ETIHAD ETISALAT COMPANY
(A SAUDI JOINT STOCK COMPANY)

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

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INDEX	**PAGE**

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AUDITORS' REPORT

To the shareholders
Etihad Etisalat Company
(A Saudi joint stock company)
Riyadh, Saudi Arabia

Scope of Audit

We have audited the accompanying consolidated balance sheet of Etihad Etisalat Company (a Saudi Joint Stock Company) as at December 31, 2009, and the related consolidated statements of income, cash flows and changes in shareholders' equity for the year then ended, and the notes 1 to 27 which form an integral part of these consolidated financial statements as prepared by the Company in accordance with Article 123 of the Regulations for Companies and presented to us with all the necessary information and explanations. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

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

Unqualified Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Etihad Etisalat Company as at December 31, 2009, and the consolidated results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting standards appropriate to the nature of the Company, and comply with the relevant provisions of the Regulations for Companies and the bylaws of the Company as these relate to the preparation and presentation of these consolidated financial statements.

Deloitte & Touche
Bakr Abulkhair & Co.

Ehsan A. Makhdoum
License No. 358

Safar 2, 1431
January 17, 2010

ETIHAD ETISALAT COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED BALANCE SHEET
AS AT DECEMBER 31, 2009

	Note	2009 SR'000	2008 SR'000
ASSETS			
Current assets			
Cash and cash equivalents	3	**933,407**	1,263,995
Short-term investments		**600,000**	1,049,999
Accounts receivable, net	4	**5,481,035**	3,098,248
Due from a related party	5	**69,357**	38,452
Inventories, net		**132,396**	107,563
Prepaid expenses and other assets	6	**1,361,171**	1,063,075
Total current assets		**8,577,366**	6,621,332
Non-current assets			
Property and equipment, net	7	**10,369,515**	8,117,399
Licenses acquisition fees, net	8	**10,449,714**	10,922,932
Goodwill	9	**1,529,886**	1,529,886
Total non-current assets		**22,349,115**	20,570,217
TOTAL ASSETS		**30,926,481**	27,191,549
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Short-term loans	10	**370,518**	1,861,878
Current portion of long-term loans	10, 11	**1,776,602**	1,286,250
Accounts payable	12	**6,167,343**	4,367,232
Due to related parties	5	**210,868**	78,171
Accrued expenses and other liabilities	13	**3,663,382**	3,155,335
Total current liabilities		**12,188,713**	10,748,866
Non-current liabilities			
Long-term loans	10, 11	**6,448,069**	6,642,086
Provision for end-of-service benefits		**46,517**	46,287
Total non-current liabilities		**6,494,586**	6,688,373
TOTAL LIABILITIES		**18,683,299**	17,437,239
SHAREHOLDERS' EQUITY			
Authorized, issued and outstanding share capital	1	**7,000,000**	7,000,000
Statutory reserve	15	**648,520**	347,133
Retained earnings		**4,594,662**	2,407,177
Total shareholders' equity		**12,243,182**	9,754,310
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**30,926,481**	27,191,549

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

CONSOLIDATED STATEMENT OF INCOME
FOR THE YEAR ENDED DECEMBER 31, 2009

	Note	2009 SR'000	2008 SR'000
Services revenues	16	**13,058,256**	10,794,566
Cost of services	17	**(5,511,706)**	(4,768,243)
Gross profit		**7,546,550**	6,026,323
Operating expenses:			
Selling and marketing expenses	18	**(1,092,626)**	(815,361)
General and administrative expenses	19	**(1,617,173)**	(1,416,896)
Depreciation and amortization	7, 8	**(1,628,867)**	(1,298,859)
Total operating expenses		**(4,338,666)**	(3,531,116)
Operating income		**3,207,884**	2,495,207
Finance expenses	10	**(204,305)**	(437,448)
Other income		**41,049**	41,211
Income before zakat		**3,044,628**	2,098,970
Zakat	14	**(30,756)**	(7,187)
NET INCOME		**3,013,872**	2,091,783
Basic earnings per share (in Saudi Riyals):			
From operating income	21	**4.58**	4.77
From net income	21	**4.31**	4.00

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

ETIHAD ETISALAT COMPANY
(A SAUDI JOINT STOCK COMPANY)

