ETIHAD ATHEEB TELECOMMUNICATION COMPANY
(A Saudi Joint Stock Company)
Financial Statements
For the year ended 31 March 2018
together with the
Independent Auditors' Report

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License No. 46/11/323 issued 11/3/1992

Independent Auditor's Report

To the Shareholders of Etihad Atheeb Telecommunication Company

Disclaimer of Opinion

We were engaged to audit the financial statements of Etihad Atheeb Telecommunication Company ("the Company"), which comprise the statement of financial position as at 31 March 2018, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, comprising significant accounting policies and other explanatory information.

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

Basis for Disclaimer of Opinion

The Company's financial statements as at and for the year ended 31 March 2018 have been prepared on a going concern basis of accounting. However, we were unable to obtain sufficient appropriate audit evidence to enable us to conclude whether the use of the going concern assumption basis of accounting to prepare these financial statements is appropriate, due to the following factors:

(a) As disclosed in Note 2 to the financial statements, the Company's current liabilities exceeded its current assets by SAR 477 million as at 31 March 2018 and for the year then ended, the Company incurred a net loss of SAR 36.6 million.

(b) The Company's statement of financial position includes non-financial assets amounting to SAR 1,064 million as at 31 March 2018. 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, industry regulator did not award the Unified License to the Company. Management has carried out an impairment assessment in accordance with IAS 36 "Impairment of assets", and has determined that the recoverable amounts of the aforementioned assets exceed their carrying amounts as at 31 March 2018 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 judgments, 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 successfully raise fresh equity, either from existing shareholders or potential investors and will acquire ongoing financial and technical support from its key suppliers to implement the business plan. However, as of the date of approval of the financial statements, we were unable to obtain sufficient appropriate audit evidence, including binding agreements with any potential investor nor signed agreements with 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 assessment.

(c) The Company has an overdue balance owed to its key supplier amounting to SAR 560 million as at 31 March 2018. 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 this key supplier are still ongoing.

Independent Auditor's Report

To the Shareholders of Etihad Atheeb Telecommunication Company (continued)

Basis for Disclaimer of Opinion (continued)

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

For KPMG Al Fozan & Partners
Certified Public Accountants

Khalil Ibrahim Al Sedais
License No: 371

كي بي ام جي الفوزان وشركاه
محاسبون ومراجعون قانونيون
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C.R. 46
KPMG
Certified Public Accountants
KPMG Al Fozan & Partners

Riyadh on: 25 June 2019
Corresponding to: 22 Shawwal 1440H

ETIHAD ATHEEB TELECOMMUNICATION COMPANY
(A Saudi Joint Stock Company)
STATEMENT OF FINANCIAL POSITION
As at 31 March 2018
(Saudi Arabian Riyals)

	Note	31 March 2018	31 March 2017	1 April 2016
ASSETS				
Non-current assets				
Property and equipment	5	256,238,672	331,679,523	372,531,433
Intangibles	6	807,868,470	798,151,667	843,806,750
Total non-current assets		1,064,107,142	1,129,831,190	1,216,338,183
Current assets				
Inventories	7	1,606,218	8,329,081	5,406,579
Trade receivables	8	178,701,905	123,573,039	78,393,100
Prepayments and other current assets	9	94,960,655	109,524,838	116,554,011
Cash and cash equivalents	10	53,880,263	102,693,540	137,727,270
Total current assets		329,149,041	344,120,498	338,080,960
TOTAL ASSETS		1,393,256,183	1,473,951,688	1,554,419,143
EQUITY AND LIABILITIES				
Equity				
Share capital	1	472,500,000	1,575,000,000	1,575,000,000
Accumulated losses		(188,550,905)	(1,254,403,543)	(1,129,085,213)
Total equity		283,949,095	320,596,457	445,914,787
Liabilities				
Non-current liabilities				
Tawaroq Islamic Financing	11	38,835,177	69,903,310	100,971,428
Long term accounts payable	12	183,204,448	279,449,394	370,914,268
Defined benefit obligation – employees' benefit	13	11,628,000	13,386,200	11,933,996
Provision for decommissioning cost	14	2,870,856	2,765,106	2,663,250
Deferred gain	5.1	66,428,598	--	--
Total non-current liabilities		302,967,079	365,504,010	486,482,942
Current liabilities				
Tawaroq Islamic Financing – current portion	11	31,068,119	31,068,118	31,068,118
Accounts payable – short term	15	586,033,590	548,698,596	397,558,326
Accrued expenses and other current liabilities	16	131,132,275	152,973,989	153,073,961
Deferred gain – current portion	5.1	12,857,112	--	--
Deferred income	17	42,549,955	52,411,560	37,622,051
Provision for Zakat and tax	18	2,698,958	2,698,958	2,698,958
Total current liabilities		806,340,009	787,851,221	622,021,414
Total liabilities		1,109,307,088	1,153,355,231	1,108,504,356
TOTAL EQUITY AND LIABILITIES		1,393,256,183	1,473,951,688	1,554,419,143

The accompanying notes (1) through (32) form an integral part of these financial statements.

Fahad Al Bawardi
Acting Chief Executive Officer

Mahmoud Al Abdullah
Acting Chief Financial Officer

Husam Sadagah
Chairman

ETIHAD ATHEEB TELECOMMUNICATION COMPANY
(A Saudi Joint Stock Company)
STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 March 2018
(Saudi Arabian Riyals)

	Note	For the year ended 31 March 2018	31 March 2017
Revenue	19	479,820,813	421,745,872
Cost of services	20	(388,885,990)	(343,123,026)
Gross profit		90,934,823	78,622,846
Selling and marketing expenses	21	(97,830,039)	(76,275,257)
Depreciation and amortization	5,6	(90,998,243)	(141,796,722)
General and administrative expenses	22	(100,310,323)	(83,276,045)
Other income	23	178,335,693	114,598,316
Operating loss		(19,868,089)	(108,126,862)
Finance costs	24	(20,393,476)	(17,142,703)
Loss for the year		(40,261,565)	(125,269,565)
Other comprehensive income			
Items that will not be reclassified to profit or loss in subsequent periods			
Re-measurement gain /(loss) on defined benefit obligation		3,614,203	(48,765)
Total comprehensive loss for the year		(36,647,362)	(125,318,330)
Loss per share – basic and diluted	25	(0.85)	(2.65)

The accompanying notes (1) through (32) form an integral part of these financial statements.

