

ETIHAD ETISALAT COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED
JUNE 30, 2015 AND INDEPENDENT AUDITORS' REVIEW REPORT

ETIHAD ETISALAT COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE-MONTH AND SIX-MONTH PERIODS ENDED JUNE 30, 2015

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LIMITED REVIEW REPORT

To the Shareholders of Etihad Etisalat Company
(A Saudi Joint Stock Company)

Scope of review

We have reviewed the accompanying interim consolidated balance sheet of Etihad Etisalat Company (the "Company") and its subsidiaries (together the "Group") as of June 30, 2015 and the interim consolidated statement of income for the three-month and six-month periods ended June 30, 2015, and the interim consolidated statements of cash flows and changes in equity for the six month period then ended and the related notes from 1 to 13 which form an integral part of these interim consolidated financial statements. These interim consolidated financial statements are the responsibility of the Group's Board of Directors and management and have been prepared by them and submitted to us together with all the information and explanations which we required.

We conducted our limited review in accordance with the standard of Review of Interim Financial Reporting 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. The scope of such limited review is substantially less than an audit conducted in accordance with auditing standards generally accepted in 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 conclusion

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

Emphasis of matters

We draw attention to the following matters:

- a) Note 2.1 to the accompanying interim consolidated financial statements which describes the basis on which these interim consolidated financial statements have been prepared. As at June 30, 2015, and consistent with the position at December 31, 2014, the Group is unable to meet a certain financial covenant under its long-term financing facilities with various lenders and, consequently such long-term loans and notes payable are continued to be classified under current liabilities as at that date. As a result, the Group's net current liabilities amounted to Saudi Riyals 17.5 billion at June 30, 2015.

These conditions indicate that the Group's ability to meet its obligations as they become due and to continue as a going concern depends on its ability to obtain a reset of the relevant covenant from the lenders. The management of the Group is currently engaged in negotiations with the lenders to obtain a reset of the relevant covenant and are confident that negotiations will be successful. Accordingly, the accompanying interim consolidated financial statements have been prepared under the going concern basis.



- b) Note 3 to the accompanying interim consolidated financial statements which describes the arbitration proceedings between the Company and Mobile Telecommunications Company Saudi Arabia ("Zain KSA") which commenced during the three-month period ended December 31, 2014 in relation to the recovery of amounts receivable under the Service Agreement signed with Zain KSA on May 6, 2008 and the additional provision of Saudi Riyals 800 million made during the three-month period ended June 30, 2015.
- c) Notes 12 and 13 to the accompanying interim consolidated financial statements which outline the impact of certain reclassifications and restatements previously reported in the interim consolidated financial statements for the three-month period ended September 30, 2014 as a result of an error in the timing of revenue recognition in respect of a promotional program, and in the reissued consolidated financial statements for the year ended December 31, 2014 in respect of changes in accounting policies and accounting for net property and equipment. These notes contain details of the impact of these adjustments on the revenue and net income in the interim consolidated financial statements for the three-month and six-month periods ended June 30, 2014 and retained earnings and other related balances as of June 30, 2014.

PricewaterhouseCoopers



By: _____
Khalid A. Mahdhar
License Number 368

August 1, 2015

ETIHAD ETISALAT COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONSOLIDATED BALANCE SHEET (UNAUDITED)
(All amounts in Saudi Riyals thousands unless otherwise stated)