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2009

	2009 SR'000	2008 SR'000
OPERATING ACTIVITIES		
Income before zakat	**3,044,628**	2,098,970
Adjustments to reconcile income before zakat to net cash from operating activities:		
Depreciation	**1,104,604**	779,744
Amortization of licenses acquisition fees	**524,263**	519,115
Provision for slow moving inventory	**354**	-
Provision for doubtful debts	**120,009**	121,727
Finance expenses	**188,960**	417,420
Operating income before changes in working capital	**4,982,818**	3,936,976
Changes in working capital:		
Accounts receivable	**(2,502,796)**	(1,734,219)
Due from a related party	**(30,905)**	32,609
Inventories	**(25,187)**	(25,443)
Prepaid expenses and other assets	**(298,096)**	(225,943)
Accounts payable	**1,731,299**	610,478
Due to related parties	**132,697**	(41,314)
Accrued expenses and other liabilities	**485,101**	1,369,511
Provision for end-of-service benefits, net	**230**	17,534
Zakat paid	**(7,810)**	(7,517)
Finance expenses paid	**(221,754)**	(386,061)
Net cash provided from operating activities	**4,245,597**	3,546,611
INVESTING ACTIVITIES		
Short-term investments	**449,999**	(1,049,999)
Purchase of property and equipment	**(3,292,113)**	(2,953,619)
Acquired licenses	**(51,045)**	(240)
Acquisition/establishment of subsidiaries	-	(52,050)
Disposal of property and equipment, net	**4,205**	536
Investment in an unconsolidated subsidiary	-	1,836
Goodwill obtained from acquisition of subsidiaries	-	(1,529,886)
Net cash used in investing activities	**(2,888,954)**	(5,583,422)
FINANCING ACTIVITIES		
Proceed from short-term loans	**26,019**	1,846,499
Payment of short-term loans	**(1,502,000)**	-
Proceed from long-term loans	**1,600,000**	-
Payment of long-term loans	**(1,286,250)**	(1,010,625)
Cash dividends	**(525,000)**	(250,000)
Increase in share capital	-	2,000,000
Net cash (used in) provided from financing activities	**(1,687,231)**	2,585,874
Net change in cash and cash equivalents	**(330,588)**	549,063
Cash acquired from acquisition/establishment of subsidiaries (Note 1)	-	11,734
Cash and cash equivalents, beginning of the year	**1,263,995**	703,198
CASH AND CASH EQUIVALENTS, END OF THE YEAR	**933,407**	1,263,995

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

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED DECEMBER 31, 2009

	Note	Share capital SR'000	Statutory reserve SR'000	Retained earnings SR'000	Total SR'000
Balance at January 1, 2008		5,000,000	137,955	774,572	5,912,527
Cash dividends	20	-	-	(250,000)	(250,000)
Increase in share capital	1	2,000,000	-	-	2,000,000
Net income for the year		-	-	2,091,783	2,091,783
Transferred to statutory reserve	15	-	209,178	(209,178)	-
Balance at December 31, 2008		7,000,000	347,133	2,407,177	9,754,310
Cash dividends	20	-	-	**(525,000)**	**(525,000)**
Net income for the year		-	-	**3,013,872**	**3,013,872**
Transferred to statutory reserve	15	-	**301,387**	**(301,387)**	-
Balance at December 31, 2009		**7,000,000**	**648,520**	**4,594,662**	**12,243,182**

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

1. ORGANIZATION AND ACTIVITY

Etihad Etisalat Company (the "Company/Mobily"), a Saudi joint stock company, is incorporated pursuant to the Council of Ministers' resolution number 189 dated Jumad Al Thani 23, 1425 H (corresponding to August 10, 2004 G) and Royal Decree number M/40 dated Rajab 2, 1425 H (corresponding to August 18, 2004 G) and was registered in Riyadh under commercial registration number 1010203896 dated December 14, 2004 G. The Company is the second authorized provider of mobile telecommunication services in the Kingdom of Saudi Arabia.

The Company's share capital amounting to SR 7 billion consists of 700 million shares of SR 10 each, paid in full as at December 31, 2009.

The general assembly approved in its extra-ordinary meeting held on October 19, 2008, a capital increase from SR 5 billion to SR 7 billion, by issuing new rights issue shares of 200 million and the subscription rights are for shareholders registered in the shareholders' record according to each shareholder's share in equity, with the allocation of 60% of share capital increase to the founding shareholders and 40% of the share capital increase to all the other non-founding shareholders. The shares were issued at par value of SR 10 without premium.

During 2007, the Company invested in 99.99% of the share capital of a subsidiary company, Mobily InfoTech Limited incorporated in Bangalore, India which commenced its commercial activities during the year 2008. During 2009, the remaining 0.01% of the subsidiary's share capital was acquired by Etihad Etisalat for Commercial Investment Company (a subsidiary company).

During the second quarter of year 2008, the Company acquired 99% of the partners' shares in Bayanat Al-Oula for Network Services Company, a Saudi limited liability company. The acquisition includes the company's rights, assets, liabilities, obligations, commercial name as well as its current and future trademarks for a total price of SR 1.5 billion, resulting in a goodwill of SR 1.47 billion on the acquisition date.

