

**ETIHAD ATHEEB TELECOMMUNICATION COMPANY**  
(A Saudi Joint Stock Company)  
**Condensed Interim Financial Statements**  
**And Review Report**  
**For the nine months period ended**  
**31 December 2020**



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

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

**Introduction**

We have reviewed the accompanying condensed interim statement of financial position of **ETIHAD ATHEEB TELECOMMUNICATION COMPANY** (the "Company") as at 31 December 2020, and the related condensed interim statements of profit or loss and other comprehensive income for the three and nine month period ended 31 December 2020 and the condensed interim statement of changes in equity and cash flows for the nine 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. A review of condensed interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Basis for Qualified Conclusion**

The Company's condensed interim statement of financial position includes non-financial assets amounting to SAR 841 million as at 31 December 2020. Management has carried out an impairment assessment in accordance with the IAS 36 "Impairment of assets", and has determined that the recoverable amounts of the aforementioned assets exceed their carrying amounts as at 31 December 2020 and hence no impairment loss has been recognized. Management's impairment assessment is highly dependent on a number of subjective judgements and assumptions about future business performance. Certain assumptions made by management in the impairment review are key judgements, including cash flows, overall long-term growth rates and discount rate. However, as of the date of approval of the condensed interim financial statements, we were unable to obtain sufficient appropriate audit evidence including assurance on the expectation of revenue growth, operating profits and cash flows. Moreover, the business plan is highly sensitive to changes in assumptions and any reasonably possible change in these assumptions could lead to the erosion of headroom in the impairment of assessment.



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

**Qualified Conclusion**

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

**Emphasis of Matter**

We draw attention to Note (1) to the accompanying condensed interim financial statements, which describes that the Company's current liabilities exceeded its current assets as at 31 December 2020 and the net results of its operations for the nine-month period then ended, excluding the effect of the settlement with the major vendor, was a loss. However, the accompanying condensed interim financial statements are prepared on a going concern basis since the management believes that the cash inflows, in normal course of business, will be sufficient to meet its liabilities as result of a settlement agreement signed with a major vendor during the subsequent period (also described in Note (21)) and as result of management's expectation of future operations of the Company. 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. Our conclusion is not modified in respect of this matter.



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



**Salman B. Al Sudairy**  
**License No. 283**

28 Jumada Al-Akhirah 1442 H (February 10, 2021)  
Riyadh, Kingdom of Saudi Arabia



**ETIHAD ATHEEB TELECOMMUNICATION COMPANY**  
(A Saudi Joint Stock Company)  
**CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION**  
As at 31 December 2020  
(Saudi Arabian Riyals)

	Note	31 December 2020 (Unaudited)	31 March 2020 Audited
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property and equipment	4	210,667,872	221,878,420
Intangibles	5	370,775,736	701,015,742
Right of use assets	6	259,492,067	260,274,226
<b>Total non-current assets</b>		<b>840,935,675</b>	<b>1,183,168,388</b>
<b>Current assets</b>			
Inventories		12,034,534	3,352,483
Trade receivables	7	202,900,977	212,396,537
Prepayments and other current assets		31,824,082	131,461,761
Cash and cash equivalents	8	165,415,128	122,530,311
<b>Total current assets</b>		<b>412,174,721</b>	<b>469,741,092</b>
<b>TOTAL ASSETS</b>		<b>1,253,110,396</b>	<b>1,652,909,480</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	1	228,529,000	228,529,000
Retained earnings (accumulated losses)		24,760,911	(77,787,152)
<b>Total equity</b>		<b>253,289,911</b>	<b>150,741,848</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Long term accounts payable	11	209,139,867	143,946,006
Non-current portion of lease liabilities	12	254,862,505	256,450,416
Defined benefit obligation – employees' benefit		7,824,306	8,310,000
Decommissioning provisions		3,182,961	3,094,644
<b>Total non-current liabilities</b>		<b>475,009,639</b>	<b>411,801,066</b>
<b>Current liabilities</b>			
Murabaha financing	10	-	7,767,084
Short term accounts payable	11	275,955,724	805,934,288
Accrued expenses and other current liabilities		98,248,258	131,816,320
Current portion of lease liabilities	12	110,340,060	106,745,471
Deferred income		34,867,846	35,404,445
Provision for zakat and tax	19	5,398,958	2,698,958
<b>Total current liabilities</b>		<b>524,810,846</b>	<b>1,090,366,566</b>
<b>Total liabilities</b>		<b>999,820,485</b>	<b>1,502,167,632</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,253,110,396</b>	<b>1,652,909,480</b>

The accompanying notes (1) through (22) form an integral part of these condensed interim financial statements.

