MOBILE TELECOMMUNICATIONS COMPANY
SAUDI ARABIA
(A SAUDI JOINT STOCK COMPANY)

UNAUDITED INTERIM FINANCIAL STATEMENTS
AND AUDITORS' REVIEW REPORT
FOR THE THREE MONTHS PERIOD ENDED
MARCH 31, 2012

MOBILE TELECOMMUNICATIONS COMPANY SAUDI ARABIA
(A SAUDI JOINT STOCK COMPANY)

UNAUDITED INTERIM FINANCIAL STATEMENTS AND AUDITORS' REVIEW REPORT
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2012

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AUDITORS' REVIEW REPORT

To the shareholders
Mobile Telecommunications Company Saudi Arabia
(A Saudi joint stock company)
Riyadh, Saudi Arabia

Scope of Review

We have reviewed the accompanying interim balance sheet of **Mobile Telecommunications Company Saudi Arabia** (a Saudi joint stock company) ("the Company") as at March 31, 2012, and the related interim statement of operations, cash flows and changes in shareholders' equity for the three-month period ended March 31, 2012 including the related notes 1 to 12 which form an integral part of these interim financial statements. These interim financial statements are the responsibility of the Company's management and have been prepared by them and presented to us with all the necessary information and explanation which we required.

We conducted our limited review in accordance with the interim financial reporting standard issued by the Saudi Organization for Certified Public Accountants. A limited review consists principally of applying analytical procedures to financial data and information and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards in the Kingdom of Saudi Arabia, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Review Results

Based on our review, we are not aware of any material modifications that should be made to the accompanying interim financial statements for them to be in conformity with generally accepted accounting standards in the Kingdom of Saudi Arabia.

Emphasis of matter

Without modifying our report, we draw attention to Note 1 to the interim financial statements. The Company incurred net loss for the three-month period ended March 31, 2012 and its current liabilities exceeded its current assets and has accumulated deficit as of that date. The Company believes that it will be successful in meeting its obligations in the normal course of operations and its efforts in securing the necessary funding which is conditional to the Company's capital restructuring. Accordingly, the accompanying interim financial statements have been prepared under the going concern basis.

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April 16, 2012

MOBILE TELECOMMUNICATIONS COMPANY SAUDI ARABIA
(A SAUDI JOINT STOCK COMPANY)

INTERIM BALANCE SHEET (Unaudited)

	Notes	**March 31, 2012 SR'000 (Unaudited)**	December 31, 2011 SR'000 **(Audited)**	March 31, 2011 SR'000 **(Unaudited)**
ASSETS				
Current assets				
Cash and cash equivalents		**700,946**	780,273	413,565
Accounts receivable, net		**1,194,556**	1,006,574	446,010
Inventories, net		**45,295**	43,617	47,324
Prepaid expenses and other assets		**763,542**	601,706	500,643
Total current assets		**2,704,339**	2,432,170	1,407,542
Non-current assets				
Property and equipment, net		**4,130,473**	4,058,813	4,277,859
Intangible assets, net		**20,008,706**	20,252,778	20,909,164
Total non-current assets		**24,139,179**	24,311,591	25,187,023
TOTAL ASSETS		**26,843,518**	26,743,761	26,594,565
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities				
Short-term borrowing facility	3	-	-	2,193,750
Notes payable		**1,066,101**	915,876	-
Syndicated murabaha financing – current	4	**9,737,000**	9,747,638	-
Accounts payable		**1,613,727**	1,609,284	1,746,476
Due to related parties		**54,555**	26,673	39,490
Deferred revenue		**430,172**	434,392	359,307
Accrued expenses and other liabilities		**3,036,517**	2,731,184	1,829,853
Derivative financial instruments	5	-	45,781	97,480
Total current liabilities		**15,938,072**	15,510,828	6,266,356
Non-current liabilities				
Notes payable		**102,177**	153,937	797,925
Long term borrowing facility	3	**2,228,492**	2,223,529	-
Syndicated murabaha financing	4	-	-	9,693,510
Advances from shareholders	6	**4,070,936**	4,018,550	3,805,334
Due to related parties		**561,739**	520,651	378,399
Provision for employees' end-of-service benefits		**23,244**	23,201	18,224
Total non-current liabilities		**6,986,588**	6,939,868	14,693,392
TOTAL LIABILITIES		**22,924,660**	22,450,696	20,959,748
SHAREHOLDERS' EQUITY				
Share capital	8	**14,000,000**	14,000,000	14,000,000
Hedging reserve	5	-	(45,781)	(97,480)
Accumulated deficit	1	**(10,081,142)**	(9,661,154)	(8,267,703)
Total shareholders' equity		**3,918,858**	4,293,065	5,634,817
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**26,843,518**	26,743,761	26,594,565