During the second quarter of year 2008, the Company invested in 95% of the share capital of a subsidiary company, Etihad Etisalat for Commercial Investment Company, a Saudi limited liability company.

During the fourth quarter of year 2008, the Company acquired 96% of the partners' shares in Zajil International Network for Telecommunication, a Saudi limited liability company. The acquisition includes the Company's rights, assets, liabilities, obligations, commercial name as well as its current and future trademarks for a total price of SR 80 million, resulting in a goodwill of SR 63 million on the acquisition date.

The Company and its subsidiaries currently provide variety of telecommunication services in the Kingdom of Saudi Arabia, which include wireless mobile telecommunication, data and internet services.

The Company's main activity is to establish and operate mobile wireless telecommunications network in the Kingdom of Saudi Arabia. The Company commenced its commercial operations on May 25, 2005.

The main activities of the subsidiaries are as following:

- Development of technology software programs for the Company use, and to provide information technology support.
- Execution of contracts for maintenance of wire and wireless telecommunications networks and installation and maintenance of related computer systems.
- Wholesale and retail trade in equipment and machinery, electronic and electrical devices, wire and wireless telecommunications equipments and import and export to third parties.
- Wholesale and retail trade in computers and electronic equipment, maintenance and operation of such equipment, and provision of related services.

For the purposes of the preparation of the consolidated statement of cash flows for the year ended December 31, 2008, the combined net book value of the assets and liabilities of the above mentioned subsidiaries at the acquisition/formation date were as follows:

	Total SR'000
Assets	
Cash and cash equivalents	**11,734**
Accounts receivable, net	**26,100**
Inventories, net	**12,930**
Prepaid expenses and other assets	**26,760**
Property and equipment, net	**356,766**
Licenses acquisition fees, net	**155,113**
Investments	**15,000**
Total assets	**604,403**
Liabilities	
Accounts payable	**(505,995)**
Accrued expenses and other liabilities	**(20,954)**
Provision for end-of-service benefits	**(2,404)**
Due to related parties	**(23,000)**
Total liabilities	**(552,353)**
NET ASSETS	**52,050**

2. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements are prepared in accordance with the accounting standards issued by the Saudi Organization for Certified Public Accountants (SOCPA). The significant accounting policies adopted are as follows:

Basis of consolidation
The accompanying consolidated financial statements include the financial statements of the Company and its subsidiaries listed below, after elimination of significant inter-company balances and transactions, as well as gains (losses) arising from transactions with the subsidiaries. An investee company is classified as a subsidiary based on the degree of effective control exercised by the Company over these companies compared to other shareholders from the effective date on which control is transferred to the Company.

The Company's equity share in the net income (losses) of the subsidiaries is computed at 100% based on direct investment in the share capital of the subsidiaries and indirect investment by certain subsidiaries as follows as at December 31, 2009:

Name	Country of incorporation	Ownership percentage Direct	Ownership percentage Indirect
Mobily InfoTech Limited Company	India	99.99%	0.01%
Bayanat Al-Oula for Network Services Company	Saudi Arabia	99.00%	1.00%
Zajil International Network for Telecommunication	Saudi Arabia	96.00%	4.00%
Etihat Etisalat for Commercial Investment Company	Saudi Arabia	95.00%	5.00%

Accounting convention
The consolidated financial statements, expressed in Saudi Riyals, are prepared under the historical cost convention using the accrual basis of accounting and the going concern assumption.

Use of estimates
The preparation of consolidated financial statements in conformity with generally accepted accounting standards requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Although these estimates are based on management's best available information and knowledge of current events at the consolidated financial statements date; however, actual final results may differ from those estimates.

Cash and cash equivalents
Cash and cash equivalents include cash on hand, banks' current accounts and Murabaha deals with original maturities of three months or less from its acquisition date.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Short-term investments

Short-term investments include Murabaha deals with original maturities of more than three months from its acquisition date.

Accounts receivable

Accounts receivable are stated at estimated net realizable value after establishing appropriate allowance for doubtful debts. Allowance for doubtful debts is calculated based on the aging of accounts receivable and based on the Company's previous experience in their collection.

Inventories

Inventories comprise of mobile phones' sim cards, prepaid cards, scratch cards, mobile phones and other telecom equipment. Inventories are stated at the lower of cost or net realizable value. Net realizable value represents the difference between the estimated selling price in the ordinary course of business and selling expenses. Cost is determined by using the weighted average method.

Provisions

Provisions are recognized in the consolidated financial statements when the Company has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation and a reasonable estimate can be made of the amount of the obligation.