Yahya Saleh Al Mansour  
Chief Executive Officer

Dr. Eisa Baesla  
Chairman

Mahmoud Al Abdullah  
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 nine months periods ended 31 December 2020  
(Saudi Arabian Riyals)

	Note	For the three months period ended		For the nine months period ended	
		31 December 2020	31 December 2019	31 December 2020	31 December 2019
Revenue		67,182,279	77,282,335	207,977,511	261,216,280
Cost of services		(28,451,586)	(26,375,849)	(88,832,663)	(128,405,000)
<b>Gross profit</b>		<b>38,730,693</b>	<b>50,906,486</b>	<b>119,144,848</b>	<b>132,811,280</b>
Selling and marketing expenses		(7,356,799)	(7,922,571)	(22,791,612)	(25,678,834)
Depreciation and amortization	4,5,6	(26,711,463)	(30,766,804)	(78,099,778)	(92,492,341)
Impairment on trade receivables	7	(986,774)	(718,306)	(5,596,272)	(14,700,979)
General and administration expenses		(7,662,907)	(16,340,999)	(34,181,832)	(49,328,964)
Other income	13	101,263,707	-	101,314,358	3,227,359
<b>Operating profit (loss)</b>		<b>97,276,457</b>	<b>(4,842,194)</b>	<b>79,789,712</b>	<b>(46,162,479)</b>
Finance income (cost)	14	32,269,428	(4,959,077)	25,458,351	(16,326,622)
<b>Profit (loss) before zakat</b>		<b>129,545,885</b>	<b>(9,801,271)</b>	<b>105,248,063</b>	<b>(62,489,101)</b>
Zakat	19	(2,700,000)	-	(2,700,000)	-
<b>Net profit (loss) for the period</b>		<b>126,845,885</b>	<b>(9,801,271)</b>	<b>102,548,063</b>	<b>(62,489,101)</b>
<b>Other comprehensive income:</b>					
<i>Items that will not be reclassified to profit or loss in subsequent periods</i>					
Re-measurement of defined benefit obligation		-	-	-	-
<b>Total comprehensive income (loss) for the period</b>		<b>126,845,885</b>	<b>(9,801,271)</b>	<b>102,548,063</b>	<b>(62,489,101)</b>
<b>Earnings (loss) per share – basic and diluted for the period</b>	15	<b>5.55</b>	<b>(0.43)</b>	<b>4.49</b>	<b>(2.73)</b>

The accompanying notes, including (22) form an integral part of these condensed interim financial statements.

Yahya Saad Al Mansour  
Chief Executive Officer

Dr. Eisa Baesta  
Chairman

Mahmoud Al Abdullah  
Acting Chief Financial Officer

**ETIHAD ATHEEB TELECOMMUNICATION COMPANY**  
(A Saudi Joint Stock Company)  
**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY**  
For the nine months period ended 31 December 2020  
(Saudi Arabian Riyals)

	Share capital	(accumulated losses) Retained earnings	Total
Balance at 1 April 2019 (Audited)	472,500,000	(250,262,112)	222,237,888
Net loss for the period	-	(62,489,101)	(62,489,101)
Other comprehensive income for the period	-	-	-
Total comprehensive loss for the period	-	(62,489,101)	(62,489,101)
Reduction of share capital to absorb losses	(121,971,000)	121,971,000	-
Balance at 31 December 2019 (Unaudited)	350,529,000	(190,780,213)	159,748,787
Balance at 1 April 2020 (Audited)	228,529,000	(77,787,152)	150,741,848
Net profit for the period	-	102,548,063	102,548,063
Other comprehensive income for the period	-	-	-
Total comprehensive income for the period	-	102,548,063	102,548,063
Balance at 31 December 2020 (Unaudited)	228,529,000	24,760,911	253,289,911

The accompanying notes (1) through (22) form an integral part of these condensed interim financial statements.