	Notes	As at June 30,	
		2015	2014 (Restated)
ASSETS			
Current assets			
Cash and cash equivalents		664,681	1,251,343
Short-term investments		1,750,000	-
Accounts receivable, net	3	3,740,856	6,163,899
Due from a related party		25,251	20,674
Inventories, net		654,703	869,877
Prepaid expenses and other assets		3,653,848	4,756,128
Total current assets		10,489,339	13,061,921
Non-current assets			
Property and equipment, net	4	23,613,760	23,169,695
Licenses' acquisition fees, net	5	8,294,983	8,697,686
Goodwill		1,466,865	1,529,886
Investment in an associate		11,301	5,383
Total non-current assets		33,386,909	33,402,650
TOTAL ASSETS		43,876,248	46,464,571
LIABILITIES AND EQUITY			
Current liabilities			
Current portion of long-term loans	6	15,626,941	1,415,848
Accounts payable		6,950,467	6,870,842
Due to related parties		166,119	63,827
Accrued expenses and other liabilities		5,204,473	4,249,600
Total current liabilities		27,948,000	12,600,117
Non-current liabilities			
Long-term loans	6	-	14,096,430
Provision for end-of-service benefits		219,784	172,642
Total non-current liabilities		219,784	14,269,072
TOTAL LIABILITIES		28,167,784	26,869,189
EQUITY			
Share capital	1	7,700,000	7,700,000
Statutory reserve	7	2,648,971	2,648,971
Retained earnings		5,357,993	9,244,911
Total shareholders' equity		15,706,964	19,593,882
Minority interest		1,500	1,500
Total equity		15,708,464	19,595,382
TOTAL LIABILITIES AND EQUITY		43,876,248	46,464,571

The accompanying notes from page 7 to page 34 form an integral part of these interim consolidated financial statements.

Chief Financial Officer



Chief Executive Officer



Authorized Board Member



ETIHAD ETISALAT COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONSOLIDATED INCOME STATEMENT (UNAUDITED)

(All amounts in Saudi Riyals thousands unless otherwise stated)

	Notes	For the three-month period ended June 30,		For the six-month period ended June 30,	
		2015	2014 (Restated)	2015	2014 (Restated)
Revenues		3,568,387	3,568,525	7,211,608	7,421,582
Cost of services and sales		(1,619,205)	(1,666,735)	(3,361,840)	(3,356,090)
Gross profit		1,949,182	1,901,790	3,849,768	4,065,492
Operating expenses:					
Selling and marketing expenses		(427,239)	(420,139)	(794,936)	(814,200)
General and administrative expenses	3	(1,445,348)	(579,190)	(2,046,696)	(1,045,307)
Depreciation and amortization	4, 5	(893,596)	(848,990)	(1,775,152)	(1,731,782)
Total operating expenses		(2,766,183)	(1,848,319)	(4,616,784)	(3,591,289)
(Loss)/ income from main operations		(817,001)	53,471	(767,016)	474,203
Finance expenses	6	(58,256)	(57,737)	(125,778)	(116,013)
Other income		70,001	111,701	84,758	124,489
Company's share in loss of an associate		(52)	(117)	(51)	(248)
(Loss)/ income before zakat		(805,308)	107,318	(808,087)	482,431
Zakat		(95,597)	(14,823)	(137,340)	(79,245)
NET (LOSS)/ INCOME FOR THE PERIOD		(900,905)	92,495	(945,427)	403,186
(Loss)/ earnings per share (in Saudi Riyals) from:					
(Loss)/ income from main operations	8	(1.06)	0.07	(1.00)	0.62
Net (loss)/ income for the period	8	(1.17)	0.12	(1.23)	0.52

The accompanying notes from page 7 to page 34 form an integral part of these interim consolidated financial statements.

Chief Financial Officer

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Authorized Board Member

ETIHAD ETISALAT COMPANY
(A SAUDI JOINT STOCK COMPANY)

INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)
(All amounts in Saudi Riyals thousands unless otherwise stated)