Fahad Al Bawardi
Acting Chief Executive Officer

Husam Sadagah
Chairman

Mahmoud Al Abdullah
Acting Chief Financial Officer

ETIHAD ATHEEB TELECOMMUNICATION COMPANY
(A Saudi Joint Stock Company)
STATEMENT OF CHANGES IN EQUITY
For the year ended 31 March 2018
(Saudi Arabian Riyals)

	Note	Share capital	Accumulated losses	Total equity
Balance at 01 April 2016	4	**1,575,000,000**	**(1,129,085,213)**	**445,914,787**
Loss for the year	4	--	(125,269,565)	(125,269,565)
Other comprehensive loss		--	(48,765)	(48,765)
Total comprehensive loss for the year		--	(125,318,330)	(125,318,330)
Balance at 31 March 2017	4	**1,575,000,000**	**(1,254,403,543)**	**320,596,457**
Reduction of share capital to absorb losses	1	(1,102,500,000)	1,102,500,000	--
Net loss for the year		--	(40,261,565)	(40,261,565)
Other comprehensive income		--	3,614,203	3,614,203
Total comprehensive loss for the year		--	(36,647,362)	(36,647,362)
Balance at 31 March 2018		**472,500,000**	**(188,550,905)**	**283,949,095**

The accompanying notes (1) through (32) form an integral part of these financial statements.

Fahad Al Bawardi
Acting Chief Executive Officer

Mahmoud Al Abdullah
Acting Chief Financial Officer

Husam Sadagah
Chairman

ETIHAD ATHEEB TELECOMMUNICATION COMPANY
(A Saudi Joint Stock Company)
STATEMENT OF CASH FLOWS
For the year ended 31 March 2018
(Saudi Arabian Riyals)

	Note	For the year ended 31 March 2018	31 March 2017
Cash flows from operating activities			
Loss for the year		(40,261,565)	(125,269,565)
Adjustments for:			
Depreciation and amortization	5,6	90,998,243	141,796,722
Settlement with a vendor	23	--	(74,771,398)
Gain on disposal of property and equipment	23	(97,920,156)	--
Amortization of deferred gain on disposal of property and equipment	23	(10,714,290)	(4,168,008)
Provision for doubtful receivables	8	14,961,107	2,069,279
Finance costs	24	20,393,476	17,142,703
Provision for employees' end of service benefits	13	2,174,003	3,083,445
		(20,369,182)	(40,116,822)
Changes in working capital			
Inventories		6,722,863	(2,922,502)
Trade receivables		(70,089,973)	(47,249,218)
Prepayments and other current assets		(56,745,817)	9,928,034
Accounts payable		227,857,743	74,163,548
Accrued expenses and other current liabilities		(23,870,244)	(516,774)
Deferred income		(9,861,605)	18,955,173
		53,643,785	12,241,439
Finance costs paid		(3,235,891)	(6,088,919)
Employees' end of service benefits paid	13	(799,000)	(1,680,006)
Net cash generated from operating activities		49,608,894	4,472,514
Cash flows from investing activities			
Additions to property and equipment		(5,608,790)	(7,993,442)
Addition to intangibles		(61,745,249)	(485,164)
Proceeds from disposal of property and equipment		--	40,480
Net cash used in investing activities		(67,354,039)	(8,438,126)
Cash flows from financing activities			
Repayment of Tawaroq Islamic Financing		(31,068,132)	(31,068,118)
Net cash used in financing activities		(31,068,132)	(31,068,118)
Net decrease in cash and cash equivalents		(48,813,277)	(35,033,730)
Cash and cash equivalents at the beginning of the year		102,693,540	137,727,270
Cash and cash equivalents at the end of the year		53,880,263	102,693,540

The accompanying notes (1) through (32) form an integral part of these financial statements.

Fahad Al Bawardi
Acting Chief Executive Officer

Mahmoud Al Abdullah
Acting Chief Financial Officer

Husam Sadagah
Chairman

1. ORGANIZATION AND ACTIVITIES

General information

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

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

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

As at 31st March 2018, the authorized, issued and paid up share capital of the Company is SAR 472.5 million divided into 47.25 million shares of SAR 10 each. The founding shareholders of the Company have subscribed and paid for 19.50 million shares and the remaining 27.75 million shares have been subscribed by the general public.

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

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

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

The Company has 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. The Company has also filed an appeal against CITC with the Court for returning the full amount of the performance bond encashed by CITC.

2. BASIS OF PREPARATION

a) *Statement of compliance*

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

Up to and including the year ended 31 March 2017, the Company prepared and presented statutory financial statements in accordance with the Generally Accepted Accounting Standards in the Kingdom of Saudi Arabia issued by SOCPA.

These financial statements are the first IFRS annual financial statements, therefore IFRS 1 'First-time Adoption of International Financial Reporting Standards' that is endorsed in the Kingdom of Saudi Arabia has been applied to prepare these financial statements. The reader must also take into account the explanations of how the transition to IFRS has affected the reported financial position, performance and cash flows of the Company.

As required by the Capital Market Authority ("CMA") through its circular dated 16 October 2016 the Company needs to apply the cost model to measure the property and equipment and intangible assets upon adopting the IFRS, for three years period starting from the IFRS adoption date.

The principal accounting policies used by the management of the Company in preparation of these financial statements are disclosed in note 3. These policies have been consistently applied to all periods presented, unless otherwise stated.

b) *Basis of measurement*

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

As at 31 March 2018, the Company's current liabilities exceeds its current assets by SAR 477 million (31 March 2017: SAR 444 million). Moreover, the Company has accumulated losses amounting to SAR 189 million as of 31 March 2018, which approximate 39.90% of the Company's share capital.

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 has negotiated with one of its key supplier and has successfully rescheduled the payment terms.

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

2. BASIS OF PREPARATION (CONTINUED)

b) *Basis of measurement (continued)*

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

c) *Functional and presentation currency*

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

d) *Use of estimates and judgments*

The estimates at date of transition to IFRS and as at the end of earliest reporting period presented are consistent with those made for the same dates in accordance with SOCPA (after adjustments to reflect any differences in accounting policies) apart from post-employment benefits and provision for decommissioning costs creating obligations where application of SOCPA did not require estimation.

The estimates used by the Company to present these amounts in accordance with IFRS as endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA reflect conditions at the date of transition to IFRS and as at the end of earliest reporting period presented.

The preparation of these financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

Useful lives of property and equipment

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

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

2. BASIS OF PREPARATION (CONTINUED)

d) *Use of estimates and judgments (continued)*

Provision for impairment of accounts receivables

The impairment charge reflects estimates of losses arising from the failure or inability of the parties concerned to make the required payments. The charge is based on the aging of the counter party accounts, historic experience and the information available on the parties' financial position. Changes to the estimated impairment provision may be required if the financial condition of the parties was to improve or deteriorate.

Defined benefits obligation

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

Contingencies

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

a) *Property and equipment*

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

a) *Property and equipment (continued)*

Depreciation

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

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

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

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

b) *Intangibles*

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

Subsequent expenditure

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

The Company's intangibles comprise of the following:

Licenses

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

Indefeasible rights of use (IRUs) – network capacity

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) *Intangibles (continued)*

Computer software

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

Useful lives

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

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

c) *Impairment of non-financial assets*

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

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

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

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

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

d) *Financial instruments*

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i) Financial assets

Initial recognition and measurement

Financial assets are classified at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity financial assets, available for sale financial assets. The company has not designated any financial assets at initial recognition as at fair value through profit or loss, held-to-maturity or available for sale.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) *Financial instruments (continued)*

All financial assets other than financial assets at fair value through profit or loss, are initially measured at fair value plus any directly attributable transaction costs. Transaction costs for financial assets at fair value through profit or loss are recognized in the statement of profit or loss as incurred.