Yahya Salem Al Mansour  
Chief Executive Officer

Dr. Eisa Al-Sagoff  
Chairman

Mahmoud Al Abdullah  
Acting Chief Financial Officer



**ETIHAD ATHEEB TELECOMMUNICATION COMPANY**  
(A Saudi Joint Stock Company)  
**CONDENSED INTERIM STATEMENT OF CASH FLOWS**  
For the nine months period ended 31 December 2020  
(Saudi Arabian Riyals)

	Note	For the nine month period ended	
		31 December 2020	31 December 2019
		Unaudited	Unaudited
<b>Cash flows from operating activities</b>			
Profit/(loss) before zakat		105,248,063	(62,489,101)
<i>Adjustments for non-cash items:</i>			
Depreciation and amortization	4,5,6	78,099,778	92,492,341
Settlement with a major vendor	13	(101,132,388)	-
Impairment on trade receivables	7	5,596,272	14,700,979
Finance (income) cost	14	(25,458,351)	11,605,562
Provision for employees' end of service benefits		762,750	994,435
		63,116,124	57,304,216
<i>Changes in working capital</i>			
Inventories		(3,778,301)	(461,552)
Trade receivables		3,899,288	(47,663,534)
Prepayments and other current assets		1,837,679	(25,032,496)
Accounts payable		16,735,133	83,666,947
Accrued expenses and other current liabilities		(11,002,633)	(2,212,499)
Deferred income		(536,599)	2,745,829
		70,270,691	68,346,911
Finance costs paid		(1,041,454)	(1,081,676)
Employees' end of service benefits paid		(1,486,944)	(2,351,808)
<b>Net cash generated from operating activities</b>		67,742,293	64,913,427
<b>Cash flows from investing activities</b>			
Addition to property and equipment	4	(2,213,228)	(1,831,849)
<b>Net cash used in investing activities</b>		(2,213,228)	(1,831,849)
<b>Cash flows from financing activities</b>			
Repayment of murabaha financing	10	(7,767,084)	(23,301,113)
Payment of leased liabilities	12	(14,877,164)	-
<b>Net cash used in financing activities</b>		(22,644,248)	(23,301,113)
<b>Net increase in cash and cash equivalents</b>		42,884,817	39,780,465
Cash and cash equivalents at the beginning of the period		122,530,311	97,574,234
<b>Cash and cash equivalents at the end of the period</b>		165,415,128	137,354,699
<b>Supplementary information for non-cash transaction</b>			
Addition to right of use assets	6	25,850,331	-
Disposal of intangible assets		(292,196,494)	-
Reduction in prepayments and other current assets		(97,800,000)	-
Addition of inventory		4,903,750	-
Reduction in accounts payable		481,519,836	-
Reduction in accrued expenses and other current liabilities		22,565,429	-
Offset of current portion lease liability		18,000,000	-
Impact of adoption of IFRS 16		-	298,234,404

The accompanying notes (1) through (22) form an integral part of these condensed interim financial statements.

Yahya Saleh Al Mansour  
Chief Executive Officer

Dr. Eisa Baesla  
Chairman

Mahmoud Al Abdullah  
Acting Chief Financial Officer



**ETIHAD ATHEEB TELECOMMUNICATION COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS**  
For the nine months period ended 31 December 2020  
(Saudi Arabian Riyals)

**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 5.1).

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

- 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. Notwithstanding these challenges, the Company's business operations currently remain largely unaffected as they mainly provide online services and their major sales have been conducted through website. Based on these factors, management believes that the Covid-19 pandemic has had no material effects on the reported financial results for the nine-month period ended 31 December 2020. However, the management will continue to monitor the situation closely.