Fraser Curley - CEO **Fahad Al Dheghaither-Board Member** **Khalil Fawaz-CFO**

The accompanying notes form an integral part of these interim financial statements

INTERIM STATEMENT OF OPERATIONS (Unaudited)
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2012

	Note	**2012 SR'000**	2011 SR'000
Revenue		**1,521,592**	1,484,215
Cost of revenue		**(819,388)**	(768,200)
Gross profit		**702,204**	716,015
Operating expenses			
Distribution and marketing expenses		**(393,567)**	(482,469)
General and administrative expenses		**(65,838)**	(79,672)
Depreciation and amortization		**(434,001)**	(386,983)
Total operating expenses		**(893,406)**	(949,124)
Operating loss		**(191,202)**	(233,109)
Other income / (expenses)			
Finance charges		**(229,390)**	(298,649)
Commission income		**604**	13
NET LOSS FOR THE PERIOD		**(419,988)**	(531,745)
Loss per share (in Saudi Riyals):	9		
- From operating loss for the period		**(0.14)**	(0.17)
- From non-operating loss for the period		**(0.16)**	(0.21)
- From net loss for the period		**(0.30)**	(0.38)

Fraser Curley - CEO **Fahad Al Dheghaither-Board Member** **Khalil Fawaz-CFO**

The accompanying notes form an integral part of these interim financial statements

MOBILE TELECOMMUNICATIONS COMPANY SAUDI ARABIA
(A SAUDI JOINT STOCK COMPANY)

INTERIM STATEMENT OF CASH FLOWS (Unaudited)
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2012

	2012 SR'000	2011 SR'000
Cash flow from operating activities		
Net loss for the period	**(419,988)**	(531,745)
Adjustments to reconcile net loss for the period to net cash from operating activities:		
Provision for doubtful receivables and advances	**9,412**	51,938
Provision for slow moving inventory items	**-**	750
Depreciation and amortization expenses	**434,001**	386,983
Finance charges	**229,390**	298,649
Provision for employees' end-of-service benefits, net	**43**	1,128
Operating income before changes in working capital	**252,858**	207,703
Changes in working capital		
Accounts receivable	**(197,394)**	965,218
Inventories	**(1,678)**	(19,275)
Prepaid expenses and other assets	**(161,836)**	(92,116)
Accounts payable	**(10,251)**	(358,027)
Accrued expenses and other liabilities	**245,022**	(778,186)
Due to related parties	**68,970**	(39,181)
Deferred revenue	**(4,220)**	(92,035)
Cash flows from (used in) operating activities	**191,471**	(205,899)
Financial charges paid	**(106,865)**	(160,507)
Net cash generated from (used in) / operating activities	**84,606**	(366,406)
Cash Flow from investing activities		
Purchase of property and equipment	**(158,258)**	(118,515)
Additions to intangible assets	**-**	(2,663)
Net cash used in investing activities	**(158,258)**	(121,178)
Notes payable	**-**	108,367
Long term borrowing facility	**4,963**	-
Syndicated murabaha financing	**(10,638)**	-
Advances from shareholders	**-**	90,665
Net cash generated (used in) / from financing activities	**(5,675)**	199,032
Net change in cash and cash equivalents	**(79,327)**	(288,552)
Cash and cash equivalents at beginning of period	**780,273**	702,117
Cash and cash equivalents at end of period	**700,946**	413,565