Property and equipment

Property and equipment, except land, are stated at cost less accumulated depreciation. Land and capital work in progress are stated at cost. Routine repair and maintenance costs are expensed as incurred. Depreciation of property and equipment is charged to the consolidated statement of income using the straight line method over their estimated useful lives at the following depreciation rates:

	Percentage
Buildings	5%
Leasehold improvements	10%
Telecommunication equipment	5% – 20%
Computer equipment and software	20%
Office equipment and furniture	20% - 25%
Vehicles	20% - 25%

Major renovations and improvements are capitalized if they increase the productivity or the operating useful life of the assets as well as direct costs. Minor repairs and improvements are expensed when incurred. Gain or loss on disposal of property and equipment which represents the difference between the sale proceeds and the carrying amount of these assets is recognized in the consolidated statement of income.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of assets
The carrying amounts of the Company's assets are reviewed at each consolidated balance sheet date to check whether there is an indication of permanent impairment. If any such indication exists, the assets' recoverable amount is estimated. An impairment loss is incurred and charged to the consolidated statement of income whenever the carrying amount of the assets exceeds its recoverable amount.

Licenses acquisition fees
Licenses acquisition fees are amortized according to their regulatory useful life and the amortization is charged to the consolidated statement of income. The capitalized licenses fees are reviewed at each year-end to determine if any permanent decline in their values exists. In case a permanent impairment is identified in the capitalized licenses fees, such permanent impairment is recorded in the consolidated statement of income.

Goodwill
Goodwill represents the excess of consideration paid for the acquisition of a subsidiary over the fair value of the net assets acquired at the acquisition date, and is measured at the end of each financial year and reported in the consolidated financial statements at carrying value after adjustments for impairment in value, if any.

Accounts payable
Liabilities related to trade and capital expenditures are recognized for amounts to be paid in the future for equipment and goods/services received/rendered.

Provision for end-of-service benefits
The provision for employees' end-of-service indemnities is calculated in accordance with the Saudi Arabia labor law, as well as the Company's policies for employees and the regulations applicable in the countries invested in.

Zakat and income tax
Zakat is provided for in accordance with the Regulations of the Department of Zakat and Income Tax ("DZIT") in the Kingdom of Saudi Arabia. Zakat is provided on an accrual basis and is computed on the zakat base at year-end. Any difference in the estimate is recorded when the final assessment is approved, at which time the provision is cleared.

The tax relating to the subsidiary outside the Kingdom of Saudi Arabia is calculated in accordance with tax laws applicable in its country. The subsidiary, Mobily InfoTech Limited Co. (India), enjoys a three-year period partial tax exemption commencing from the date of operations and ending in year 2011.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currency transactions
Transactions denominated in foreign currencies are translated to Saudi Riyals at the rates of exchange prevailing at the dates of the respective transactions. At consolidated balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated to Saudi Riyals at exchange rates prevailing on that date. Gains and losses resulting from changes in exchange rates are recognized in the consolidated statement of income.

For the purpose of consolidating the financial statements, the financial statements denominated in foreign currencies are translated into Saudi Riyals at rates of exchange prevailing at the balance sheet date for assets and liabilities, and the average of exchange rates for the year for revenues and expenses. Components of equity, other than retained earnings, are translated using the rates prevailing of the date of their occurrence. Translation adjustments, if significant, are recorded in a separate component of shareholders' equity.

Expenses
Selling and marketing expenses are those expenses which specifically relate to selling and marketing of the Company's services, and include costs relating to commissions, advertisements and employees' salaries and other benefits. All other expenses other than cost of services are classified as general and administrative expenses.

Expenses are recorded when incurred as period expenses unless it is possible to determine the relevant periods upon which expenses are allocated to the relevant periods.

Governmental charges
Governmental charges represent government contribution fees in trade earnings, license fees, frequency waves fees and costs charged to the Company against the rights to use telecommunications and data services in the Kingdom of Saudi Arabia as stipulated in the license agreements. These fees are recorded in the related periods during which they are used and are included under cost of services in the consolidated statement of income.

Financial instruments
Assets and liabilities related to financial instruments are recognized when the Company becomes a party to the contractual provisions of the instruments. The carrying value of all financial assets and liabilities reflected in the consolidated financial statements approximate their fair value. Fair value is determined on the basis of objective evidence at the consolidated balance sheet date.

Interconnection costs
Interconnection costs represent connection charges to national and international telecommunication networks. Interconnection costs are recorded in the period when relevant calls are made and are included in the cost of services caption in the consolidated statement of income.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

Revenues from telecommunications services are accounted for in the year when the telecommunication services are rendered to the subscribers, using the rates approved by the Communications and Information Technology Commission ("CITC") and are stated net of discounts and rebates related to revenue recognition for the year.