**Going concern:**

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

As at 31 December 2020, the Company's current liabilities exceeded its current assets by SAR 112.64 million (31 March 2020: SAR 620.63 million) and the net results of its operations for the nine-month period then ended, excluding the effect of the settlement with the major vendor (referred to below), was a loss.

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

- In February 2021, the Company signed an agreement, with an effective date of December 31, 2020, with one of its major vendors to settle all balances and dues between the two parties which resulted in a gain of SAR 101 million and a reduction in net balances payable to a major vendor. The new balance payable to the major vendor will be 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 to be paid in five equal installments resulting in an additional gain of SAR 36 million on rescheduling ( refer Notes 11 & 21).

- The Company's business will improve by sealing new contracts with customers 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 realise assets at their recognised values and to extinguish liabilities in the normal course of business at the amounts stated in the condensed interim financial statements.



**ETIHAD ATHEEB TELECOMMUNICATION COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)**  
For the nine months period ended 31 December 2020  
(Saudi Arabian Riyals)

**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 2020 ("last annual financial statements"). These condensed interim financial statements do not include all of the information required for a complete set of 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.

**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.

**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.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies adopted in the preparation of these 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 2020, except new standards, amendment to standards and interpretations as described below:

**New standards, amendments to standards and interpretations**

There are no new standards issued, however, there are number of amendments to standards as follows:

- Amendments to standards which are effective from 1 April 2020 and has been explained in the Company's annual financial statements, but they do not have a material effect on the Company's condensed interim financial statements.
- Amendments to IFRS 16 – COVID-19 "Related Rent Concessions" which are effective for the periods beginning on or after 1 June 2020. The amendment permits lessees, as a practical expedient, not to assess whether particular rent concessions occurring as a direct consequence of the covid-19 pandemic are lease modifications and instead to account for those rent concessions as if they are not lease modifications. The amendment does not affect lessors. There is no material impact on the Company's condensed interim financial statements.



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

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)**  
For the nine months period ended 31 December 2020  
(Saudi Arabian Riyals)

**4. PROPERTY AND EQUIPMENT**

	Leasehold improvements	Network infrastructure	Decommissioning cost	Facilities, support & IT equipment	Capital work in progress	Total
<b>Cost:</b>						
Balance at 1 April 2019	3,670,619	1,060,764,922	2,663,250	32,760,691	4,629,519	1,104,489,001
Additions during the year	-	2,732,630	-	-	-	2,732,630
Disposals during the year	-	-	-	(7,880)	-	(7,880)
Balance at 31 March 2020	3,670,619	1,063,497,552	2,663,250	32,752,811	4,629,519	1,107,213,751
Additions during the period	-	2,213,228	-	-	-	2,213,228
Balance at 31 December 2020	3,670,619	1,065,710,780	2,663,250	32,752,811	4,629,519	1,109,426,979
<b>Accumulated depreciation:</b>						
Balance at 1 April 2019	3,670,619	833,233,293	902,288	28,892,035	-	866,698,235
Charge for the year	-	18,007,091	46,869	589,578	-	18,643,538
Disposals during the year	-	-	-	(6,442)	-	(6,442)
Balance at 31 March 2020	3,670,619	851,240,384	949,157	29,475,171	-	885,335,331
Charge for the period	-	12,984,846	130,365	308,565	-	13,423,776
Balance at 31 December 2020	3,670,619	864,225,230	1,079,522	29,783,736	-	898,759,107
<b>Net book value:</b>						
At 31 December 2020	-	201,485,550	1,583,728	2,969,075	4,629,519	210,667,872
At 31 March 2020	-	212,257,168	1,714,093	3,277,640	4,629,519	221,878,420



**ETIHAD ATHEEB TELECOMMUNICATION COMPANY**  
(A Saudi Joint Stock Company)  
**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)**  
For the nine months period ended 31 December 2020  
(Saudi Arabian Riyals)

**4. PROPERTY AND EQUIPMENT (continued)**

**4.1 Impairment test**

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

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

	<b>Percentage</b>
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 (CONTINUED)**  
For the nine months period ended 31 December 2020  
(Saudi Arabian Riyals)