Fraser Curley - CEO | **Fahad Al Dheghaither-Board Member** | **Khalil Fawaz-CFO**

The accompanying notes form an integral part of these interim financial statements

MOBILE TELECOMMUNICATIONS COMPANY SAUDI ARABIA
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INTERIM STATEMENT OF CASH FLOWS (Unaudited) (Continued)
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2012

	2012 SR'000	2011 SR'000
Non-cash transactions:		
Changes in fair value of derivative financial instruments and corresponding debit to shareholders' equity	**-**	37,150
Adjustment to property and equipment with corresponding effect to notes payable	**103,331**	-
Adjustment to notes payable with corresponding effect to accounts payables	**14,694**	-
Adjustment to advances from shareholders with corresponding effect to financial charges	**52,386**	-
Adjustment to notes payable with corresponding effect to financial charges	**9,828**	-

Fraser Curley - CEO **Fahad Al Dheghaither-Board Member** **Khalil Fawaz-CFO**

The accompanying notes form an integral part of these interim financial statements

INTERIM STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY (Unaudited)
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2012

	Note	**Share capital**	**Hedging reserve**	**Accumulated Deficit**	**Total equity**
Balance as at 1 January 2012		**14,000,000**	**(45,781)**	**(9,661,154)**	**4,293,065**
Net loss for the period		**-**	**-**	**(419,988)**	**(419,988)**
Derivative financial instrument	5	**-**	**45,781**	**-**	**45,781**
Balance as at 31 March 2012		**14,000,000**	**-**	**(10,081,142)**	**3,918,858**
Balance as at 1 January 2011		14,000,000	(134,630)	(7,735,958)	6,129,412
Net loss for the period		-	-	(531,745)	(531,745)
Derivative financial instrument	5	-	37,150	-	37,150
Balance as at 31 March 2011		14,000,000	(97,480)	(8,267,703)	5,634,817

Fraser Curley - CEO **Fahad Al Dheghaither-Board Member** **Khalil Fawaz-CFO**

1. ORGANIZATION AND ACTIVITIES

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

The Company incurred net loss for the period from 1 January 2012 to 31 March 2012 and its current liabilities exceeded its current assets and has accumulated deficit as of that date. These conditions indicate that the Company's ability to meet its obligations as they become due and to continue as a going concern are dependent upon the Company's ability to arrange adequate funds in a timely manner.

The Board of Directors (the "Board") in their meeting held on 20 February 2011 and subsequent meeting held on 26 October 2011 recommended to restructure the share capital of the Company by reducing it from SR14,000,000,000 to SR4,801,000,000 and the total number of shares from 1.4 billion shares to 480,100,000 shares by cancellation of 919,900,000 shares with a 65.7% reduction of share capital, an average reduction of approximately one (1) share for every 1.5219 shares. The purpose of such capital reduction is to absorb the accumulated deficit of the Company as at 30 September 2011. The Board has also recommended to increase the share capital by SR6,000,000,000 through the issuance of 600,000,000 new shares (rights issue) which is expected to involve capitalization of advances from shareholders to equity, which is subject to the approval of the founding shareholders, and raising of fresh cash from existing shareholders. The recommendation of the Board is subject to the approval of the shareholders in the extraordinary general assembly meeting, the Capital Market Authority (the "CMA") and the Ministry of Commerce and Industry (the "MOCI"). The Company has submitted the required document for the above-mentioned restructuring plan to the CMA on 28 December 2011 for their review and approval to enable the Company to commence with the rights issue process. Proceeds of the rights issue will be utilized to partially repay the Syndicated Murabaha Financing ("Murabaha Facility"), reduce the working capital and finance capital expenditure as well as the development of the network.