Revenues from sale of handsets equipment and accessories are recognized when the handsets equipment and accessories are delivered to the subscribers and customers.

Operating leases

Payments made under operating leases are recognized in the consolidated statement of income on a straight-line basis over the terms of the leases. Lease incentives received are recognized in the consolidated statement of income as a deduction from lease expense.

Derivatives financial instruments and hedge accounting

The Company uses derivatives financial instruments to hedge the exposure to certain portions of interest rate risks arising from financing activities. The Company designates these as cash flow hedges of interest rate risk. The use of financial derivatives is governed by the Company's policies approved by the Board of Directors, which provides written principles on the use of financial derivatives consistent with the Company's risk management strategy. The Company does not use derivatives financial instruments for speculative purposes. Derivatives financial instruments are initially measured at fair value on the contract date and are re-measured at fair value in the subsequent reporting dates. If the financial instruments do not qualify for hedge accounting in accordance with generally accepted accounting standards, the change in the fair value of the derivatives financial instruments is recorded under finance charges caption in the consolidated statements of income.

3. CASH AND CASH EQUIVALENTS

	2009	2008
	SR'000	SR'000
Cash on hand and at banks	**633,273**	213,870
Short-term Murabahas	**300,134**	1,050,125
	933,407	1,263,995

4. ACCOUNTS RECEIVABLE, NET

	2009	2008
	SR'000	SR'000
Accounts receivable	**5,634,978**	3,471,861
Less: Provision for doubtful debts	**(153,943)**	(373,613)
	5,481,035	3,098,248

4. ACCOUNTS RECEIVABLE, NET (Continued)

The movement of the provision for doubtful debts for the year ended December 31 is as follows:

	2009 SR'000	2008 SR'000
Balance at January 1	**373,613**	331,168
Provision for the year	**120,009**	121,727
Bad debts written off	**(339,679)**	(79,282)
Balance at December 31	**153,943**	373,613

5. RELATED PARTIES TRANSACTIONS

During the year, the Company transacted with the following related parties:

Party	Relation
Emirates Telecommunication Corporation - Etisalat	Founding shareholder
Emirates Data Clearing House	Affiliate to Emirates Telecommunication Corporation

The following are the details of major transactions with related parties during the year ended December 31:

	2009 SR'000	2008 SR'000
Net interconnection cost and roaming	**38,725**	62,390
Management fees	**37,500**	37,500
Other management expenses	**105,290**	113,419
Telecommunication services	**19,423**	4,864

Due from a related party comprises of the following as at December 31:

	2009 SR'000	2008 SR'000
Emirates Telecommunication Corporation	**69,357**	38,452

5. RELATED PARTIES TRANSACTIONS (Continued)

Due to related parties comprise of the following as at December 31:

	2009 SR'000	2008 SR'000
Emirates Telecommunication Corporation	**199,406**	75,907
Emirates Data Clearing House	**11,462**	2,264
	210,868	78,171

6. PREPAID EXPENSES AND OTHER ASSETS

	2009 SR'000	2008 SR'000
Accrued revenues	**450,470**	290,881
Prepaid expenses	**280,287**	194,375
Advance payments to suppliers of network equipment	**141,480**	213,684
Advance payments to trade suppliers	**21,370**	16,145
Other	**467,564**	347,990
	1,361,171	1,063,075

7. PROPERTY AND EQUIPMENT, NET

	Land SR'000	Buildings SR'000	Leasehold improvements SR'000	Tele-communication equipment SR'000	Computer equipment and software SR'000	Office equipment and furniture SR'000	Vehicles SR'000	Capital work in progress SR'000	Total SR'000
Cost:									
January 1, 2009	72,442	12,979	429,276	7,145,951	577,828	292,536	1,639	1,299,372	9,832,023
Additions	**66,514**	-	**521**	**410,489**	**46,728**	**9,010**	-	**2,827,663**	**3,360,925**
Transfers	-	**83,595**	**80,459**	**2,447,003**	**183,133**	**27,606**	-	**(2,821,796)**	-
Disposals	-	-	**(1,469)**	**(2,081)**	**(77)**	**(1,895)**	-	**(1,206)**	**(6,728)**
December 31, 2009	**138,956**	**96,574**	**508,787**	**10,001,362**	**807,612**	**327,257**	**1,639**	**1,304,033**	**13,186,220**
Accumulated depreciation:									
January 1, 2009	-	879	99,578	1,227,707	253,958	131,529	973	-	1,714,624
Depreciation for the year	-	**5,561**	**47,551**	**831,823**	**173,206**	**46,156**	**307**	-	**1,104,604**
Disposals	-	-	**(611)**	**(598)**	**(25)**	**(1,289)**	-	-	**(2,523)**
December 31, 2009	-	**6,440**	**146,518**	**2,058,932**	**427,139**	**176,396**	**1,280**	-	**2,816,705**
Net book value									
December 31, 2009	**138,956**	**90,134**	**362,269**	**7,942,430**	**380,473**	**150,861**	**359**	**1,304,033**	**10,369,515**
December 31, 2008	72,442	12,100	329,698	5,918,244	323,870	161,007	666	1,299,372	8,117,399