The Company has the following financial assets: cash and cash equivalents and accounts receivable.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification, as described below:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate (EIR) method, less accumulated impairment losses.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The effective interest rate amortization is included in finance income in the statement of profit or loss. The losses arising from impairment are recognized in the statement of profit or loss in finance costs for loans and in other operating expenses for receivables.

Derecognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is primarily derecognized when:

- The rights to receive cash flows from the asset have expired; or
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:
  - (i) the Company has transferred substantially all the risks and rewards of the asset, or
  - (ii) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Impairment of financial assets

The financial assets are assessed for indicators of impairment at each statement of financial position date. Non derivative financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial asset have been impacted.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Financial instruments (continued)

The Company considers evidence of impairment for trade and other receivables at both a specific asset and collective level. All individually significant trade and other receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Trade and other receivables that are not individually significant are collectively assessed for impairment by grouping together trade and other receivables with similar risk characteristics.

The carrying amount of the financial asset is reduced for the loss resulting from the impairment immediately for all the financial assets except for the trade receivables which are reduced through the use of an allowance account. When the trade receivables are considered not to be recoverable, they are written-off against the allowance account. Subsequent recoveries of amounts previously written-off are credited to the profit or loss. Changes in the carrying amount of the allowance account are recognized in the profit or loss account.

ii) Financial liabilities

Recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, as appropriate. All financial liabilities other than financial liabilities at fair value through profit or loss are recognized initially at fair value net of directly attributable transaction costs. Financial liabilities at fair value through profit or loss are measured initially and subsequently at fair value, and any related transaction costs are recognized in statement of profit or loss as incurred. The Company's financial liabilities include loans and notes payable, accounts payable, due to related parties.

iii) Offsetting of financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

e) Inventories

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

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

f) Cash and cash equivalents

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

3. **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

g) Defined benefit obligation – employees' benefit

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

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

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

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

On the date of transition, the calculation of defined benefits obligation has been performed by a qualified actuary using the projected unit credit method. Thereafter, actuarial valuation is performed annually. The most recent actuarial valuation was performed on 31 March 2018.

h) Provisions

(i) Provision for decommissioning cost

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

(ii) General

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

i) Leases

Determining whether an arrangement contain a lease

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i) Leases (continued)

Leased assets

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

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

Lease payments

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

j) Revenue recognition

Revenue is measured at the fair value of the consideration received or the contractually defined terms of payment. Revenue is stated net of trade discounts.

Revenue is recognized when it is probable that the economic benefits will flow to the Company, revenue can be reliably measured, regardless of when the payment is being made, and when specific criteria is met for each of the Company's activities as described below.

The Company recognizes revenue from its telecom services as follows:

- Service revenue is recognized in the period in which the service is delivered.
- Airtime revenue is recognized on a usage basis. Deferred income related to unused airtime is recognized when utilized by the customer or on a time proportion basis over the validity period. Upon termination of the customer contract, all deferred income for unused airtime is recognized in the statement of income.
- Revenue from data services is recognized when the Company has performed the related service and, depending on the nature of the service, is recognized either at the gross amount billed to the customer or the amount receivable by the Company as commission for facilitating the service.
- Revenue from sale of Customer Premises Equipment ("CPE") and Dongles (i.e. a broadband wireless adapter) are recognized when the CPE and Dongles are delivered to subscribers and customers.
- Charges billed in advance are deferred and recognized over the contracted period of service.

k) Expenses

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

l) *Foreign currency transactions*

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

m) *Zakat and income tax*

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

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

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

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

n) *Borrowing costs*

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

o) *Segment Reporting*

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

p) *Standards issued but not yet effective*

The Company has not early adopted the following new or amended standards in preparing these financial statements.

IFRS 9 Financial Instruments

In July 2014, the International Accounting Standards Board issued the final version of IFRS 9 Financial Instruments that replaces IAS 39: Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. The Company is in the process of completing its evaluation of the impact of expected credit loss model on impairment of its financial assets.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The revenue standard will supersede all current revenue recognition requirement under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. The Company is in the process of completing its evaluation of impact of IFRS 15 on its revenue recognition policy.

IFRS 16 Leases

IFRS 16 introduces a single, on-balance lease sheet accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard - i.e. lessors continue to classify leases as finance or operating leases.

IFRS 16 replaces existing leases guidance including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases—Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted for entities that apply IFRS 15 Revenue from Contracts with Customers at or before the date of initial application of IFRS 16.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

n) Standards issued but not yet effective (continued)

Other amendments

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

- Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2).
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28).

4. FIRST TIME ADOPTION OF IFRS

For all periods up to and including the year ended 31 March 2017, the Company prepared its financial statements based on the generally accepted accounting standards promulgated in Saudi Arabia by SOCPA.

The Company has prepared these financial statements in accordance with IFRS that is endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA applicable as at 31 March 2018, together with the comparative period data for the year ended 31 March 2017. In preparing financial statements, the Company's opening statement of financial position was prepared as at 1 April 2016, the Company's date of transition to IFRS that is endorsed in the Kingdom of Saudi Arabia and other standards and pronouncements issued by SOCPA. This note explains the principal adjustments made by the Company in adjusting its SOCPA financial statements for the year ended 31 March 2017.

Estimates

The estimates at 1 April 2016 and as at 31 March 2017 are consistent with those made for the same dates in accordance with SOCPA (after adjustments to reflect any differences in accounting policies) apart from the following items:

- End of service benefits
- Provision for decommissioning liability

An explanation of the transition from SOCPA to IFRS is set out in the following tables.

