MOBILE TELECOMMUNICATIONS COMPANY SAUDI ARABIA
(A Saudi Joint Stock Company)

FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2009 AND INDEPENDENT AUDITORS' REPORT

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(A Saudi Joint Stock Company)
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FOR THE YEAR ENDED DECEMBER 31, 2009

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INDEPENDENT AUDITORS' REPORT

February 21, 2010

To the shareholders of Mobile Telecommunications Company Saudi Arabia:
(A Saudi Joint Stock Company)

We have audited the accompanying balance sheet of Mobile Telecommunications Company Saudi Arabia (the "Company") (a Saudi Joint Stock Company) as of December 31, 2009 and the related statements of operations, cash flows and changes in shareholders' equity for the year then ended, and the notes which form an integral part of these financial statements. These financial statements, which were prepared by the Company to comply with applicable articles of the Regulations for Companies and presented to us with all necessary information and explanations which we required, are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Saudi Arabia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such financial statements taken as a whole:

- Present fairly, in all material respects, the financial position of the Company as of December 31, 2009 and the results of its operations and its cash flows for the year then ended in conformity with accounting principals generally accepted in Saudi Arabia appropriate to circumstances of the Company; and
- Comply, in all material respects, with the requirements of the Regulations for the Companies and the Company's Articles of Association with respect to the preparation and presentation of financial statements.

Without qualifying our opinion, we draw attention to Note 1 to the financial statements. The Company incurred a net loss of Saudi riyals 3.1 billion for the year ended December 31, 2009 and has accumulated losses of Saudi riyals 5.4 billion as of that date. Also, at December 31, 2009, the Company's current liabilities exceeded its current assets by Saudi riyals 4.9 billion. Further, as explained in Note 1 to the financial statements, the lenders have provided waiver for noncompliance with certain covenants for the year ended December 31, 2009 under the Syndicated Murabaha Financing Agreement (the "Agreement") subject to the Company providing revised financial milestones for the quarters ending December 31, 2010 for lenders' approval. The Company is currently in the process of providing such information and believes that negotiations with the lenders to obtain their approval on such revised financial milestones will be successful, and it will also be successful in its efforts to secure funding to meet its obligations in the normal course of operations. Further, no repayment of principal amount under the Agreement was due as of December 31, 2009, and the Company has paid all commission amounts related to the borrowing on due dates through December 31, 2009. Accordingly, the accompanying financial statements have been prepared under the going concern basis and the borrowing has been classified as non-current in accordance with the original repayment schedule.

PricewaterhouseCoopers Al Juraid

By:

Rashid S. Al Rashoud
License Number 366

MOBILE TELECOMMUNICATIONS COMPANY SAUDI ARABIA
(A Saudi Joint Stock Company)
Balance sheet
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Notes	As at December 31, 2009	2008
Assets			
Current assets			
Cash and cash equivalents	4	505,792	583,450
Accounts receivable - net	5	1,007,247	317,669
Inventories	6	39,422	59,832
Prepayments and other receivables - net	7	297,475	220,632
		1,849,936	1,181,583
Non-current assets			
Property and equipment	8	3,846,700	2,408,987
Intangible assets	9	22,133,477	23,074,860
		25,980,177	25,483,847
Total assets		27,830,113	26,665,430
Liabilities			
Current liabilities			
Accounts payable	10	1,814,792	413,799
Accrued and other liabilities	11	2,028,378	564,050
Deferred revenue		251,259	251,623
Due to related parties	15	542,563	534,189
Notes payable	12	2,152,219	1,847,544
Advances from shareholders - current portion	13	-	314,890
Syndicated Murabaha financing from banks	14	-	9,164,001
		6,789,211	13,090,096
Non-current liabilities			
Advances from shareholders - non-current portion	13	2,914,000	1,849,110
Syndicated Murabaha financing from banks	14	9,494,023	-
Employee termination benefits		10,400	4,396
		12,418,423	1,853,506
Total liabilities		19,207,634	14,943,602
Shareholders' equity			
Share capital	16	14,000,000	14,000,000
Accumulated losses		(5,377,521)	(2,278,172)
Total shareholders' equity		8,622,479	11,721,828
Total liabilities and shareholders' equity		27,830,113	26,665,430
Contingencies and commitments	25		

The notes on pages 6 to 20 form an integral part of these financial statements.