	For the six-month period ended June 30,	
	2015	2014 (Restated)
OPERATING ACTIVITIES		
Net (loss)/ income for the period	(945,427)	403,186
Adjustments to reconcile net (loss)/income to net cash from operating activities:		
Depreciation	1,476,812	1,458,675
Amortization of licenses' acquisition fees	298,340	273,107
Provision for doubtful debts	1,004,305	171,370
Finance expenses	125,778	116,013
Investment write-off	7,380	-
Changes in working capital:		
Accounts receivable	(272,630)	1,136,666
Due from a related party	31,143	12,596
Inventories	163,371	44,644
Prepaid expenses and other assets	(155,673)	8,630
Accounts payable	228,669	383,558
Due to related parties	20,845	(39,285)
Accrued expenses and other liabilities	358,924	(1,222,460)
Provision for end-of-service benefits, net	19,863	14,900
Net cash provided from operating activities	2,361,700	2,761,600
INVESTING ACTIVITIES		
Purchase of property and equipment	(1,509,639)	(2,901,160)
Disposals of property and equipment, net	336	2,492
Acquisition of other intangible assets	(27,571)	(58,002)
Proceeds from sale of other intangible assets	12,390	-
Investment in an associate	5,432	248
Short-term investment	(650,000)	-
Net cash used in investing activities	(2,169,052)	(2,956,422)
FINANCING ACTIVITIES		
Proceeds from long-term loans	17,179	3,106,099
Payment of long-term loans	(1,402,753)	(1,201,388)
Finance expenses paid	(106,725)	(105,339)
Cash dividends	-	(1,925,000)
Changes in minority interest	-	1,500
Net cash used in financing activities	(1,492,299)	(124,128)
Net decrease in cash and cash equivalents	(1,299,651)	(318,950)
Cash and cash equivalents, beginning of the period	1,964,332	1,570,293
CASH AND CASH EQUIVALENTS, END OF THE PERIOD	664,681	1,251,343
Supplemental non-cash information:		
Property and equipment purchases credited to capital expenditures payable	(1,084,132)	1,444,661

The accompanying notes from page 7 to page 34 form an integral part of these interim consolidated financial statements.

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Authorized Board Member

ETIHAD ETISALAT COMPANY
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INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2015

(All amounts in Saudi Riyals thousands unless otherwise stated)

	Note	Share capital	Statutory reserve	Retained earnings	Minority Interest	Total
Balance at January 1, 2014 (as previously reported)		7,700,000	2,847,434	13,415,895	-	23,963,329
Effects of changes in accounting policies/adjustments		-	(198,463)	(2,649,170)	-	(2,847,633)
Balance at January 1, 2014 (restated)	13	7,700,000	2,648,971	10,766,725	-	21,115,696
Net income for the six-month period (restated)	13	-	-	403,186	-	403,186
Cash dividends		-	-	(1,925,000)	-	(1,925,000)
Contribution from minority interest		-	-	-	1,500	1,500
Balance at June 30, 2014 (restated)	13	7,700,000	2,648,971	9,244,911	1,500	19,595,382
Net loss for the six-month period (restated)	13	-	-	(1,978,991)	-	(1,978,991)
Cash dividends		-	-	(962,500)	-	(962,500)
Balance at December 31, 2014 (restated)	13	7,700,000	2,648,971	6,303,420	1,500	16,653,891
Net loss for the six-month period		-	-	(945,427)	-	(945,427)
Balance at June 30, 2015		7,700,000	2,648,971	5,357,993	1,500	15,708,464

The accompanying notes from page 7 to page 34 form an integral part of these interim consolidated financial statements.

Chief Financial Officer

Chief Executive Officer

Authorized Board Member

ETIHAD ETISALAT COMPANY
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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE AND SIX-MONTH PERIODS ENDED JUNE 30, 2015
(All amounts in Saudi Riyals thousands unless otherwise stated)

1. ORGANIZATION AND ACTIVITY

1.1 Etihad Etisalat Company

Etihad Etisalat Company ("Mobily" or the "Company"), a Saudi joint stock company, is registered in the Kingdom of Saudi Arabia under commercial registration number 1010203896 issued in Riyadh on December 14, 2004 (corresponding to Dhul Hijjah 2, 1425H). The main address for the Company is P.O. Box 33088, Riyadh 11331, Kingdom of Saudi Arabia.

The Company was incorporated pursuant to the Royal decree number M/40 dated August 18, 2004 (corresponding to Rajab 2, 1425H) approving the Council of Ministers resolution number 189 dated August 10, 2004 (corresponding to Jumada II 23, 1425H) to approve the award of the license to incorporate a Saudi joint stock company under the name of "Etihad Etisalat Company".