4. FIRST TIME ADOPTION OF IFRS (CONTINUED)

4.1 Reconciliation of equity as at 1 April 2016

	Balance as per SOCPA	Effect of transition to IFRSs	Balance as per IFRS
ASSETS			
Non-current assets			
Property and equipment *(Note 4.4 and 4.5)*	396,081,056	(23,549,623)	372,531,433
Intangibles *(Note 4.4 and 4.6)*	884,896,362	(41,089,612)	843,806,750
Total non-current assets	1,280,977,418	(64,639,235)	1,216,338,183
Current assets			
Inventories	5,406,579	–	5,406,579
Trade receivables	78,393,100	–	78,393,100
Prepayments and other current assets	116,554,011	–	116,554,011
Cash and cash equivalents	137,727,270	–	137,727,270
Total current assets	338,080,960	–	338,080,960
TOTAL ASSETS	1,619,058,378	(64,639,235)	1,554,419,143
EQUITY AND LIABILITIES			
EQUITY			
Share capital	1,575,000,000	--	1,575,000,000
Accumulated losses	(1,095,298,208)	(33,787,005)	(1,129,085,213)
TOTAL EQUITY	479,701,792	(33,787,005)	445,914,787
LIABILITIES			
Non-current liabilities			
Tawaroq Islamic Financing	100,971,428	–	100,971,428
Long term accounts payable *(Note 4.6)*	306,000,000	64,914,268	370,914,268
Defined benefits obligation - employees' benefit *(Note 4.7)*	9,214,189	2,719,807	11,933,996
Provision for decommissioning cost *(Note 4.5)*	--	2,663,250	2,663,250
Total non-current liabilities	416,185,617	70,297,325	486,482,942
Current liabilities			
Tawaroq Islamic Financing – current portion	31,068,118	--	31,068,118
Accounts payable - short term *(Note 4.6)*	499,558,326	(102,000,000)	397,558,326
Accrued expenses and other liabilities *(Note 4.5 and 4.6))*	152,223,516	850,445	153,073,961
Deferred income	37,622,051	–	37,622,051
Provision for Zakat and tax	2,698,958	–	2,698,958
Total current liabilities	723,170,969	(101,149,555)	622,021,414
TOTAL LIABILITIES	1,139,356,586	(30,852,230)	1,108,504,356
TOTAL EQUITY AND LIABILITIES	1,619,058,378	(64,639,235)	1,554,419,143

4. FIRST TIME ADOPTION OF IFRS (CONTINUED)

4.2 Reconciliation of equity as at 31 March 2017

	Balance as per SOCPA	Effect of transition to IFRSs	Balance as per IFRS
ASSETS			
Non-current assets			
Property and equipment *(Note 4.5)*	329,317,041	2,362,482	331,679,523
Intangibles *(Note 4.6)*	836,625,048	(38,473,381)	798,151,667
Total non-current assets	1,165,942,089	(36,110,899)	1,129,831,190
Current assets			
Inventories	8,329,081	--	8,329,081
Trade receivables	123,573,039	--	123,573,039
Prepayments and other current assets	109,524,838	--	109,524,838
Cash and cash equivalents	102,693,540	--	102,693,540
Total current assets	344,120,498	--	344,120,498
TOTAL ASSETS	1,510,062,587	(36,110,899)	1,473,951,688
EQUITY AND LIABILITIES			
EQUITY			
Share capital	1,575,000,000	--	1,575,000,000
Accumulated losses	(1,233,920,013)	(20,483,530)	(1,254,403,543)
TOTAL EQUITY	341,079,987	(20,483,530)	320,596,457
LIABILITIES			
Non-current liabilities			
Tawaroq Islamic Financing	69,903,310	--	69,903,310
Long term accounts payable *(Note 4.6)*	306,000,000	(26,550,606)	279,449,394
Defined benefits obligation – employees' benefit *(Note 4.7)*	9,860,070	3,526,130	13,386,200
Provision for decommissioning cost *(Note 4.5)*	--	2,765,106	2,765,106
Total non-current liabilities	385,763,380	(20,259,370)	365,504,010
Current liabilities			
Tawaroq Islamic Financing – current portion	31,068,118	--	31,068,118
Accounts payable – short term *(Note 4.6)*	548,698,596	--	548,698,596
Accrued expenses and other liabilities *(Note 4.5 and 4.6))*	148,341,988	4,632,001	152,973,989
Deferred income	52,411,560	--	52,411,560
Provision for Zakat and tax	2,698,958	--	2,698,958
Total current liabilities	783,219,220	4,632,001	787,851,221
TOTAL LIABILITIES	1,168,982,600	(15,627,369)	1,153,355,231
TOTAL EQUITY AND LIABILITIES	1,510,062,587	(36,110,899)	1,473,951,688

4. FIRST TIME ADOPTION OF IFRS (CONTINUED)

4.3 Reconciliation of comprehensive income for the year ended 31 March 2017

	Balance as per SOCPA	Effect of transition to IFRSs	Balance as per IFRS
Revenue, net	421,745,872	--	421,745,872
Cost of services *(Note 4.6)*	(339,341,470)	(3,781,556)	(343,123,026)
Gross profit	82,404,402	(3,781,556)	78,622,846
Selling and marketing expenses	(76,275,257)	--	(76,275,257)
Depreciation and amortization *(Note 4.4, 4.5 and 4.6)*	(170,325,058)	28,528,336	(141,796,722)
General and administrative expenses *(Note 4.7)*	(82,518,487)	(757,558)	(83,276,045)
Other income	114,598,316	--	114,598,316
Operating loss	(132,116,084)	23,989,222	(108,126,862)
Finance cost *(Note 4.5 and 4.6)*	(6,505,721)	(10,636,982)	(17,142,703)
Net loss for the year	(138,621,805)	13,352,240	(125,269,565)
Other comprehensive income			
Items that will not be reclassified to profit or loss in subsequent periods			
Re-measurement loss on defined benefit obligation *(Note 4.7)*	--	(48,765)	(48,765)
Total comprehensive loss for the year	(138,621,805)	13,303,475	(125,318,330)

4.4 Pre-operating expenses

Under SOCPA, pre-operating expenses were capitalized as part of property and equipment and intangible assets and were being amortized over a period of 7 years. However, under IFRS, such expenses cannot be capitalized. Accordingly, the carrying value of pre-operating expenses included in property and equipment and intangible assets, as on 1 April 2016, does not meet the definition of an asset under IFRS and has been written off on the date of transition. Accordingly, the depreciation and amortization charged on these pre-operating expenses during the year ended 31 March 2017 has also been reversed.

The impact arising from the change is summarized as follows:

	31 March 2017
Statement of comprehensive income	
Depreciation and amortization	(27,030,016)
Adjustment to comprehensive loss	(27,030,016)

	1 April 2016	31 March 2017
Statement of financial position		
Property and equipment	(26,212,873)	--
Intangibles	(817,143)	--
Adjustment to accumulated losses	(27,030,016)	--

4. FIRST TIME ADOPTION OF IFRS (CONTINUED)

4.5 Provision for decommissioning liability

Under SOCPA, a provision for decommissioning liability was not required. Under IFRS, the cost of property and equipment should also include an initial estimate of the costs required to settle the obligation, when an entity is obliged to dismantle and remove the related equipment and restore the site to its original condition. As on 1 April 2016, the management's best estimate of the decommission liability amounts to SAR 3.7 million and the present value amounts to SAR 2.7 million at a discount rate of 3.759%. The present value of the said liability is accounted for as a non-current liability.

The impact arising from the change is summarized as follows:

Statement of comprehensive income	31 March 2017
Depreciation and amortization	300,768
Finance cost - unwinding of discount	101,856
Adjustment to comprehensive loss	402,624

Statement of financial position	1 April 2016	31 March 2017
Property and equipment	2,663,250	2,362,482
Other	510,915	510,915
Provision for decommissioning cost	(2,663,250)	(2,765,106)
Adjustment to accumulated losses	510,915	108,291

4.6 FTTH IRU and related long term liability

Under SOCPA, the long term liability for the FTTH IRU was recorded at its contract value. Under IFRS, long term financial liabilities are required to be recorded at their fair value. Accordingly, the Company has re-measured the value of the intangible and the long term liability at the fair value of the liability on the date of purchase using the market borrowing rate.