MOBILE TELECOMMUNICATIONS COMPANY SAUDI ARABIA
(A Saudi Joint Stock Company)
Statement of operations
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Notes	Year ended December 31, 2009	For the period from March 12, 2008 to December 31, 2008
Revenue	17	3,004,052	505,196
Cost of revenue	18	(2,127,026)	(488,737)
Gross profit		877,026	16,459
Operating expenses			
Distribution and marketing	19	(1,573,741)	(1,021,382)
General and administrative	20	(375,898)	(260,082)
Depreciation and amortization	8,9	(1,394,310)	(434,714)
Loss from operations		(2,466,923)	(1,699,719)
Other income (expenses)			
Commission income		1,316	65,339
Financial charges	13,14	(633,742)	(225,532)
Loss before pre-operating expenses		(3,099,349)	(1,859,912)
Pre-operating expenses - net	21	-	(418,260)
Net loss for the year/period		(3,099,349)	(2,278,172)
Loss per share (Saudi Riyals):			
• Loss from operations	22	(1.76)	(1.21)
• Non-operating loss	22	(0.45)	(0.11)
• Net loss	22	(2.21)	(1.63)

The notes on pages 6 to 20 form an integral part of these financial statements.

MOBILE TELECOMMUNICATIONS COMPANY SAUDI ARABIA
(A Saudi Joint Stock Company)
Cash flow statement
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Notes	Year ended December 31, 2009	For the period from March 12, 2008 to December 31, 2008
Cash flow from operating activities			
Net loss for the year/period		(3,099,349)	(2,278,172)
Adjustments for non-cash items			
Provision for doubtful debts	5	82,461	14,557
Provision for doubtful advances	7	-	8,000
Depreciation and amortization	8,9	1,394,310	434,791
Other adjustments			
Commission income		(1,316)	(65,339)
Financial charges		633,742	225,532
Changes in working capital			
Accounts receivable – net		(772,039)	(332,226)
Inventories		20,410	(59,832)
Prepayments and other receivables – net		(76,843)	(228,632)
Accounts payable		1,400,993	413,799
Accrued and other liabilities		1,405,820	564,050
Deferred revenue		(364)	251,623
Employee termination benefits		6,004	4,396
Net cash generated from (utilized in) operating activities		993,829	(1,047,453)
Cash flow from investing activities			
Purchase of property and equipment	8	(1,840,393)	(2,497,791)
Additions to intangible assets	9	(51,932)	(23,421,370)
Proceeds from sale of property and equipment		1,685	523
Commission income received		1,316	65,339
Net cash utilized in investing activities		(1,889,324)	(25,853,299)
Cash flow from financing activities			
Notes payable		304,675	1,847,544
Advances from shareholders		750,000	2,164,000
Due to related parties		8,374	534,189
Proceeds from Syndicated Murabaha financing from banks - net		330,022	9,164,001
Share capital contribution		-	14,000,000
Financial charges paid		(575,234)	(225,532)
Net cash generated from financing activities		817,837	27,484,202
Net (decrease) increase in cash and cash equivalents		(77,658)	583,450
Cash and cash equivalents at beginning of year/period		583,450	-
Cash and cash equivalents at end of year/period	4	505,792	583,450

The notes on pages 6 to 20 form an integral part of these financial statements.

MOBILE TELECOMMUNICATIONS COMPANY SAUDI ARABIA
(A Saudi Joint Stock Company)
Statement of changes in shareholders' equity
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Share capital	Accumulated losses	Total
January 1, 2009	14,000,000	(2,278,172)	11,721,828
Net loss for the year	-	(3,099,349)	(3,099,349)
December 31, 2009	14,000,000	(5,377,521)	8,622,479
March 12, 2008	14,000,000	-	14,000,000
Net loss for the period	-	(2,278,172)	(2,278,172)
December 31, 2008	14,000,000	(2,278,172)	11,721,828

The notes on pages 6 to 20 form an integral part of these financial statements.

1 General information

Mobile Telecommunications Company Saudi Arabia (the "Company" or "Zain - KSA"), provides mobile telecommunication services in the Kingdom of Saudi Arabia in which it operates, purchases, delivers, installs, manages and maintains mobile telephone services.

The Company is a Saudi Joint Stock Company established pursuant to the Ministerial Resolutions No. 176 dated 25 Jumada I, 1428H (corresponding to June 11, 2007) and No. 357 dated 28 Dhu Al-Hijjah, 1428H (corresponding to January 7, 2008), Royal Decree No. 48/M dated 26 Jumada I, 1428H (corresponding to June 12, 2007) and Commercial Registration No. 1010246192 issued in Riyadh, Saudi Arabia on 4 Rabi Awal 1429H (corresponding to March 12, 2008) to operate as the 3rd GSM public mobile cellular and 3G public mobile cellular licensee in the Kingdom of Saudi Arabia for 25 Hijra years. The head office of the Company is situated in Riyadh, Kingdom of Saudi Arabia.