On 11 October 2011 the Board has also approved to commence the negotiations with the current existing lenders and to seek new potential lenders to refinance the existing Murabaha facility. Currently, the Company is evaluating the terms and conditions of various potential lenders and the directors believe a formal refinancing agreement will be most likely signed during the first half of year 2012.

1. ORGANIZATION AND ACTIVITIES (Continued)

In December 2011, the Company has formally submitted the request to exercise its second and final option to extend the maturity date of the Murabaha Facility till July 27, 2012 and obtained the required approval from the lenders on January 24, 2012.

In addition, during the Board meeting held on 12 March 2012, the Board of Directors approved the appointment of the new CEO Mr. Fraser Curley who replaced Mr. Khalid S. A. Al Omar effective 12 March 2012.

Following its an Annual General Assembly Meeting ("AGM") on 29 March 2012, Mobile Telecommunications Company ("Zain Kuwait") ,a 25% equity shareholders in Zain KSA, reaffirmed its support to Zain KSA’s capital restructuring and refinancing efforts as set out below:

- Support for the capital restructuring;
- Provision of a corporate guarantee to support Zain KSA in its bid to raise US$ 325 million from Finnvera;
- Sponsor support towards any required waiver process for the existing US$2.6 billion Murabaha Financing and further refinancing efforts.

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, these interim financial statements have been prepared on a going concern basis.

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

These interim financial statements were approved by the Board of Directors on April 16, 2012.

2. SIGNIFICANT ACCOUNTING POLICIES

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

Basis of preparation
The accompanying interim financial statements have been prepared under the historical cost convention on the accrual basis of accounting, as modified by revaluation of derivative financial instruments at fair value, and in compliance with accounting standards promulgated by the Saudi Organization for Certified Public Accountants ("SOCPA"). These interim financial statements should be read in conjunction with the annual audited financial statements for the year ended December 31, 2011.

The significant accounting policies used for the preparation of the interim financial statements mentioned below are in conformity with the accounting policies described in the audited financial statements for the year ended December 31, 2011.

Period of the financial statements
The Company's financial year begins on January 1 and ends on December 31 of each Gregorian year. The interim financial statements have been prepared in accordance with SOCPA's Standard of Review of Interim Financial Reporting, on the basis of integrated periods, which views each interim period as an integral part of the financial year. Accordingly, revenues, gains, expenses and losses of the period are recognized during the period. The accompanying interim financial statements include all adjustments, comprising mainly of normal recurring accruals, considered necessary by the management to present fairly the statements of financial position, results of operations and cash flows.

The results of operations for the interim period may not represent a proper indication of the annual results of operations.

Critical accounting estimates and judgments
The preparation of interim financial statements in conformity with generally accepted accounting standards in the Kingdom of Saudi Arabia 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Segment reporting

(a) Business segment

A business segment is a 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 a 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.

Foreign currency translations

(a) Reporting currency

These interim financial statements are presented in Saudi Riyals ("SR") 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 period-end exchange rates of monetary assets and liabilities denominated in foreign currenciesare recognized in the interim statement of operations.

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.

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 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. Such provisions are charged to the interim statement of operations and reported under "distribution and marketing expenses". When an account receivable is uncollectible, it is written-off against the provision for doubtful receivables. Any subsequent recoveries of amounts previously written-off are credited against "distribution and marketing expenses" in the interim statement of operations.