8. LICENSES ACQUISITION FEES, NET

	Mobile Telecommunication services license SR'000	3G services license SR'000	Other licenses SR'000	Total licenses acquisition fees SR'000
Cost at January 1, 2009	12,210,000	753,750	187,464	13,151,214
Additions	-	-	**51,045**	**51,045**
	12,210,000	**753,750**	**238,509**	**13,202,259**
Less:				
Accumulated amortization at January 1, 2009	2,075,276	127,378	25,628	2,228,282
Amortization for the year	**482,606**	**29,827**	**11,830**	**524,263**
Accumulated amortization at December 31, 2009	**2,557,882**	**157,205**	**37,458**	**2,752,545**
Balance at December 31, 2009	**9,652,118**	**596,545**	**201,051**	**10,449,714**
Balance at December 31, 2008	10,134,724	626,372	161,836	10,922,932

9. GOODWILL

Following are the details of goodwill resulting from the acquisition of the following subsidiaries as shown in Note 1:

	2009 SR'000	2008 SR'000
Bayanat Al-Oula for Network Services Company	**1,466,865**	1,466,865
Zajil International Network for Telecommunication	**63,021**	63,021
	1,529,886	1,529,886

10. SHORT AND LONG-TERM LOANS

On April 14, 2008, the Company signed a short-term financing agreement with a group of local banks to finance the Company with a Sharia–compliant short-term loan for SR 1.5 billion in its acquisition of a subsidiary. On October 11, 2009, the Company signed a long-term financing agreement with a group of local banks to finance the Company with sharia-compliant long-term loan for SR 1.5 billion which was used to settle the short-term loan referred above.

10. SHORT AND LONG-TERM LOANS (Continued)

The above term loan period is 4 years and it is repayable through semi-annual scheduled installments, with the repayment of Murabaha is made on a quarterly basis. The last installment is due on October 14, 2013.

On March 14, 2007, the Company signed a long-term financing agreement arranged by a local bank and contribution of other banks to finance the Company with a Sharia-compliant long-term loan for US$ 2.88 billion (equivalent to SR 10.78 billion). The loan agreement referred to above is based on the sale of airtime minutes to participating banks and re-distribution of these minutes to the Company's subscribers on behalf of the participating banks.

The granting of the loan is scheduled as follows:

(a) Proceeds from the sale and re-distribution of minutes amounting to US$ 2.45 billion (equivalent to SR 9.19 billion).

(b) Murabaha loan to finance the working capital amounting to US$ 225 million (equivalent to SR 843.75 million).

(c) Murabaha financing amounting to US$ 200 million (equivalent to SR 750 million).

On March 29, 2007, the Company received the loan related to the sale and re-distribution of minutes amounting to SR 9.19 billion, and utilized it to settle the previous loan amounting to SR 7.1 billion, and to settle the loans of the founding shareholders. Neither the Murabaha loan to finance the working capital nor the Murabaha financing were utilized as at December 31, 2009.

The above term loan period is six years and it is repayable through semi-annual scheduled installments, with the repayment of Murabaha is made on a quarterly basis. The last installment is due on December 31, 2012.

The subsidiary, Bayanat Al-Oula for Network Services Company, has bank facilities in the form of bank overdraft, short-term loans and notes payable to finance its working capital amounting to SR 371 million as at December 31, 2009 (2008: SR 344 million). These bank facilities are subject to finance charges at prevailing market rates. Currently, the subsidiary's management transferred the above mentioned facilities to sharia-compliant facilities.

On October 19, 2009, the subsidiary, Bayanat Al-Oula for Network Services Company, signed a sharia-compliant financing agreement with a local bank to finance the subsidiary's capital expenditure requirements for a total amount of SR 900 million. The total balance utilized from the mentioned facility amounted to SR 100 million as at December 31, 2009.

The subsidiary, Zajil International Network for Telecommunication, has sharia-compliant bank facilities in the form of short-term loans to finance its working capital, amounted to SR 2 million, which was settled during the year.

11. FINANCIAL DERIVATIVES

During the fourth quarter of year 2008, the Company entered into interest rate hedging agreements with several local and international banks to hedge the cash flow risks from the fluctuation of loans' Murabaha rates resulting from the financing activities for a notional amount of US $ 333 million (equivalent to SR 1.25 billion). The hedging agreements are based on the swap of fixed rates against floating rates between the Company and the banks.