The Company incurred a net loss of Saudi riyals 3.1 billion for the year ended December 31, 2009 and has accumulated losses of Saudi riyals 5.4 billion as of that date. Also, at December 31, 2009, the Company's current liabilities exceeded its current assets by Saudi riyals 4.9 billion. Further, as explained in Note 14 to the financial statements, the lenders have provided waiver for noncompliance with certain covenants for the year ended December 31, 2009 under the Syndicated Murabaha Financing Agreement (the "Agreement") subject to the Company providing revised financial milestones for the quarters ending December 31, 2010 for lenders' approval. The Company is currently in the process of providing such information and believes that negotiations with the lenders to obtain their approval on such revised financial milestones will be successful, and it will also be successful in its efforts to secure funding to meet its obligations in the normal course of operations. Further, no repayment of principal amount under the Agreement was due as of December 31, 2009, and the Company has paid all commission amounts related to the borrowing on due dates through December 31, 2009. Accordingly, the accompanying financial statements have been prepared under the going concern basis and the borrowing has been classified as non-current in accordance with the original repayment schedule.

The registered address of the Company is P.O. Box 295814, Riyadh 11351, Kingdom of Saudi Arabia.

These financial statements were approved by the Management on February 17, 2010.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated.

2.1 Basis of preparation

The accompanying financial statements have been prepared under the historical cost convention on the accrual basis of accounting and in compliance with accounting standards promulgated by Saudi Organization for Certified Public Accountants ("SOCPA").

2.2 Critical accounting estimates and judgments

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of certain critical estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date and the reported amounts of revenues and expenses during the reporting period. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Provision for doubtful debts

A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments (more than 90 days overdue) are considered indicators that the trade receivable is impaired. For significant individual amounts, assessment is made at individual basis. Amounts which are not individually significant, but are over due, are assessed collectively and a provision is recognized considering the length of time and past recovery rates.

(b) Property and equipment

Property and equipment also represent a significant proportion of the asset base of the Company, being 14% (2008: 9%) of the Company's total asset. Therefore, the estimates and assumptions made to determine their carrying value and related depreciation are critical to the Company's financial position and performance.

Estimate of useful life

The charge in respect of periodic depreciation is derived after determining estimate of an asset's expected useful life and the expected residual value at the end of its life. Increasing an asset's expected life or its residual value would result in a reduced depreciation charge in the statement of operations.

The useful lives of Company's assets are determined by management at the time the asset is acquired and reviewed annually for appropriateness. The lives are based on historical experience with similar assets as well as anticipation of future events which may impact their life, such as changes in technology. Unless there is a reasonable expectation of renewal or an alternative future use for the asset, network infrastructure is depreciated over a period that does not exceed the expiry of the associated license under which the Company provides telecommunication services.

(c) Intangible assets

Intangible assets include license acquired from the Ministry of Telecommunication and licenses related to computer software purchased.

The relative size of the Company's intangible assets makes the judgments surrounding the estimated useful lives critical to the Company's financial position and performance.

Estimate of useful life

The useful life used to amortize intangible assets relates to the future performance of the assets acquired and management's judgment of the period over which economic benefit will be derived from the asset. The basis for determining the useful life for the most significant categories of intangible assets is as follows:

(i) Computer software licenses

The useful life is determined by management at the time the software is acquired and brought into use and is regularly reviewed for appropriateness. The useful life represents management's view of expected useful life over which the Company will receive benefits from the software, but not exceeding the license term.

(ii) Mobile telecommunication license

The estimated useful life is the term of the license. Using the license term reflects the period over which the Company will receive economic benefit.

2.3 Segment reporting

(a) Business segment

A business segment is group of assets, operations or entities:

(i) engaged in revenue producing activities;
(ii) results of its operations are continuously analyzed by management in order to make decisions related to resource allocation and performance assessment; and
(iii) financial information is separately available.

(b) Geographical segment

A geographical segment is group of assets, operations or entities engaged in revenue producing activities within a particular economic environment that are subject to risks and returns different from those operating in other economic environments.

2.4 Foreign currency translations

(a) Reporting currency

These financial statements are presented in Saudi Riyals which is the reporting currency of the Company.

(b) Transactions and balances

Foreign currency transactions are translated into Saudi Riyals using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the year-end exchange rates of monetary assets and liabilities denominated in foreign currencies, which were not significant for 2009 and 2008, are recognized in the statement of operations.

2.5 Cash and cash equivalents

Cash and cash equivalents include cash in hand and with banks and other short-term highly liquid investments, if any, with maturities of three months or less from the purchase date.

2.6 Accounts receivable

Accounts receivable are shown at their net realizable values, which represent billed and unbilled usage revenues net of allowances for doubtful accounts. A provision against doubtful debts is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Such provisions are charged to the statement of operations and reported under "distribution and marketing expenses". When account receivable is uncollectible, it is written-off against the provision for doubtful debts. Any subsequent recoveries of amounts previously written-off are credited against "distribution and marketing expenses" in the statement of operations.