**5. INTANGIBLES**

	License	Network capacity (note 5.2)	Software	Total
<b>Cost:</b>				
Balance at 1 April 2019	527,904,000	580,929,926	52,164,807	1,160,998,733
Additions during the year	-	-	-	-
Balance at 31 March 2020	527,904,000	580,929,926	52,164,807	1,160,998,733
Additions during the period	-	-	-	-
Disposals related to settlement agreement during the period	-	(415,076,586)	-	(415,076,586)
Balance at 31 December 2020	527,904,000	165,853,340	52,164,807	745,922,147
<b>Accumulated amortization:</b>				
Balance at 1 April 2019	188,303,908	169,056,417	49,198,284	406,558,609
Charge for the year	11,320,004	39,307,652	2,796,726	53,424,382
Balance at 31 March 2020	199,623,912	208,364,069	51,995,010	459,982,991
Charge for the period	8,490,002	29,480,737	72,773	38,043,512
Disposals related to settlement agreement during the period	-	(122,880,092)	-	(122,880,092)
Balance at 31 December 2020	208,113,914	114,964,714	52,067,783	375,146,411
<b>Netbook value:</b>				
At 31 December 2020	319,790,086	50,888,626	97,024	370,775,736
At 31 March 2020	328,280,088	372,565,857	169,797	701,015,742

**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. The indefeasible right to use FTTH was withdrawn by one of the telecom operators in exchange for settlement agreement with this operator (Note 21).



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

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)**

For the nine months period ended 31 December 2020

(Saudi Arabian Riyals)

**6. RIGHT OF USE ASSETS**

	<b>Tower Sites</b>	<b>Telecommunication Towers</b>	<b>Buildings</b>	<b>Total</b>
<b>Cost:</b>				
Balance at 1 April 2019	296,388,205	848,222	997,977	298,234,404
Additions during the year	21,621,998	-	-	21,621,998
Disposals during the year	(9,108,803)	-	-	(9,108,803)
<b>Balance at 31 March 2020</b>	<b>308,901,400</b>	<b>848,222</b>	<b>997,977</b>	<b>310,747,599</b>
Additions during the period	13,306,064	-	12,544,267	25,850,331
<b>Balance at 31 December 2020</b>	<b>322,207,464</b>	<b>848,222</b>	<b>13,542,244</b>	<b>336,597,930</b>
<b>Accumulated depreciation:</b>				
Balance at 1 April 2019	-	-	-	-
Charge for the year	49,850,223	175,416	447,734	50,473,373
<b>Balance at 31 March 2020</b>	<b>49,850,223</b>	<b>175,416</b>	<b>447,734</b>	<b>50,473,373</b>
Charge for the period	25,110,356	131,562	1,390,572	26,632,490
<b>Balance at 31 December 2020</b>	<b>74,960,579</b>	<b>306,978</b>	<b>1,838,306</b>	<b>77,105,863</b>
<b>Net book value:</b>				
At 31 December 2020	247,246,885	541,244	11,703,938	259,492,067
At 31 March 2020	259,051,177	672,806	550,243	260,274,226



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**7. TRADE RECEIVABLES**

	Note	31 December 2020	31 March 2020
Trade receivables	7.1	294,220,922	298,120,210
Impairment on trade receivables	7.2	(91,319,945)	(85,723,673)
		<u>202,900,977</u>	<u>212,396,537</u>

7.1 Trade receivables include an amount of SAR 48,671,846 as of December 31, 2020 (March 31, 2020: SAR 44,725,551) due from related parties (Note 18).

7.2 Movement impairment on trade receivables is as follows:

	For the period ended 31 December 2020	For the year ended 31 March 2020
Balance at beginning of the period/year	85,723,673	65,313,304
Impairment for the period/year	5,596,272	20,410,369
Balance at end of the period/year	<u>91,319,945</u>	<u>85,723,673</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. During the period Company had repaid the last outstanding installment in April 2020.