Inventories

Inventories are carried at the lower of cost or net realizable value. Cost is determined using the 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. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and equipment

Property and equipment are carried at cost less accumulated depreciation except for capital work in progress which is carried at cost. Depreciation is charged to the interim 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:

	Years
Leasehold improvements	Shorter of lease term or useful life
Telecommunication equipment	8
Civil works (telecommunications)	15
Information technology systems	2
Information technology servers	5
Furniture and fixtures	5
Office equipment	2
Vehicles and other transportation equipment	5

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

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

Intangible assets

License fee is stated at cost less accumulated amortization. The amortization period is 25 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 interim 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 the software are recognized as an expense when they are incurred.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 interim statement of operations. Impairment losses recognized on intangible assets are not reversible.

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 interim statement of operations.

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 interim statement of operations applying the straight-line method at the rates applicable to the related assets.

Accounts payable and accruals

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

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. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Employee end-of-service benefits

Employee end-of-service benefits required by Saudi Labor and Workman Law are accrued by the Company and charged to the interim 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 interim 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.

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 to be 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenues (Continued)
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.

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 standards. Allocations between distribution, marketing and general and administrative expenses and cost of revenue, when required, are made on a consistent basis.

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. Rental expenses under operating leases are charged to the interim statement of operations on a straight-line basis over the period of the lease.

Derivative financial instruments
Derivative financial instruments are measured at fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument. The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedge is recognized in hedging reserve under shareholders' equity. The gain or loss relating to the ineffective portion is recognized immediately in the interim statement of operations. Gains or losses recognized initially in hedging reserve are transferred to the interim statement of operations in the period in which the hedged item impacts the interim statement of operations.

3. SHORT AND LONG TERM BORROWINGS FACILITIES

During June 2010, a short-term facility was arranged by BNP Paribas to refinance the Company's obligations under the existing vendor financing arrangements to be repayable in June 2011. This facility consists of a SR portion totaling SR 438.8 million and a US$ portion totaling US$ 468 million (equivalent SR 1,755 million) and is secured by a guarantee provided by a founding shareholder. The facility attracts financing charges as specified in the agreement. The Company has arranged a long-term facility as mentioned below to pay off the short-term borrowing facility.

On April 5, 2011, one of the local commercial banks arranged a long-term facility to refinance the Company's obligations under the above-mentioned existing short-term borrowing facility to be repayable on April 9, 2013. This facility consists of a SR portion totaling SR 1,875 million and a US$ portion totaling US$ 100 million (equivalent SR 375 million) and is secured by a guarantee provided by a founding shareholder. The facility attracts financing charges as specified in the agreement.

4. SYNDICATED MURABAHA FINANCING

Murabaha Facility of approximately SR 9.75 billion was arranged by Banque Saudi Fransi in July 2009. This Murabaha Facility consists of a SR portion totalling SR 7.09 billion and a US$ portion totalling US$ 710 million (equivalent to SR 2.66 billion).

Financing charges as specified under the Murabaha Facility are payable in quarterly instalments over two (2) years. The principal amount was initially payable in one bullet payment on July 27, 2011. As per the terms of the Murabaha financing agreement the Company exercised its two options to extend the initial maturity date (August 12, 2011) for six months each, totaling the renewal of the facility for one full year with the final maturity date is July 27, 2012. The Company has successfully exercised first renewal option and the Murabaha facility was extended till January 27, 2012.

In December 2011, the Company has formally submitted the request to exercise its second and final option to extend the maturity date of the Murabaha Facility till July 27, 2012 and obtained the required approval from the lenders on January 24, 2012. Accordingly, the outstanding balance as at March 31, 2012 has been classified as current liability, (refer to Note 1).

Financial covenants imposed by the financing banks are:

- Pledge on all revenues and assets insurance and operating accounts;
- 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 till December 31, 2011.

On October 11, 2011 the Board approved to commence the negotiations with the current existing lenders and to seek new potential lenders to refinance the existing syndicated Murabaha Facility on a long-term basis. Currently, the Company is evaluating the terms and conditions of various potential lenders and the directors believe a formal refinancing agreement will be most likely signed during the first half of 2012, (refer to Note 1).