2.7 Inventories

Inventories are carried at the lower of cost or net realizable value. Cost is determined using weighted average method. Net realizable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

2.8 Property and equipment

Property and equipment are carried at cost less accumulated depreciation except capital work in progress which is carried at cost. Depreciation is charged to the statement of operations, using the straight-line method, to allocate the costs of the related assets to their residual values over the following estimated useful lives:

Leasehold improvements (lease term or useful life which ever is shorter)	5 Years
Telecommunications equipment	8 Years
Civil works (telecommunications)	15 Years
Information technology systems	2 Years
Information technology servers	5 Years
Furniture and fixtures	5 Years
Office equipment	2 Years
Vehicles and other transportation equipment	5 Years

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in the statement of operations.

Maintenance and normal repairs which do not materially extend the estimated useful life of an asset are charged to the statement of operations as and when incurred. Major renewals and improvements, if any, are capitalized and the assets so replaced are retired.

2.9 Intangible assets

License fee is stated at cost less accumulated amortization. The amortization period is 25 Hijra years and is primarily determined by reference to the unexpired license period, the conditions for license renewal and whether the license is dependent on specific technologies. Amortization is charged to the statement of operations on a straight-line basis over the estimated useful life from the commencement of service of the network.

Computer software licenses are capitalized on the basis of the costs incurred to acquire and bring the specific software into use. These costs are amortized over their estimated useful lives, being 2 to 5 years. Costs that are directly associated with the production of identifiable and unique software products controlled by the Company and that are expected to generate economic benefits exceeding one year are recognized as intangible assets.

Costs associated with maintaining software are recognized as an expense when they are incurred.

2.10 Impairment of non-current assets

Non-current assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount which is the higher of an asset's fair value less cost to sell and value in use. For the purpose of assessing impairment, assets are grouped at lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-current assets other than intangible assets that suffered impairment are reviewed for possible reversal of impairment at each reporting date. Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but the increased carrying amount should not exceed the carrying amount that would have been determined, had no impairment loss been recognized for the assets or cash-generating unit in prior years. A reversal of an impairment loss is recognized as income immediately in the statement of operations. Impairment losses recognized on intangible assets are not reversible.

2.11 Borrowings

Borrowings are recognized at the proceeds received, net of transaction costs incurred. Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalized as part of those assets. Other borrowing costs are charged to the statement of operations.

2.12 Capital leases

The Company accounts for property and equipment acquired under capital leases by recording the assets and the related liabilities. These amounts are determined on the basis of the present value of minimum lease payments. Financial charges are allocated to the lease term in a manner so as to provide a constant periodic rate of charge on the outstanding liability. Depreciation on assets under capital leases is charged to the statement of operations applying the straight-line method at the rates applicable to the related assets.

2.13 Accounts payable and accruals

Liabilities are recognized for amounts to be paid for goods and services received, whether or not billed to the Company.

2.14 Provisions

Provisions are recognized when; the Company has a present legal or constructive obligation as a result of a past event; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated.

2.15 Zakat

The Company is subject to zakat in accordance with the regulations of the Department of Zakat and Income Tax (the "DZIT"). Provision for zakat, if any, is charged to the statement of operations. Additional amounts payable, if any, at the finalization of final assessments are accounted for when such amounts are determined.

The Company withholds taxes on certain transactions with non-resident parties in the Kingdom of Saudi Arabia as required under Saudi Arabian Income Tax Law.

2.16 Employee termination benefits

Employee termination benefits required by Saudi Labor and Workman Law are accrued by the Company and charged to the statement of operations. The liability is calculated at the current value of the vested benefits to which the employee is entitled, should the employee leave at the balance sheet date. Termination payments are based on employees' final salaries and allowances and their cumulative years of service, as stated in the laws of Saudi Arabia.

2.17 Revenues

The Company's revenue comprises revenue from mobile telecommunications. Revenue from mobile telecommunications comprises amounts charged to customers in respect of airtime usage, text messaging, the provision of other mobile telecommunications services, including data services and information provision, fees for connecting users of other fixed line and mobile networks to the Company's network.

Airtime used by customers is invoiced and recorded as part of a periodic billing cycle and recognized as revenue over the related access period. Unbilled revenue resulting from services already provided from the billing cycle date to the end of each accounting period is accrued and unearned revenue from services provided in periods after each accounting period is deferred. Revenue from the sale of prepaid credit is deferred until such time as the customer uses the airtime, or the credit expires.

Revenue from data services and information provision 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.

Incentives are provided to customers in various forms as part of a promotional offering. Where such incentives are provided in the context of an arrangement that comprises other deliverables, revenue representing the fair value of the incentive, relative to other deliverables provided to the customer as part of the same arrangement, is deferred and recognized in line with the Company's performance of its obligations relating to the incentive. In arrangements including more than one deliverable, the arrangement consideration is allocated to each deliverable based on the fair value of the individual element. The Company generally determines the fair value of individual elements based on prices at which the deliverable is regularly sold on a standalone basis.