12. ACCOUNTS PAYABLE

	2009 **SR'000**	2008 SR'000
Trade payables	**3,739,877**	1,995,572
Capital expenditures payables	**2,427,466**	2,371,660
	6,167,343	4,367,232

13. ACCRUED EXPENSES AND OTHER LIABILITIES

	2009 **SR'000**	2008 SR'000
Accrued expenses for telecommunication companies	**996,874**	1,128,779
Deferred revenues	**724,005**	590,330
Government's share in trade earnings	**392,579**	362,489
Accrued selling and marketing expenses	**262,296**	204,048
License fees	**25,928**	24,125
Zakat (Note 14)	**46,846**	23,900
Other	**1,214,854**	821,664
	3,663,382	3,155,335

14. ZAKAT

The Company and its subsidiaries in the Kingdom of Saudi Arabia filed their financial statements and zakat returns and paid the zakat dues to the Department of Zakat and Income Tax (DZIT) on an individual basis until year 2008.

14. ZAKAT (Continued)

The principal elements of the Company's zakat base related to the Company's consolidated accounts for the year ended December 31, 2009 are as follows:

	2009	2008
	SR'000	SR'000
	(Consolidated)	(Unconsolidated)
Share capital	**7,000,000**	5,000,000
Adjusted net income	**2,583,559**	1,386,454
Due to related parties	**78,171**	78,171
Provisions – beginning of the year	**248,668**	397,570
Liabilities against financing of property and equipment	**2,422,870**	2,148,293
Short and long-term loans	**8,224,671**	9,443,715
Less:		
Property and equipment	**(15,813,395)**	(14,690,545)
Advance payments to suppliers of property and equipment	**(141,480)**	(212,552)
Goodwill	**(1,529,886)**	(1,512,696)
Capital work in progress	**(1,304,033)**	(914,438)
Investments	**-**	(20,401)
Accumulated income (losses) – beginning of the year	**4,127**	(792,703)
Spare parts for network equipment	**-**	(1,875)

Some of these amounts have been adjusted in arriving at the zakat base.

The movement of zakat provision for the Company and its subsidiaries for the year ended December 31, is as follows:

	2009	2008
	SR'000	SR'000
Balance at January 1	**23,900**	24,230
Provision for the year	**30,756**	7,187
Payments during the year	**(7,810)**	(7,517)
Balance at December 31	**46,846**	23,900

The Company received the final assessment for year 2005. The Company filed its financial statements and zakat returns for all the years until year 2008 and paid the zakat due accordingly. The Company received the final zakat assessments for the years 2006 and 2007 which showed additional charges that were objected for by the Company's management. The management believes that adequate provisions were provided to meet any liability that might arise against any probable settlement to the DZIT.

The subsidiary, Bayanat Al-Oula for Network Services, filed its financial statements and zakat returns up to year 2008 and paid the zakat dues accordingly. The Company did not receive any final assessments to date.

14. ZAKAT (Continued)

The subsidiary, Zajil International Network for Telecommunication, filed its financial statements and zakat returns up to year 2008 and paid the zakat dues accordingly. The Company received the final zakat assessment for year 2006.

15. STATUTORY RESERVE

In accordance with Regulations for Companies in Saudi Arabia, the Company has established a statutory reserve by the appropriation of 10% of the annual net income until the reserve equals 50% of the share capital. This reserve is not available for dividend distribution.

16. SERVICES REVENUES

	2009 SR'000	2008 SR'000
Usage	**11,180,829**	9,859,854
Activation and subscription fees	**465,748**	434,311
Other services	**1,411,679**	500,401
	13,058,256	10,794,566

17. COST OF SERVICES

	2009 SR'000	2008 SR'000
Interconnection, roaming, and international gateway costs	**3,080,135**	2,342,335
Government contribution fees in trade earnings	**1,072,332**	1,208,690
Rental and maintenance of network equipment expenses	**559,232**	602,090
Cost of used inventories	**368,419**	205,486
National transmission and interconnection links	**176,712**	233,859
Frequency waves fees	**111,860**	76,482
License fees	**71,022**	79,780
Other	**71,994**	19,521
	5,511,706	4,768,243

18. SELLING AND MARKETING EXPENSES

	2009 SR'000	2008 SR'000
Advertisement, promotion and sales commissions	**626,937**	491,307
Other	**465,689**	324,054
	1,092,626	815,361