	31 December 2020	31 March 2020
Current portion	<u>-</u>	<u>7,767,084</u>



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**11. ACCOUNTS PAYABLE**

	<u>31 December 2020</u>	<u>31 March 2020</u>
A major vendor *	334,139,867	738,452,539
Due to related parties (Note 18)	31,298,684	30,463,525
Other vendors	119,657,040	180,964,230
<b>Balance at the end of the period/year</b>	<u><b>485,095,591</b></u>	<u><b>949,880,294</b></u>
Current-portion	275,955,724	805,934,288
Non-current portion	209,139,867	143,946,006
	<u><b>485,095,591</b></u>	<u><b>949,880,294</b></u>

\* 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 21).

**12. LEASE LIABILITIES**

<b>Liability</b>	<u><b>31 December 2020</b></u>	<u><b>31 March 2020</b></u>
Balance at the beginning of the period/year	363,195,887	-
Impact of adoption of IFRS 16	-	347,402,809
Addition during the period/year	25,850,331	21,621,998
Cancellation for the period/year	-	(9,108,803)
Finance cost	9,033,511	13,426,538
Paid during the period/year	(14,877,164)	(10,146,655)
Lease liability offset during the period	(18,000,000)	-
<b>Lease liability at the end of the period/year</b>	<u><b>365,202,565</b></u>	<u><b>363,195,887</b></u>
Current portion	110,340,060	106,745,471
Non-current portion	254,862,505	256,450,416
	<u><b>365,202,565</b></u>	<u><b>363,195,887</b></u>

Expenses relating to short-term and low-value leases for the period are SAR 57.61 million and Nil (For the year ended March 31, 2020: SAR 97.09 million and Nil) respectively.



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**13. OTHER INCOME**

	For the nine month period ended	
	31 December 2020	31 December 2019
Settlement with a major vendor (Note 21)	101,132,388	-
Miscellaneous income	181,970	32,110
Write-off payable balances	-	3,195,249
	<u>101,314,358</u>	<u>3,227,359</u>

**14. FINANCE INCOME (COST), NET**

	For the nine month period ended	
	31 December 2020	31 December 2019
Finance income	35,860,133	-
Interest cost on lease liabilities	(9,033,511)	(10,174,041)
Unwinding of discount on long-term liability	(402,333)	(4,110,213)
Net interest on defined benefit liability	(238,500)	(264,753)
Guarantee fee of the founding shareholders	(7,312)	(96,401)
Unwinding of provision for dismantling cost	(88,317)	(85,092)
Murabaha financing costs	-	(955,987)
Other	(631,809)	(640,135)
	<u>25,458,351</u>	<u>(16,326,622)</u>

**15. EARNINGS (LOSS) PER SHARE – BASIC AND DILUTED**

	For the nine month period ended	
	31 December 2020	31 December 2019
Net profit (loss) for the period	102,548,063	(62,489,101)
Weighted average number of shares for the period	22,852,900	22,852,900
Earnings (loss) per share - basic and diluted	4.49	(2.73)

15.1 Earnings (loss) per share is computed by dividing the earnings (loss) attributable to the ordinary shareholders of the Company for the periods ended 31 December 2020 and 31 December 2019 by the weighted average number of shares outstanding during the period.



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**16. CONTINGENCIES AND COMMITMENTS**

**a) *Contingencies***

***Letter of guarantees***

The Company's banks have issued letters of guarantees amounting to SAR 50 million (31 March 2020: 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 52.25 million pertaining to the various vendors.



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**17. SEGMENTAL INFORMATION**