2.18 Distribution, marketing, general and administrative expenses

Distribution, marketing and general and administrative expenses include direct and indirect costs not specifically part of cost of revenue as required under generally accepted accounting principles. Allocations between distribution, marketing and general and administrative expenses and cost of revenue, when required, are made on a consistent basis.

2.19 Operating leases

Lease of property and equipment under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the statement of operations on a straight-line basis over the period of the lease.

3 Financial instruments and risk management

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value and cash flow interest rate risks and price risk), credit risk and liquidity risk. The Company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

Risk management is carried out by senior management under approved policies. Senior management identifies, evaluates and hedges financial risks in close co-operation with the Company's operating units. The most important types of risk are discussed in this note below.

Financial instruments carried on the balance sheet include cash and cash equivalents, accounts receivable, borrowings, advances from shareholders, notes payable, accounts payable and accrued and other current liabilities. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

Financial asset and liability is offset and net amounts reported in the financial statements, when the Company has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the asset and liability simultaneously.

3.1 Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company's transactions are principally in Saudi Riyals and US dollars. Management believes that Company's exposure to currency risk is not significant.

3.2 Fair value and cash flow interest rate risks

Fair value and cash flow interest rate risks are the exposures to various risks associated with the effect of fluctuations in the prevailing interest rates on the Company's financial positions and cash flows. The Company's interest rate risks arise mainly from its notes payable, advances from shareholders and syndicated murabaha financing from the banks which are at floating rate of interest and are subject to repricing on a periodic basis.

(All amounts in Saudi Riyals thousands unless otherwise stated)

3.3 Price risk

The risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments traded in the market. The Company is currently not exposed to price risk.

3.4 Credit risk

Credit risk 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. The Company has no significant concentration of credit risk. Cash is placed with banks with sound credit ratings. Accounts receivable are carried net of provision for doubtful debts.

3.5 Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at an amount close to its fair value. Liquidity risk is managed by monitoring on a regular basis that sufficient funds are made available to meet any future commitments. Also, see Note 1.

The following table analyze the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year	Between 1 and 5 years
2009		
Accounts payable	1,814,792	-
Accrued and other liabilities	1,983,449	-
Notes payable	2,152,219	-
Due to related parties	542,563	-
Advances from shareholders	-	2,914,000
Syndicated Murabaha financing from banks	-	9,750,000
2008		
Accounts payable	413,799	-
Accrued and other liabilities	527,123	-
Notes payable	1,847,544	-
Due to related parties	534,189	-
Advances from shareholders	314,890	1,849,110
Syndicated Murabaha financing from banks	9,164,001	-

3.6 Fair value

Fair value is the amount for which an asset could be exchanged, or a liability settled between knowledgeable willing parties in an arm's length transaction. As the Company's financial instruments are compiled under the historical cost convention, differences can arise between the book values and fair value estimates. Management believes that the fair values of the Company's financial assets and liabilities are not materially different from their carrying values.

(All amounts in Saudi Riyals thousands unless otherwise stated)

4 Cash and cash equivalents

	2009	2008
Cash in hand	200	353
Cash at banks	505,592	583,097
	505,792	583,450

5 Accounts receivable - net

	2009	2008
Billed receivables	992,802	219,136
Unbilled receivables	111,319	112,814
Other	144	276
	1,104,265	332,226
Less: provision for doubtful debts	(97,018)	(14,557)
	1,007,247	317,669

Movement in provision for doubtful debts is as follows:

	2009	2008
Beginning balance	14,557	-
Additions	82,461	14,557
Ending balance	97,018	14,557

6 Inventories

	2009	2008
Handsets and accessories	18,051	7,240
Sim cards	18,006	42,203
Prepaid recharge cards	3,365	10,029
Inventory in transit	-	360
	39,422	59,832

7 Prepayments and other receivables - net

	2009	2008
Advances for transmission lines and fiber links	171,683	75,732
Prepaid rent	64,351	56,589
Advances to suppliers and refundable deposits	27,554	62,074
Prepaid software license fee	8,138	1,739
Prepaid insurance	362	1,560
Other	33,387	30,938
	305,475	228,632
Less: provision for doubtful advances	(8,000)	(8,000)
	297,475	220,632

(All amounts in Saudi Riyals thousands unless otherwise stated)

Movement in provision for doubtful advances is as follows:

	2009	2008
Beginning balance	8,000	-
Additions	-	8,000
Ending balance	8,000	8,000

8 Property and equipment

Cost	January 1, 2009	Additions	Disposals	December 31, 2009
Leasehold improvements	69,269	78,016	-	147,285
Telecommunications equipment	2,102,176	1,207,192	-	3,309,368
IT systems and servers	169,697	77,610	(37)	247,270
Furniture, fixtures and office equipment	56,130	6,004	-	62,134
Vehicles and other transportation equipment	4,756	3,251	(1,902)	6,105
Capital work in progress	95,122	928,422	(460,102)	563,442
	2,497,150	2,300,495	(462,041)	4,335,604
Accumulated depreciation				
Leasehold improvements	3,805	32,078	-	35,883
Telecommunications equipment	65,115	304,063	-	369,178
IT systems and servers	15,395	56,403	(17)	71,781
Furniture, fixtures and office equipment	3,426	7,111	-	10,537
Vehicles and other transportation equipment	422	1,340	(237)	1,525
	88,163	400,995	(254)	488,904
	2,408,987			3,846,700

Cost	March 12, 2008	Additions	Disposals	December 31, 2008
Leasehold improvements	-	69,586	(317)	69,269
Telecommunications equipment	-	2,102,176	-	2,102,176
IT systems and servers	-	169,697	-	169,697
Furniture, fixtures and office equipment	-	56,454	(324)	56,130
Vehicles and other transportation equipment	-	4,756	-	4,756
Capital work in progress	-	95,122	-	95,122
	-	2,497,791	(641)	2,497,150
Accumulated depreciation				
Leasehold improvements	-	3,858	(53)	3,805
Telecommunications equipment	-	65,115	-	65,115
IT systems and servers	-	15,395	-	15,395
Furniture, fixtures and office equipment	-	3,491	(65)	3,426
Vehicles and other transportation equipment	-	422	-	422
	-	88,281	(118)	88,163
	-			2,408,987

(All amounts in Saudi Riyals thousands unless otherwise stated)

The Company is in the process of expanding its network. Capital work in progress at December 31, 2009 principally represents costs incurred on several network expansions.

9 Intangible assets

	January 1, 2009	Additions	December 31, 2009
Cost			
License fee*	23,359,180	-	**23,359,180**
Computer software licenses	62,190	51,932	**114,122**
	23,421,370	51,932	**23,473,302**
Accumulated amortization			
License fee*	(343,005)	(978,100)	**(1,321,105)**
Computer software licenses	(3,505)	(15,215)	**(18,720)**
	(346,510)	(993,315)	**(1,339,825)**
	23,074,860		**22,133,477**

	March 12, 2008	Additions	December 31, 2008
Cost			
License fee*	-	23,359,180	23,359,180
Computer software licenses	-	62,190	62,190
	-	23,421,370	23,421,370
Accumulated amortization			
License fee*	-	(343,005)	(343,005)
Computer software licenses	-	(3,505)	(3,505)
	-	(346,510)	(346,510)
	-		23,074,860

* Pursuant to the Ministerial Resolutions No. 176 dated 25 Jumada I, 1428H (corresponding to June 11, 2007) and No. 357 dated 28 Dhu Al-Hijjah, 1428H (corresponding to January 7, 2008) and Royal Decree No. 48/M dated 26 Jumada I, 1428H (corresponding to June 12, 2007), the 3rd license to provide mobile telecommunication services within the Kingdom of Saudi Arabia over 25 Hijra years was granted to the Company for an amount of Saudi Riyals 22.91 billion. The license fee also comprises an amount equal to Saudi Riyals 449.18 million related to financing costs which was capitalized as part of license cost in accordance with the accounting standards applicable in the Kingdom of Saudi Arabia (see also Note 2.2).

10 Accounts payable

	2009	2008
Trade	**1,799,287**	391,749
Withholding tax	**5,544**	4,188
Staff	**145**	1,449
Other liabilities	**9,816**	16,413
	1,814,792	413,799

(All amounts in Saudi Riyals thousands unless otherwise stated)

11 Accrued and other liabilities

	2009	2008
Trade	1,696,371	417,792
Financial charges	103,559	108,680
Accrued financial charges on shareholders' advances	63,629	-
Employees	41,762	33,134
Obligations under capital leases (Note 23)	3,167	3,793
Other	119,890	651
	2,028,378	564,050

12 Notes payable

	2009	2008
Nokia Siemens Tietoliikenne Oy	577,758	1,574,461
Motorola Inc.	1,574,461	273,083
	2,152,219	1,847,544

13 Advances from shareholders

The founding shareholders have provided advances to the Company. In accordance with the arrangements agreed with the shareholders during the third quarter of 2009, the outstanding balance at December 31, 2009 carries finance cost that approximate the prevailing market rates.