19. GENERAL AND ADMINISTRATIVE EXPENSES

	2009 SR'000	2008 SR'000
Salaries, wages and employees' benefits	**573,083**	558,665
Provision for doubtful debts (Note 4)	**120,009**	121,727
Consulting and professional services	**96,498**	148,886
Rents	**65,125**	56,312
Management fees to Emirates Telecommunication Establishment	**37,500**	37,500
Travel and transportation	**13,993**	21,425
Board of Directors' remunerations and allowances	**5,632**	5,429
Other	**705,333**	466,952
	1,617,173	1,416,896

20. DIVIDENDS

The Company's General Assembly in its meeting held on Rabi Al Awal 24, 1430 H (corresponding to March 21, 2009) approved the Company's Board of Directors' recommendation to distribute cash dividends for the year ended December 31, 2008 of SR 0.75 for each outstanding share (2007: SR 0.5 for each outstanding share).

21. EARNINGS PER SHARE

Basic earnings per share from operating income and from net income for the year are calculated by dividing operating income and net income for the year by the outstanding number of ordinary shares amounting to 700 million as at December 31, 2009. Earnings per share from operating income and from net income for year 2008 were calculated by dividing by the weighted average of shares amounting to 523 million shares.

22. RISK MANAGEMENT

Financial instruments

Financial assets of the Company comprised of cash and cash equivalents, short-term investments, accounts receivable, due from a related party and other assets, while financial liabilities of the Company comprised of short and long-term loans, accounts payable, due to related parties, provision for end-of-service benefits and other liabilities. Accounting policies for financial assets and liabilities are set out in Note 2.

22. RISK MANAGEMENT (Continued)

Credit risk

Financial assets that are mainly subject to concentration of credit risk consist primarily of cash and cash equivalents, short-term investments, accounts receivable and other assets. The cash and cash equivalents are deposited with high credit rated banks, therefore the credit risk is limited. The Company does not consider itself exposed to concentration of credit risk with respect to accounts receivable due to its diverse and large subscribers' base.

Foreign exchange risk

The management closely and continuously monitors the exchange rate fluctuations. Based on its experience, the management does not believe it is necessary to use derivative financial instruments to minimize the effect of foreign exchange risks. Hedging arrangements are made to minimize foreign exchanges risks when management believes it is deemed necessary.

Murabaha rate risk

The Company does not have any significant murabaha rate risk. Cost of murabaha with banks and short-term/long-term loans are determined based on prevailing market rates. Hedging arrangements are made to minimize the risk, when management believes it is deemed necessary (Note 11).

Liquidity risk

The management closely and continuously monitors liquidity risk by performing regular review of available funds as well as present and future commitments. Moreover, the Company monitors the actual cash flows and matches the maturity dates of its financial assets and its financial liabilities. The Company believes that it is not exposed to significant risk with respect to liquidity.

23. FAIR VALUE

The fair value of the Company's consolidated financial assets and liabilities approximate their carrying amounts. The Company's management believes that it is not exposed to any significant risk in relation to the aforementioned.

24. CAPITAL COMMITMENTS AND CONTINGENCIES

The Company had capital commitments resulting from contracts for supply of property and equipment, which were entered into and not yet executed at the consolidated balance sheet date in the amount of SR 1.65 billion as at December 31, 2009 (2008: SR 2.22 billion).

The Company and its subsidiary, Bayanat Al-Oula for Network Services Company, entered into a strategic partnership project ("Saudi National Fiber Optics Network Project") with a local company at a total cost of SR 1 billion to build, deploy, and operate fiber optics network with a range of 12,600 kilometers by using 7 network rings around the Kingdom of Saudi Arabia. The Company and its subsidiary own 67% of the total project value.

24. CAPITAL COMMITMENTS AND CONTINGENCIES (Continued)

The Company and its subsidiary referred to above entered into this project to support and complete its mobile network services by providing highly sophisticated technology services. Network rings 1, 2 and 7 were completed in June, July and December 2007, respectively. Network rings 4, 5 and 6 were completed during 2008, while network ring 3 with a cost of SR 234 million has not completed to date.

The Company and its subsidiaries had contingent liabilities in the form of letters of guarantee and letter of credits in the amount of SR 122 million and SR 165 million respectively as at December 31, 2009 (2008: only SR 87 million in the form of letter of guarantees).

25. 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 concentration in the Company's operations, are not met as at December 31, 2009, the Company's management believes that operating segment information disclosure for the Company and its subsidiaries is not required.

26. SUBSEQUENT EVENTS

The Company's Board of Directors in their annual meeting held on Safar 2, 1431 H (corresponding to January 17, 2010 G) proposed to distribute cash dividends of SR 875 million representing SR 1.25 on each outstanding share for the year ended December 31, 2009.

27. COMPARATIVE FIGURES

Certain figures for the comparative year have been reclassified to conform with the presentation in the current year.