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

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

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

	As at 31 December 2020			
	Voice	Data	Unallocated	Total
<b>Segment assets</b>				
Property and equipment	5,500,921	205,166,951	-	210,667,872
Intangibles	9,681,628	361,094,108	-	370,775,736
Right of use assets	6,775,809	252,716,258	-	259,492,067
	For the three months period ended 31 December 2020			
	Voice	Data	Unallocated	Total
<b>Segment revenue and costs</b>				
Revenue	8,059,224	59,123,055	-	67,182,279
Cost of services	(1,134,971)	(27,316,615)	-	(28,451,586)
Selling and marketing expenses	-	-	(7,356,799)	(7,356,799)
Depreciation and amortization	(253,762)	(26,457,701)	-	(26,711,463)
Impairment in trade receivables	-	-	(986,774)	(986,774)
General and administrative expenses	-	-	(7,662,907)	(7,662,907)
Other income	-	-	101,263,707	101,263,707
Finance income	-	-	32,269,428	32,269,428
Zakat	-	-	(2,700,000)	(2,700,000)
	For the nine months period ended 31 December 2020			
	Voice	Data	Unallocated	Total
<b>Segment revenue and costs</b>				
Revenue	29,294,380	178,683,131	-	207,977,511
Cost of services	(20,707,288)	(68,125,375)	-	(88,832,663)
Selling and marketing expenses	-	-	(22,791,612)	(22,791,612)
Depreciation and amortization	(1,168,484)	(76,931,294)	-	(78,099,778)
Impairment in trade receivables	-	-	(5,596,272)	(5,596,272)
General and administrative expenses	-	-	(34,181,832)	(34,181,832)
Other income	-	-	101,314,358	101,314,358
Finance income	-	-	25,458,351	25,458,351
Zakat	-	-	(2,700,000)	(2,700,000)



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**17. SEGMENTAL INFORMATION (continued)**

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

Segment revenue and costs	For the three months period ended 31 December 2019			Total
	Voice	Data	Unallocated	
Revenue	4,626,719	72,655,616	-	77,282,335
Cost of services	(1,052,167)	(25,323,682)	-	(26,375,849)
Selling and marketing expenses	-	-	(7,922,571)	(7,922,571)
Depreciation and amortization	(292,288)	(30,474,516)	-	(30,766,804)
Impairment in trade receivables	-	-	(718,306)	(718,306)
General and administrative expenses	-	-	(16,340,999)	(16,340,999)
Finance cost	-	-	(4,959,077)	(4,959,077)

Segment revenue and costs	For the nine months period ended 31 December 2019			Total
	Voice	Data	Unallocated	
Revenue	15,638,430	245,577,850	-	261,216,280
Cost of services	(5,122,244)	(123,282,756)	-	(128,405,000)
Selling and marketing expenses	-	-	(25,678,834)	(25,678,834)
Depreciation and amortization	(878,688)	(91,613,653)	-	(92,492,341)
Impairment in trade receivables	-	-	(14,700,979)	(14,700,979)
General and administrative expenses	-	-	(49,328,964)	(49,328,964)
Other income	-	-	3,227,359	3,227,359
Finance cost	-	-	(16,326,622)	(16,326,622)

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.



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**18. 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 months period ended	
			31 December 2020	31 December 2019
Bahrain Telecommunication Company	Shareholder	Data revenue	961,119	1,396,590
		Interconnection revenue	49	1,009,021
		Interconnection cost	299,221	385,780
Saudi Arabian Marketing and Agencies Limited	Affiliate	Data revenue	251,170	377,092
Bithar Trading Company Limited	Shareholder	Data revenue	72,080	68,172
Atheeb Saudi Intergraph Company Limited	Shareholder	Data revenue	24,908	62,379
Etihad Shams Company Limited	Affiliate	Data revenue	6,181	1,455
Founding shareholders	Shareholder	Guarantee fee	1,227	28,733
Atheeb Maintenance and Services	Shareholder	Data revenue	-	20,060
		Salaries and related benefits	1,177,686	432,750
Key management personnel	-	Expenses	111,000	88,696
Board of directors	-			

  

<i>Related parties</i>	<i>Relationship</i>	<i>Nature of transaction</i>	For the nine months period ended	
			31 December 2020	31 December 2019
Bahrain Telecommunication Company	Shareholder	Data revenue	3,215,192	4,814,329
		Interconnection revenue	670	2,522,572
		Interconnection cost	826,621	1,085,559
Saudi Arabian Marketing and Agencies Limited	Affiliate	Data revenue	687,822	604,708
Bithar Trading Company Limited	Shareholder	Data revenue	208,324	346,950
Atheeb Saudi Intergraph Company Limited	Shareholder	Data revenue	137,016	168,917
Atheeb Maintenance and Services	Shareholder	Data revenue	20,160	61,115
Etihad Shams Company Limited	Affiliate	Data revenue	24,094	27,585
Founding shareholders	Shareholder	Guarantee fee	8,539	96,401
		Salaries and related benefits	2,043,186	1,298,250
Key management personnel	-	Expenses	210,000	150,567
Board of directors	-			