The impact arising from the change is summarized as follows:

Statement of comprehensive income	31 March 2017
Cost of services	3,781,556
Depreciation and amortization	(1,799,088)
Finance cost – unwinding of discount	10,535,126
Adjustment to comprehensive loss	12,517,594

Statement of financial position	1 April 2016	31 March 2017
Intangibles	(40,272,469)	(38,473,381)
Accounts payable	(64,914,268)	26,550,606
Accounts payable – short term	102,000,000	–
Other	(1,361,360)	(5,142,916)
Adjustment to accumulated losses	(4,548,097)	(17,065,691)

4. FIRST TIME ADOPTION OF IFRS (CONTINUED)

4.7 Defined benefits obligation – employees' benefit

Under SCOPA, the Company recognized the obligation in respect of employees' post-employment benefits on an accrual basis. Under IFRS, the obligation is determined using the projected unit credit method using actuarial valuations techniques.

The impact arising from the change is summarized as follows:

	31 March 2017
Statement of comprehensive income	
General and administrative expenses	757,558
Re-measurement gain on defined benefit obligation	48,765
Adjustment to comprehensive loss	806,323

Statement of financial position	1 April 2016	31 March 2017
Defined benefits obligation – employees' benefit	(2,719,807)	(3,526,130)
Adjustment to accumulated losses	(2,719,807)	(3,526,130)

5. PROPERTY AND EQUIPMENT

	Leasehold improvements	Network infrastructure (Note 5.1)	Decommissioning cost	Facilities, support & IT equipment	Capital work in progress	Total
Cost:						
Balance at 1 April 2016	3,670,619	1,107,166,091	2,663,250	31,747,208	470,500	1,145,717,668
Additions during the year	--	41,996,175	--	939,468	11,907,058	54,842,701
Disposals during the year	--	--	--	(65,050)	--	(65,050)
Transfers during the year	--	470,500	--	--	(470,500)	--
Balance at 31 March 2017	3,670,619	1,149,632,766	2,663,250	32,621,626	11,907,058	1,200,495,319
Additions during the year	--	5,481,040	--	127,750	--	5,608,790
Disposals during the year	--	(104,142,944)	--	(7,300)	--	(104,150,244)
Transfers during the year	--	7,232,539	--	--	(7,232,539)	--
Balance at 31 March 2018	3,670,619	1,058,203,401	2,663,250	32,742,076	4,674,519	1,101,953,865
Accumulated depreciation:						
Balance at 1 April 2016	3,293,304	744,090,055	--	25,802,876	--	773,186,235
Charge for the year	377,315	93,781,427	300,768	1,196,965	--	95,656,475
Eliminated on disposals	--	--	--	(26,914)	--	(26,914)
Balance at 31 March 2017	3,670,619	837,871,482	300,768	26,972,927	--	868,815,796
Charge for the year	--	37,639,618	300,768	1,029,411	--	38,969,797
Eliminated on disposals	--	(62,064,842)	--	(5,558)	--	(62,070,400)
Balance at 31 March 2018	3,670,619	813,446,258	601,536	27,996,780	--	845,715,193
Net book value:						
At 31 March 2018	--	244,757,143	2,061,714	4,745,296	4,674,519	256,238,672
At 31 March 2017	--	311,761,284	2,362,482	5,648,699	11,907,058	331,679,523
At 1 April 2016	377,315	363,076,036	2,663,250	5,944,332	470,500	372,531,433

5.1 On 30 January 2017, the Company entered into an agreement with STC for the sale of the passive structure of 500 telecommunication towers against total consideration of SAR 230 million. The legal formalities in respect of the transfer of the control and possession of the towers, were finalized during the current year. Accordingly network infrastructure costing SAR 104.1 million and having written down value of SAR 42.1 million has been derecognized in these financial statements. Further, out of the total gain of SAR 187.9 million arising from the transaction, an amount of SAR 90 million has been deferred and is included in deferred gain in the Statement of Financial Position under non-current liabilities, while the remaining amount of SAR 97.9 million has been recognized in Other Income (Note 23). 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. The rental cost in respect of the leased space is included in cost of services (Note 20.1).

5. PROPERTY AND EQUIPMENT (continued)

5.2 Impairment test

Non-financial assets are tested annually for impairment where management determines that indicators of impairment exist. Management performed an impairment assessment of its non-current assets as at 31 December 2018. 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	13%
Terminal growth rate	3%

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.

6. INTANGIBLES

	License	Network capacity (Note 6.2)	Network capacity under development	Software	Total
Cost:					
Balance at 1 April 2016	527,904,000	270,736,564	248,448,113	51,679,643	1,098,768,320
Additions during the year	--	--	--	485,164	485,164
Transfers during the year	--	248,448,113	(248,448,113)	--	--
Balance at 31 March 2017	527,904,000	519,184,677	--	52,164,807	1,099,253,484
Additions during the period	--	61,745,249	--	--	61,745,249
Balance at 31 March 2018	527,904,000	580,929,926	--	52,164,807	1,160,998,733
Accumulated amortization:					
Balance at 1 April 2016	147,813,120	66,267,581	--	40,880,869	254,961,570
Charge for the year	17,850,776	25,565,513	--	2,723,958	46,140,247
Balance at 31 March 2017	165,663,896	91,833,094	--	43,604,827	301,101,817
Charge for the year	11,320,008	37,911,706	--	2,796,732	52,028,446
Balance at 31 March 2018	176,983,904	129,744,800	--	46,401,559	353,130,263
Net book value:					
At 31 March 2018	350,920,096	451,185,126	--	5,763,248	807,868,470
At 31 March 2017	362,240,104	427,351,583	--	8,559,980	798,151,667
At 1 April 2016	380,090,880	204,468,983	248,448,113	10,798,774	843,806,750

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

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

As on 31 March 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.

7. INVENTORIES

	Note	31 March 2018	31 March 2017	1 April 2016
Customer Premises Equipment and USB Dongles		13,244,181	13,751,719	11,276,771
Stores and spares		1,728,987	2,253,221	2,530,452
Prepaid cards		282,412	524,649	326,251
		15,255,580	16,529,589	14,133,474
Provision for obsolete and slow moving inventories	7.1	(13,649,362)	(8,200,508)	(8,726,895)
		1,606,218	8,329,081	5,406,579

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

	For the year ended 31 March 2018	31 March 2017
Balance at beginning of the year	8,200,508	8,726,895
Charge for the year	5,448,854	–
Reversal for the year	–	(526,387)
Balance at end of the year	13,649,362	8,200,508

8. TRADE RECEIVABLES

	Note	31 March 2018	31 March 2017	1 April 2016
Trade receivables	8.1	210,093,408	140,003,435	92,754,217
Provision for doubtful receivables	8.2	(31,391,503)	(16,430,396)	(14,361,117)
		178,701,905	123,573,039	78,393,100

8.1 Trade receivables include an amount of SAR 25,291,796 (31 March 2017: SAR 17,793,920) due from related parties (Note 28). The age analysis of trade receivables which are not impaired, is shown in note 29.