The following is a breakdown of the advances from shareholders as at December 31:

	2009	2008
Mobile Telecommunications Company K.S.C	1,859,397	1,109,397
Faden Trading & Contracting Est.	314,890	314,890
Saudi Plastic Factory	301,365	301,365
Rakisa Holding Company	136,984	136,984
Almarai Company	109,587	109,587
Ashbal Al-Arab Contracting Est.	109,587	109,587
Al Jeraisy Development Company Limited	54,793	54,793
Al Sale Al Sharkiyah Company Limited	27,397	27,397
	2,914,000	2,164,000
Less current portion	-	(314,890)
Non-current portion	2,914,000	1,849,110

The non-current portion of the advances at December 31, 2009 including accrued financial charges is not scheduled for repayment until after August 2011.

14 Syndicated Murabaha financing from banks

A Syndicated Murabaha facility of approximately Saudi Riyals ("SR") 9.75 billion was arranged by the Banque Saudi Fransi ("Murabaha facility") to refinance the previous financing outstanding at December 31, 2008 of SR 9.16 billion. This facility consists of a SR portion totaling SR 7.09 billion and a US$ portion totaling US$ 710 million (SR 2.66 billion).

(All amounts in Saudi Riyals thousands unless otherwise stated)

Financing charges as specified under the Murabaha facility are payable in quarterly installments over two years. The principal amount is payable in one bullet payment on August 12, 2011.

Financial covenants imposed by the lending banks are:

- Negative pledge on all revenues and assets;
- Loans and guarantees restrictions to customers, distributors, dealers, retailers, wholesalers and employees;
- No further financial indebtedness, pari passu, insurance on all assets; and
- Compliance with various financial milestones across time.

At December 31, 2009 the Company was in noncompliance with certain covenants. However, the lenders provided waiver for such noncompliance subject to the Company providing revised financial milestones for the quarters ending December 31, 2010 for lenders' approval. The Company is currently in the process of providing such information and believes that negotiations with the lenders to obtain their approval on such revised financial milestones will be successful. Further, no repayment of principal amount against the borrowing was due as of December 31, 2009 and the Company has paid all commission amounts related to the borrowing on due dates through December 31, 2009. Accordingly, the borrowing has been classified as non-current in accordance with the original repayment schedule.

15 Related party matters

The Company is a member of an affiliated group of companies which are directly or indirectly controlled by the ultimate majority shareholder.

The related parties of the Company include the Zain group and its related entities (including subsidiaries and associates), shareholders who own material numbers of shares and voting interests in the Company, members of the board of directors, and senior management.

15.1 Related party transactions

Significant transactions with related parties in the ordinary course of business included in the financial statements are summarized below:

	2009	2008
Revenue	47,874	13,573
Consultancy and services	4,372	2,020
Management fees	126,132	23,744
Salaries and benefits	5,086	7,066

Payments were also made on behalf of the Company by the ultimate majority shareholders and its related entities before the incorporation of the Company.

Also see Note 13 for shareholders' advances.

15.2 Related party balances

Significant year end balances arising from transactions with related parties are as follows:

(i) Payable to related parties

	2009	2008
MTC Head Office	539,374	514,738
Mada	2,000	14,873
MTC - Bahrain	-	4,114
Others	1,189	464
	542,563	534,189

(All amounts in Saudi Riyals thousands unless otherwise stated)

16 Share capital

The share capital of the Company as of December 31, 2009 and 2008 was comprised of 1.4 billion shares stated at Saudi Riyals 10 per share owned as follows:

Shareholders	Number of shares	Share capital
Mobile Telecommunications Company K.S.C.	350,000,000	3,500,000
Saudi Plastic Factory	96,250,000	962,500
Faden Trading & Contracting Est.	96,250,000	962,500
Rakisa Holding Company	43,750,000	437,500
Almarai Company	35,000,000	350,000
Ashbal Al-Arab Contracting Est.	35,000,000	350,000
Al Jeraisy Development Company Limited	17,500,000	175,000
Architectural Elite Est. for Engineering and Contracting	17,500,000	175,000
Al Sale Al Sharkiyah Company Limited	8,750,000	87,500
Total founding shareholders	700,000,000	7,000,000
Public Pension Agency	70,000,000	700,000
Saudi nationals IPO subscribed	630,000,000	6,300,000
Total	1,400,000,000	14,000,000

17 Revenue

	Year ended December 31, 2009	For the period from March 12, 2008 to December 31, 2008
Usage charges	2,879,162	486,382
Subscription	122,429	18,814
Other	2,461	-
	3,004,052	505,196

18 Cost of revenue

	Year ended December 31, 2009	For the period from March 12, 2008 to December 31, 2008
Access charges	1,491,086	267,804
Government charges	204,351	56,051
Leased lines	192,350	77,107
Discount on prepaid recharge cards	105,682	37,732
Other	133,557	50,043
	2,127,026	488,737

(All amounts in Saudi Riyals thousands unless otherwise stated)

