction</i>	For the three month period ended	
			30 September 2019	30 September 2018
Bahrain Telecommunication Company	Shareholder	Data revenue	1,731,655	1,732,743
		Interconnection revenue	756,853	2,340
		Interconnection cost	422,652	416,774
Saudi Arabian Marketing and Agencies Limited	Affiliate	Data revenue	--	293,492
Bithar Trading Company Limited	Shareholder	Data revenue	223,338	56,000
Atheeb Saudi Intergraph Company Limited	Shareholder	Data revenue	49,001	64,823
Atheeb Maintenance and Services	Shareholder	Data revenue	20,895	20,160
Etihad Shams Company Limited	Affiliate	Data revenue	25,769	12,924
Founding shareholders	Shareholder	Guarantee fee	32,139	45,723

<i>Related parties</i>	<i>Relationship</i>	<i>Nature of transaction</i>	For the six month period ended	
			30 September 2019	30 September 2018
Bahrain Telecommunication Company	Shareholder	Data revenue	3,417,739	3,221,020
		Interconnection revenue	1,513,551	18,646
		Interconnection cost	699,779	1,093,015
Saudi Arabian Marketing and Agencies Limited	Affiliate	Data revenue	227,616	372,676
Bithar Trading Company Limited	Shareholder	Data revenue	278,778	111,091
Atheeb Saudi Intergraph Company Limited	Shareholder	Data revenue	106,538	120,872
Atheeb Maintenance and Services	Shareholder	Data revenue	41,055	40,320
Etihad Shams Company Limited	Affiliate	Data revenue	26,130	24,762
Founding shareholders	Shareholder	Guarantee fee	67,668	94,851

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

ETIHAD ATHEEB TELECOMMUNICATION COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
For the six month period ended 30 September 2019
(Saudi Riyal)

16. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

<u>Due from related parties</u>	<u>Relationship</u>	<u>30 September 2019</u>	<u>31 March 2019</u>
Bahrain Telecommunications Company	Shareholder	35,716,016	30,784,726
Bithar Trading Company Limited	Shareholder	324,029	132,695
Saudi Arabian Marketing and Agencies Limited	Affiliate	2,931,307	2,709,334
Atheeb Saudi Intergraph Company Limited	Shareholder	86,572	56,990
Atheeb Maintenance and Services	Shareholder	80,793	39,738
Etihad Shams Company Limited	Affiliate	36,207	22,610
		<u>39,174,924</u>	<u>33,746,093</u>
<u>Due to related parties</u>	<u>Relationship</u>	<u>30 September 2019</u>	<u>31 March 2019</u>
Bahrain Telecommunications Company	Shareholder	27,761,573	26,912,022
Bithar Trading Company Limited	Shareholder	37,800	20,625
Traco Company Trading and Contracting Company	Shareholder	919,321	913,075
Saudi Internet Company Limited	Shareholder	208,966	256,780
Bithar Communications & Information Technology Company Limited	Shareholder	261,466	256,780
Atheeb Maintenance and Services Company Limited	Shareholder	261,466	256,780
Al Nahla Trading and Contracting Company Limited	Shareholder	159,059	144,485
		<u>29,609,651</u>	<u>28,760,547</u>

ETHAD ATHEEB TELECOMMUNICATION COMPANY
(A Saudi Joint Stock Company)
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS
For the six month period ended 30 September 2019
(Saudi Riyal)

17. PROVISION FOR ZAKAT AND TAX

17.1 Movement in Zakat provision

The movement in Zakat provision is as follows:

	<u>30 September</u> <u>2019</u>	<u>31 March 2019</u>
Balance at the beginning of the period / year	2,698,958	2,698,958
Charge during the period / year	---	---
Balance at the end of the period / year	<u>2,698,958</u>	<u>2,698,958</u>

17.2 Zakat and tax status

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

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

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

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

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

18. FINANCIAL INSTRUMENTS – FAIR VALUES

Fair values of financial and non-financial assets and liabilities are determined for measurement and/or disclosure purpose on the basis of accounting policies disclosed in the financial statements. As at the reporting date, carrying value of the Company's financial assets and liabilities were reasonably equal to their fair values.

19. SUBSEQUENT EVENT

Subsequent to 30 September 2019, the Board of Directors decided on January 22, 2020 to recommend to the Extra-ordinary General Assembly to reduce the Company's capital from SAR 350,529,000 to SAR 228,529,000, thereby reducing the number of Company's shares from 35,052,900 shares to 22,852,900 shares by cancelling 12,200,000 shares. This represents a reduction of SAR 122 million to absorb the accumulated losses, which exceeded 50% of the capital. The Company is working to complete the legal procedures and to get the approval from Capital Market Authority regarding capital reduction.

20. APPROVAL OF THE CONDENSED INTERIM FINANCIAL STATEMENTS

These condensed interim financial statements were authorized for issue by the Board of Directors on 29 January 2020.