8.2 Movement in provision for doubtful receivables is as follows:

	Note	For the year ended 31 March 2018	31 March 2017
Balance at beginning of the year		16,430,396	14,361,117
Charge for the year	21	14,961,107	2,069,279
Balance at end of the year		31,391,503	16,430,396

9. PREPAYMENTS AND OTHER CURRENT ASSETS

	Note	31 March 2018	31 March 2017	1 April 2016
Prepayments		6,894,570	1,890,735	1,369,093
Receivable from STC	9.1	72,600,001	95,310,001	105,897,061
Margins held by banks against letters of guarantee issued		9,039,025	7,688,413	107,814
Value Added Tax refundable - net		3,157,257	–	–
Advances to suppliers		2,311,515	2,983,121	7,507,020
Advances to employees		652,117	645,394	880,894
Other receivables		306,170	1,007,174	792,129
		94,960,655	109,524,838	116,554,011

9.1 This represents receivable from STC in respect of rendering of marketing support services (see note 23.1). During the year, the Company has offset an amount of SR 71.3 million against amounts due to STC in respect of capacity lease and interconnection services.

10. CASH AND CASH EQUIVALENTS

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

11. TAWARUQ ISLAMIC FINANCING

This represents Islamic mode of 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 9 equal quarterly installments ending April 2020.

	31 March 2018	31 March 2017	1 April 2016
Current portion	31,068,119	31,068,118	31,068,118
Non-current potion	38,835,177	69,903,310	100,971,428
	69,903,296	100,971,428	132,039,546

12. LONG TERM ACCOUNTS PAYABLE

This represents payable to STC in respect of the FTTH IRU agreement as explained in Note 6.2. The payable has been discounted to its present value using the effective interest rate.

The movement in long term accounts payable is as follows:

	Note	31 March 2018	31 March 2017
Balance at the beginning of the year		381,449,394	370,914,268
Addition during the year		47,525,249	--
Unwinding of discount for the year	24	14,542,305	10,535,126
		443,516,948	381,449,394
Liability settled through sale of towers	5.1	(230,000,000)	--
Balance at the end of the year		213,516,948	381,449,394

12. LONG TERM ACCOUNTS PAYABLE (continued)

	Note	31 March 2018	31 March 2017
Current Portion	15	30,312,500	102,000,000
Non-current portion		183,204,448	279,449,394
Balance at the end of the year		213,516,948	381,449,394

13. DEFINED BENEFIT OBLIGATION – EMPLOYEES' BENEFIT

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

	31 March 2018	31 March 2017
Balance at beginning of the year	13,386,200	11,933,996
Current service cost	2,174,003	2,648,311
Interest cost	481,000	435,134
Amount recognized in profit or loss account	2,655,003	3,083,445
Re-measurement (gain) / loss recognized in other comprehensive income *(note 13.2)*	(3,614,203)	48,765
Benefits paid during the year	(799,000)	(1,680,006)
Balance at the end of the year	11,628,000	13,386,200

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

	31 March 2018	31 March 2017
Gain resulting from the change in financial assumptions	1,560,000	–
Gain resulting from the change in demographic assumptions	1,512,000	–
Gain / (loss) resulting from Experience Adjustments	542,203	(48,765)
Actuarial gains and losses	3,614,203	(48,765)

13.3 *Principal actuarial assumptions*

The following were the principal actuarial assumptions:

	31 March 2018	31 March 2017
Key actuarial assumptions		
Discount rate used	3.65%	3.5%
Future growth in salary	2.50%	4%
Demographic assumptions		
Retirement Age	60 years	60 Years

13.4 *Sensitivity analysis*

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

	31 March 2018	
	Increase	Decrease
Discount rate (1% movement)	(778,000)	905,000
Future salary growth (1% movement)	906,000	(794,000)

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

13.5 *Risks associated with defined benefit plans*

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

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

14. PROVISION FOR DECOMMISSIONING COST

	Note	31 March 2018	31 March 2017
Balance at the beginning of the year		2,765,106	2,663,250
Unwinding of discount for the year	24	105,750	101,856
Balance at the end of the year		2,870,856	2,765,106

15. ACCOUNTS PAYABLE

	Note	31 March 2018	31 March 2017	1 April 2016
Trade payables	15.1	555,721,090	446,698,596	397,558,326
Current portion of long term accounts payable	12	30,312,500	102,000,000	--
		586,033,590	548,698,596	397,558,326

15.1 Trade payables include an amount of SAR 29,082,805 (March 2017: SAR 28,755,986) due to related parties (Note 28).

16. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

	Note	31 March 2018	31 March 2017	1 April 2016
Government fees	16.1	62,889,861	76,993,472	51,234,640
Capacity lease		23,265,505	30,592,850	36,299,834
Voice interconnection		17,119,228	11,731,083	12,893,523
Electricity		7,033,054	7,051,342	1,091,100
Employees' related expenses	16.2	7,025,639	14,393,353	10,248,643
Others		13,798,988	12,211,889	41,306,221
		131,132,275	152,973,989	153,073,961

16.1 This represents amounts accrued in respect of royalty fees payable to CITC. As more fully explained in note 26a, the CITC has issued revised invoices to the Company in respect of royalty fees. Accordingly, the management has reversed an amount of SAR 18.6 million pertaining to excess accruals recognized in prior years.

16.2 During the current year, an amount of SR 9.5 million has been reversed in respect of employee bonus accrued in prior years pursuant to a decision taken by the Board of Directors of the Company, which has been reversed in general and administrative employees cost.

17. DEFERRED INCOME

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

18. PROVISION FOR ZAKAT AND TAX

18.1 Computation of Zakat and tax

		31 March 2018	31 March 2017
Adjusted loss			
Net loss for the year		(36,647,362)	(125,318,330)
Adjustments: Provisions and others		(146,442,352)	622,520
Adjusted loss for the year		(183,089,714)	(124,695,810)
Saudi shareholders' share of adjusted loss @ 96%	(A)	(175,766,125)	(119,707,978)
Additions			
Share capital		1,575,000,000	1,575,000,000
Tawaroq Islamic financing		69,903,296	100,971,428
Long term payables		183,204,448	306,000,000
Provisions		100,542,597	35,181,022
		1,928,650,341	2,017,152,450
Deductions			
Accumulated losses at beginning of year		(1,254,403,543)	(1,095,298,208)
Net book value of property and equipment at end of year		(585,324,011)	(902,704,873)
		88,922,787	19,149,369
Share of Saudi shareholders @ 96%		85,365,875	18,383,394
Saudi shareholders' share of adjusted loss		(175,766,125)	(119,707,978)
Zakat base	(B)	(90,400,250)	(101,324,584)
Zakat base for the year - higher of (A) or (B)		(90,400,250)	(101,324,584)
Zakat charge for the year at 2.5% of Zakat base		-	-

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

18.3 Zakat and tax status

The Company has filed its Zakat and tax return with the General Authority of Zakat and Tax ("GAZT") for the period/ years up to 31 March 2017.