19 Distribution and marketing expenses

	Year ended December 31, 2009	For the period from March 12, 2008 to December 31, 2008
Dealer's commission	299,618	67,015
Advertising	296,921	317,890
Repairs and maintenance	236,015	-
Employees' salaries and related costs	217,685	264,567
Rentals	155,897	117,394
Management fees (Note 15)	126,132	23,744
Bad debts expense (Note 5)	82,461	22,557
Systems support and licenses	67,468	2,943
Utilities	26,506	13,061
Customer loyalty and retention	8,090	105,106
Other	56,948	87,105
	1,573,741	1,021,382

20 General and administrative expenses

	Year ended December 31, 2009	For the period from March 12, 2008 to December 31, 2008
Consulting	114,722	159,142
Employees' salaries and related costs	96,870	64,793
System support and maintenance	59,893	-
Withholding tax expense	46,628	16,844
Repairs and maintenance	19,103	-
Legal and professional	15,649	1,598
Other	23,033	17,705
	375,898	260,082

21 Pre-operating expenses - net

Pre-operating expenses for the period from March 12, 2008 to December 31, 2008 are summarized as follows:

IPO costs	94,874
Employees' salaries and related benefits	83,094
Bank credit facilities commitment charges and financing charges	70,029
Consulting fees	36,092
Rent	20,833
Advertising	11,769
Depreciation	77
Legal fees	299
Other expenses	104,714
Withholding taxes	107
Pre-operating income	(3,628)
	418,260

(All amounts in Saudi Riyals thousands unless otherwise stated)

22 Loss per share

Loss per share for the year/ period ended December 31, 2009 and 2008 has been computed by dividing the operating loss, non-operating items - net and net loss for the year/ period by the weighted average number of shares outstanding during the year/ period which was 1.4 billion shares.

23 Capital leases

The Company's obligations under capital leases as at December 31 are as follows:

	2009	2008
Within 12 months	1,972	1,413
Within 12 - 24 months	1,195	1,570
Within 24 - 36 months	-	810
	3,167	3,793

The rate of return for capital lease ranges from 7.92% to 8.29% per annum. Rentals are payable in monthly installments. The Company has the option to purchase the related assets at the end of lease term.

24 Operating leases

The Company leases sites, technical buildings and offices in connection with its operations. The lease commitments relating to such operating leases at December 31 are as follows:

	2009	2008
Within 12 months	475,746	99,625
Within 2 - 5 years	874,964	305,250
Over 5 years	487,148	455,310
	1,837,858	860,185

25 Contingencies and commitments

The Company has entered into arrangements with suppliers for the purchase of telecommunication equipment and with other mobile telecom companies for providing mobile cellular services. The capital commitments at December 31 are comprised of the following:

	2009	2008
Within 12 months	814,040	2,760,007
Within 2 - 5 years	1,174,633	1,056,084
Over 5 years	-	22,073
	1,988,673	3,838,164

Furthermore, the Company in the normal course of business is subject to and also pursuing lawsuits and other claims. However, these matters are not expected to have a material impact on the financial position or the results of operations of the Company.

26 Segment information

The Company commenced commercial activities on August 26, 2008 and since commencement of activities, the Company's operations are substantially from mobile phone services. Accordingly, segment information is not applicable.

(All amounts in Saudi Riyals thousands unless otherwise stated)

27 Zakat

27.1 Components of zakat base

The significant components of the Company's zakat base, for the year/ period ended December 31, which are subject to certain adjustments under zakat and income tax regulations, are principally comprised of the following:

	2009	2008
Shareholders' equity at beginning of year / period	11,721,828	14,000,000
Provisions at beginning of year / period	26,953	-
Long-term borrowings and shareholders' advances	12,408,023	11,328,001
Adjusted net loss for the year / period	(3,010,884)	(2,251,219)
Property and equipment, as adjusted	(3,846,700)	(2,408,987)
Intangible assets	(22,133,477)	(23,074,860)
Approximate zakat base of the Company	(4,834,257)	(2,407,065)

Zakat is payable at 2.5 percent of higher of the approximate zakat base or adjusted net income.

Calculation of adjusted net loss

	Year ended December 31, 2009	For the period from March 12, 2008 to December 31, 2008
Net loss for the year / period	(3,099,349)	(2,278,172)
- Employee termination benefits	6,004	4,396
- Provision for doubtful debts	82,461	14,557
- Other - Provision against doubtful advances	-	8,000
Adjusted net loss for the year / period	(3,010,884)	(2,251,219)

27.2 Provision for zakat

No provision was made for the period ended December 31, 2008 as the Company did not complete one Hijra year from the date of its Commercial Registration. The Company completed one Hijra year during the first quarter of year ended December 31, 2009. As of December 31, 2009, the Company's zakat base is negative and the Company has incurred losses. Accordingly, no zakat provision has been made for the year ended December 31, 2009.

27.3 Status of assessments

The Company has filed its zakat return for the period ended December 31, 2008, however, DZIT has not yet raised the final assessment.