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**18. RELATED PARTY TRANSACTIONS AND BALANCES (continued)**

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

<u>Due from related parties (Note 7)</u>	<u>Relationship</u>	<u>31 December 2020</u>	<u>31 March 2020</u>
Bahrain Telecommunications Company	Shareholder	43,366,499	40,168,637
Bithar Trading Company Limited	Shareholder	666,552	458,229
Saudi Arabian Marketing and Agencies Limited	Affiliate	4,504,511	3,866,554
Atheeb Saudi Intergraph Company Limited	Shareholder	42,285	148,391
Atheeb Maintenance and Services	Shareholder	86,068	80,588
Etihad Shams Company Limited	Affiliate	5,931	3,152
		<u>48,671,846</u>	<u>44,725,551</u>

<u>Due to related parties (Note 11)</u>	<u>Relationship</u>	<u>31 December 2020</u>	<u>31 March 2020</u>
Bahrain Telecommunications Company	Shareholder	29,403,387	28,573,852
Bithar Trading Company Limited	Shareholder	53,381	51,525
Traco Company Trading and Contracting Company	Shareholder	924,988	924,313
Saudi Internet Company Limited	Shareholder	213,216	212,710
Bithar Communications & Information Technology Company Limited	Shareholder	265,716	265,210
Atheeb Maintenance and Services Company Limited	Shareholder	265,716	265,210
Al Nahla Trading and Contracting Company Limited	Shareholder	172,280	170,705
		<u>31,298,684</u>	<u>30,463,525</u>

**19. PROVISION FOR ZAKAT AND TAX**

**19.1 Movement in Zakat provision**

The movement in Zakat provision is as follows:

	<u>31 December 2020</u>	<u>31 March 2020</u>
Balance at the beginning of the period/year	2,698,958	2,698,958
Additional provision of zakat for previous years	2,700,000	-
Balance at the end of the period/year	<u>5,398,958</u>	<u>2,698,958</u>

**19.2 Zakat and tax status**

The Company has filed its Zakat and tax return with the General Authority of Zakat and Tax ("GAZT") for the years up to 31 March 2020.

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 SAR 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.



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**19. PROVISION FOR ZAKAT AND TAX (continued)**

**19.2 Zakat and tax status (continued)**

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 condensed interim financial statements.

The GAZT has not issued any assessment up to date with relation to the year 2013.

In July 2020, the GAZT raised zakat assessment for the year 2014 for an additional amount of SAR 5.53 million. In September 2020, the Company objected against the assessment raised by the GAZT. In December 2020, the GAZT 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 GAZT's response received on the objection. The decision from the GSTC is awaited.

The GAZT recently raised zakat and tax assessment for the fiscal years 2015, 2016, 2017 and 2018 with an additional amount of SAR 4.09 million, SAR 4.57 million, SAR nil, and SAR 18 million respectively. The Company is willing to file an objection within the statutory deadline.

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

**20. 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 condensed interim annual financial statements. As at the reporting date, carrying value of the Company's financial assets and liabilities were reasonably equal to their fair values.

**21. SUBSEQUENT EVENT**

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 gain of SAR 101 million and a reduction in net balances payable to a major vendor. The new balance payable to the major vendor will be SAR 370 million and its payment was rescheduled as a down-payment of SAR 125 million upon signing the agreement with the remaining amount of SAR 245 million to be paid in five equal installments resulting in an additional gain of SAR 36 million on rescheduling.

**22. APPROVAL OF THE CONDENSED INTEREIM FINANCIAL STATEMENTS**

These condensed interim financial statements were authorized for issue by the Board of Directors on 28 Jumada Al-Akhirah 1442H (Corresponding to February 10, 2021).