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 2017 are still under review by the GAZT.

19. REVENUE

	For the year ended 31 March 2018	31 March 2017
Usage and activation revenue	358,635,520	281,468,864
Voice interconnection revenue	121,185,293	140,277,008
	479,820,813	421,745,872

20. COST OF SERVICES

	Note	For the year ended 31 March 2018	31 March 2017
Capacity lease charges		144,751,211	96,952,990
Voice interconnection charges		119,490,998	136,191,751
Site rentals and utilities	20.1	55,376,165	43,048,786
Inventory consumption and installation		29,860,456	37,533,306
Network maintenance and support		20,164,024	11,169,419
Government fees	20.2	11,049,402	8,169,330
Employees' costs		6,200,078	6,417,295
Other		1,993,656	3,640,149
		388,885,990	343,123,026

20.1 These include SAR 10.7 million (March 2017: Nil) related to the cost of leasing 1/3rd of the space on towers sold to STC (Note 5.1).

20.2 Government fees represents the monthly charges payable to CITC for using the frequency spectrum.

21. SELLING AND MARKETING EXPENSES

	Note	For the year ended 31 March 2018	31 March 2017
Employees' costs	21.1	44,317,488	43,790,543
Point of display sales staff		15,662,275	20,934,575
Provision for doubtful receivables	8.2	14,961,107	2,069,279
Dealers' commission		17,496,107	4,536,589
Customer care		1,972,476	1,371,142
Point of display and flagship rental		893,358	1,637,715
Other		2,527,228	1,935,414
		97,830,039	76,275,257

21.1 Employees' cost includes the cost of outsourced employees amounting to SAR 25.6 million (March 2017: SAR 26.6 million).

22. GENERAL AND ADMINISTRATIVE EXPENSES

	Note	For the year ended 31 March 2018	31 March 2017
Performance bond encashed by CITC	1c	50,000,000	–
Government fees	16.1	4,682,199	26,243,832
Employees' costs	16.2	16,004,773	30,258,536
Professional and consultancy charges		12,239,792	8,292,026
Office rent		3,749,220	3,749,220
Medical, visa and iqama charges		3,263,449	3,236,842
Utilities charges		2,431,452	4,789,024
Computer accessories and software		480,964	22,717
Other		7,458,474	6,683,848
		100,310,323	83,276,045

23. OTHER INCOME

	Note	For the Year ended 31 March 2018	31 March 2017
Settlement with a vendor:			
Compensation in the form of network equipment		–	46,849,260
Liability written back		–	27,922,138
		–	74,771,398
Gain on disposal of property and equipment		97,920,156	–
Marketing support income	23.1	48,000,000	32,000,000
Excess accrual reversed back	16.1	18,567,903	–
Amortization of deferred gain on sale of property and equipment		10,714,290	4,168,008
Others		3,133,344	3,658,910
		178,335,693	114,598,316

23.1 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.

24. FINANCE COSTS

	Note	For the year ended 31 March 2018	31 March 2017
Unwinding of discount on long term liability	12	14,542,305	10,535,126
Tawaroq financing costs		3,050,600	4,679,376
Net interest on defined benefit liability	13.1	481,000	–
Guarantee fee to the founding shareholders		250,880	407,310
Unwinding of provision for dismantling cost	14	105,750	101,856
Other		1,962,941	1,419,035
		20,393,476	17,142,703

25. LOSS PER SHARE – BASIC AND DILUTED

	Note	31 March 2018	31 March 2017
Net loss for the year		(40,261,565)	(125,269,565)
Weighted average number of shares for the year	25.2	47,250,000	47,250,000
Basic and diluted loss per share	25.1	(0.85)	(2.65)

25.1 Loss per share is computed by dividing net loss attributable to the ordinary shareholders of the Company for the years ended 31 March 2018 and 31 March 2017, by the weighted average number of shares outstanding during the period ended 31 March 2018.

25.2 The weighted average number of shares for the years ended 31 March 2018 and 31 March 2017 have been arrived at by taking the effect of reduction in the share capital from the beginning of the earliest period presented (i.e. 1 April 2016), in order to comply with the requirements of IAS 33.

Number of issued shares on 1 April 2016	157,500,000
Number of shares cancelled	(110,250,000)
Weighted average number of shares on 1 April 2016	47,250,000

26. CONTINGENCIES AND COMMITMENTS

a) Contingencies

Letter of guarantees

The Company's banks have issued letters of guarantees amounting to SAR 50 million (31 March 2017: 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, has instructed the Company to pay an amount of SAR 155.7 million to CITC as royalty. The Company has finalized certain aspects of the mechanism for calculation of the royalty fee payable to CITC and the CITC has issued revised invoices for royalty fees amounting to SAR 88.9 million. 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.

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 90.6 million (31 March 2017: SAR 83.4 million) pertaining to the various vendors.

26. CONTINGENCIES AND COMMITMENTS (CONTINUED)

c) *Operating leases*

The Company has various operating leases for its offices, warehouses and operational facilities. Rental expenses for the year ended 31 March 2018 amounted to SAR 46.5 million (31 March 2017: SAR 44.7 million).

Future rental commitments at 31 March 2018 under these non-cancellable operating leases are as follows.

Year ending 31 March:	SAR
2019	15,512,220
2020	2,543,400
2021	484,800
2022 and hereafter	900,800
	19,441,220

27. SEGMENTAL INFORMATION

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

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

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

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

	For the year ended 31 March 2018			
	Voice	Data	Unallocated	Total
Segment revenue and costs				
Revenue, net	141,105,084	338,715,729	--	479,820,813
Cost of services	(216,811,651)	(172,074,339)	--	(388,885,990)
Selling and marketing expenses	(2,068,654)	(95,761,385)	--	(97,830,039)
Depreciation and amortization	(2,376,690)	(88,621,553)	--	(90,998,243)
General and administrative expenses	(895,980)	(33,417,232)	(65,997,111)	(100,310,323)
Other income	--	--	178,335,693	178,335,693
Finance cost	--	(14,542,305)	(5,851,171)	(20,393,476)

27. SEGMENTAL INFORMATION (CONTINUED)

	As at 31 March 2017			
Segment assets	Voice	Data	Unallocated	Total
Property and equipment	8,660,755	323,018,768	--	331,679,523
Intangibles	20,841,190	777,310,477	--	798,151,667