5. DERIVATIVE FINANCIAL INSTRUMENTS

The fair value of derivative financial instruments (commission rate swap) together with the contract notional amounts are as follows:

		Negative fair value		
	Contract notional amount SR’000	**March 31, 2012 (Unaudited) SR’000**	December 31, 2011 (Audited) SR’000	March 31, 2011 (Unaudited) SR’000
Derivative financial instruments	**8,287,500**	**-**	45,781	97,480

6. 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 carries finance cost that approximate the prevailing market rates.

The following is a breakdown of the advances from shareholders:

	March 31, 2012 (Unaudited) SR'000	December 31, 2011 (Audited) SR'000	March 31, 2011 (Unaudited) SR'000
Mobile Telecommunications Company K.S.C.	**2,506,416**	2,505,074	2,441,260
Faden Trading & Contracting Est.	**314,890**	314,890	314,890
Saudi Plastic Factory	**301,365**	301,365	301,365
Rakisa Holding Company	**136,984**	136,984	136,984
Almarai Company	**109,587**	109,587	109,587
Ashbal Al-Arab Contracting Est.	**109,587**	109,587	109,587
Al Jeraisy Development Company Limited	**54,793**	54,793	54,793
Al Sale Al Sharkiyah Company Limited	**27,397**	27,397	27,397
	3,561,019	3,559,677	3,495,863
Accrued financial charges	**509,917**	458,873	309,471
Total	**4,070,936**	4,018,550	3,805,334

The advances from shareholders at March 31, 2012 and the related accrued financial charges are currently not scheduled for repayment until the settlement of the Syndicated Murabaha facility of SR 9.7 billion (Note 4).

As disclosed in note 1, the share capital increase will involve capitalization of advances from the founding shareholders by converting the above advances to equity are subject to the approval of the founding shareholders.

7. ZAKAT

No zakat provision has been made in these interim financial statements as the Company's zakat base is negative and the Company has incurred losses. The Company has filed its zakat returns for the years 2008, 2009, 2010 and 2011 with the DZIT but no final zakat assessments of the above-mentioned years have been received.

8. SHARE CAPITAL

The share capital of the Company as of March 31, 2012, December 31, 2011 and March 31, 2011 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
Public shareholding	630,000,000	6,300,000
Total	**1,400,000,000**	**14,000,000**

9. LOSS PER SHARE

Loss per share from operating loss and from net loss for the period is calculated by dividing operating loss and net loss for the period by the outstanding number of ordinary shares as at March 31, 2012, which was 1.4 billion shares (March 31, 2011: 1.4 billion shares).

10. OPERATING LEASES

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

	March 31, 2012 (Unaudited) SR'000	December 31, 2011 (Audited) SR'000	March 31, 2011 (Unaudited) SR'000
Within 12 months	**167,275**	164,216	135,202
Within 2 to 5 years	**644,443**	632,292	532,493
Over 5 years	**741,383**	299,840	240,374
	1,553,101	1,096,348	908,069

11. 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 are comprised of the following:

	March 31, 2012 (Unaudited) SR'000	December 31, 2011 (Audited) SR'000	March 31, 2011 (Unaudited) SR'000
Within 12 months	**360,979**	318,212	354,094
Within 2 to 5 years	**-**	97,554	749,175
	360,979	415,766	1,103,269

Also see Note 10 for operating lease commitments.

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

12. SEGMENT INFORMATION

The objective of the segment reporting standard promulgated by the Saudi Organization for Certified Public Accountants is to disclose detailed information on the results of each of the main operating segments. Given that the requirements of this standard, in terms of the prescribed threshold, taking into consideration the Company's operations which are substantially concentrated in mobile phone services since commencement of its activities, are not met as of the interim balance sheet date, accordingly, the Company's management believes that operating segment information disclosure for the Company is not applicable. The Company carries out its activities in the Kingdom of Saudi Arabia.