	For the year ended 31 March 2016			
Segment revenue and costs	Voice	Data	Unallocated	Total
Revenue, net	157,886,618	263,859,254	--	421,745,872
Cost of services	(191,297,891)	(151,825,135)	--	(343,123,026)
Selling and marketing expenses	(28,554,737)	(47,720,520)	--	(76,275,257)
Depreciation and amortization	(3,710,848)	(138,085,874)	--	(141,796,722)
General and administrative expenses	(9,824,755)	(16,419,077)	(57,032,213)	(83,276,045)
Other income	--	--	114,598,316	114,598,316
Finance cost	--	(10,535,126)	(6,607,577)	(17,142,703)

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

28. RELATED PARTY TRANSACTIONS AND BALANCES

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

Significant transactions entered into with related parties are as follows:

Related parties	*Relationship*	*Nature of transaction*	For the year ended 31 March 2018	For the year ended 31 March 2017
Atheeb Maintenance and Services	Shareholder	Data revenue	57,670	152,834
Atheeb Saudi Intergraph Company Limited	Affiliate	Data revenue	218,266	71,873
Bahrain Telecommunication Company	Shareholder	Data revenue	5,146,675	5,810,373
		Interconnection revenue	963,352	1,327,913
		Interconnection cost	4,456,273	1,947,500
Bithar Trading Company Limited	Shareholder	Data revenue	321,814	512,064
Ithraa Capital Company	Affiliate	Consultancy	9,792,190	4,402,437
Saudi Arabian Marketing and Agencies Limited	Affiliate	Data revenue	1,035,642	774,323
Etihad Shams Company Limited	Affiliate	Data revenue	55,405	51,594
Founding shareholders	Shareholder	Guarantee fee	250,880	407,310
Key management personnel		Salaries and benefits	2,806,500	2,764,500
Board of Directors		Expenses	189,553	75,000

28. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

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

Due from related parties

	Relationship	31 March 2018	31 March 2017	1 April 2016
Bahrain Telecommunications Company	Shareholder	21,103,068	14,993,041	10,709,334
Bithar Trading Company Limited	Shareholder	2,222,334	1,937,109	1,425,045
Saudi Arabian Marketing and Agencies Limited	Affiliate	1,807,147	771,504	1,014,564
Atheeb Saudi Intergraph Company Limited	Affiliate	109,495	51,466	--
Atheeb Maintenance and Services	Shareholder	19,420	19,200	--
Etihad Shams Company Limited	Affiliate	30,333	21,600	--
		25,291,796	17,793,920	13,148,943

Due to related parties

	Relationship	31 March 2018	31 March 2017	1 April 2016
Bahrain Telecommunications Company	Shareholder	24,969,329	20,433,058	22,276,226
Ithraa Capital Company	Affiliate	--	4,402,437	--
Bithar Trading Company Limited	Shareholder	1,092,269	1,028,585	925,190
Traco Company Trading and Contracting Company	Shareholder	896,818	873,659	836,062
Saudi Internet Company Limited	Shareholder	672,612	655,244	627,047
Bithar Communications & Information Technology Company Limited	Shareholder	672,612	655,244	627,047
Atheeb Maintenance and Services Company Limited	Shareholder	672,612	655,244	627,047
Al Nahla Trading and Contracting Company Limited	Shareholder	106,553	52,515	982,168
		29,082,805	28,755,986	26,900,787

29. FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT

i. Fair values

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

ii. Financial risk management

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

- Credit risk
- Liquidity risk
- Market risk

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

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

ii. Financial risk management (Continued)

Risk Management framework

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

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

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

Credit risk

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

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

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

	2018	2017
Trade receivables *(note 8)*	178,701,905	123,573,039
Other current assets *(note 9)*	82,597,313	104,650,982
Cash at bank *(note 10)*	53,880,263	102,693,540
	315,179,481	330,917,561

Trade receivables:

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

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

ii. **Financial risk management (Continued)**

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

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

2017	Government	Non-government	Total
Neither past due nor impaired	746,547	62,064,348	62,810,895
Past due but not impaired:			
0-180 days	2,777,938	37,003,404	39,781,342
Over 180 days	3,308,693	17,672,109	20,980,802
Total trade receivables	6,833,178	116,739,861	123,573,039

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

Cash at bank

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

Geographical concentration of risks of financial assets with credit risk exposure

The Company's operations are principally in the Kingdom of Saudi Arabia and hence significant exposures are within the Kingdom with the exception of its voice interconnect receivables which are geographically spread in various countries. However, the Company's management believes that interconnect receivables are not impaired as the Company regularly transacts business with these parties.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in raising funds to meet commitments associated with financial instruments, contingencies and commitments. Liquidity risk may result from the inability to sell a financial asset quickly at an amount close to its fair value.

The Company limits its liquidity risk by monitoring its funding requirements and by deferral of payments to its key suppliers. As at 31 March 2018, the Company's current liabilities exceeds its current assets by SAR 572 million (31 March 2017: SAR 444 million).

Analysis of financial liabilities by remaining contractual maturities

The Company has 3 major payables representing 84% of total accounts payable as at 31 March 2018. The rest of the balances do not have significant concentration risk, with exposure spread over large number of counterparties.

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

ii. Financial risk management (Continued)

The table below summarises the maturity profile of the Company's financial liabilities at 31 March 2018 based on contractual cash flows. The contractual maturities of liabilities have been determined based on the remaining period at the statement of financial position date to the contractual maturity date.

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

2017	*Within 3 Months*	*3 to 12 months*	*1 to 5 years*	*No fixed maturity*	*Total*
Tawaroq Islamic Financing	7,767,040	23,301,078	69,903,310	--	100,971,428
Accounts payable	446,698,596	--	--	--	446,698,596
Long term accounts payable	--	102,000,000	279,449,394	--	381,449,394
Accrued expenses and other current liabilities	152,973,989	--	--	--	152,973,989
	607,439,625	125,301,078	349,352,704	--	1,082,093,407

Market risk

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

Currency risk

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

Commission rate risk

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

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

ii. Financial risk management (Continued)

Sensitivity analysis

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

	31 March 2018	
	Increase	**Decrease**
Special commission rate (0.25% movement)	**210,593**	**(210,593)**

30. CAPITAL MANAGEMENT

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

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

The Company monitors capital using a ratio of adjusted net debt to adjusted equity. For this purpose, adjusted net debt is defined as total liabilities, comprising Tawaroq Islamic Financing and long term accounts payable, including the current portions, less cash and cash equivalents. Adjusted equity comprises all components of equity.

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

	31 March 2018	31 March 2017
Loan and notes payables	**283,420,244**	482,420,822
Less: Cash and cash equivalents	**(53,880,263)**	(102,693,540)
Net debts	**229,539,981**	379,727,282
Total equity	**283,949,095**	320,596,457
Net debt to equity	**0.81**	1.18

31. STATUTORY RESERVE

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

32. DATE OF AUTHORIZATION

These financial statements were authorized for issue by the Board of Directors on 22 Shawwal 1440H (Corresponding to 25 June 2019).