Pursuant to the Council of Ministers resolution number 190 dated August 10, 2004 (corresponding to Jumada II 23, 1425H), the Company obtained the licenses to install and operate 2G and 3G mobile telephone network including all related elements and the provision of all related services locally and internationally through its own network.

The Company's main activity is to establish and operate mobile wireless telecommunications network, fiber optics networks and any extension thereof, manage, install and operate telephone networks, terminals and communication unit systems, in addition to sell and maintain mobile phones and communication unit systems in the Kingdom of Saudi Arabia. The Company commenced its commercial operations on May 25, 2005 (corresponding to Rabi Al-Thani 17, 1426H).

The Extraordinary General Assembly decided in its meeting held on January 12, 2013 (corresponding to Safar 30, 1434H) to approve the recommendation of the Board of Directors to increase the Company's share capital from Saudi Riyals 7 billion to Saudi Riyals 7.7 billion through a bonus share issue of one share for every ten shares owned by registered shareholders in the Company's shareholders' register as at the end of the trading day on which the Extraordinary General Assembly meeting was held, and that the increase in share capital shall be effected by transferring Saudi Riyals 700 million from the retained earnings as of September 30, 2012. The total number of shares increased by 70 million shares from 700 million shares to 770 million shares. Accordingly, the Company's share capital amounting to Saudi Riyals 7.7 billion consists of 770 million shares of Saudi Riyals 10 each. The legal formalities related to the increase in the Company's share capital were completed during the first quarter in 2013.

Mobily clarified in its announcement on May 13, 2015 (corresponding to Rajab 24, 1436H) that it is currently at the phase of studying the possibility of selling its telecommunications towers. The Company has not entered into any binding agreement in this regard nor determined the financial impact thereof.

The Board of Directors in its meeting held on February 24, 2015 (corresponding to Jumada-Awwal 5, 1436H) resolved to cancel an agreement pertaining to FTTH Partnership as the partner failed to submit the required bank guarantee and the termination agreement was mutually signed by Bayanat and the partner on June 2, 2015 (corresponding to Shaban 15, 1436H). The termination of the agreement has no impact on the reported revenues for the three-month and six-month periods ended June 30, 2015 and 2014.

The Board of Directors in its meeting held on June 9, 2015 (corresponding to Shaban 22, 1436H) agreed on the settlement of amount due in respect of the cancellation of the Branded Reseller agreement made by one of the partners and the termination agreement was mutually signed by Mobily and the partner on June 15, 2015 (corresponding to Shaban 28, 1436H). The termination of the agreement has no impact on the reported revenues for the three-month and six-month periods ended June 30, 2015 and 2014.

1.2 Subsidiary companies

The interim consolidated financial statements of the Group include the financial information of the following subsidiaries:

1.2.1 Mobily Ventures Holding SPC

During 2014, the Company completed the legal formalities pertaining to the investment in a new subsidiary, Mobily Ventures Holding, Single Person Company (SPC), located in the Kingdom of Bahrain owned 100% by the Company.

ETIHAD ETISALAT COMPANY
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FOR THE THREE AND SIX-MONTH PERIODS ENDED JUNE 30, 2015
(All amounts in Saudi Riyals thousands unless otherwise stated)

1. Organization and activity (continued)

1.2.2 Mobily InfoTech India Private Limited

During the year 2007, the Company invested in 99.99% of the share capital of a subsidiary company, Mobily InfoTech India Private Limited incorporated in Bangalore, India which commenced its commercial activities during the year 2008. Early 2009, the remaining 0.01% of the subsidiary's share capital was acquired by National Company for Business Solutions, a subsidiary of the Company.

1.2.3 Bayanat Al-Oula for Network Services Company

During the year 2008, the Company acquired 99% of the partners' shares in Bayanat, a Saudi limited liability company. The acquisition included Bayanat's rights, assets, obligations, commercial name as well as its current and future trademarks for a total price of Saudi Riyals 1.5 billion, resulting in goodwill of Saudi Riyals 1.466 billion on the acquisition date. The remaining 1% is owned by National Company for Business Solutions, a subsidiary of the Company.

1.2.4 Zajil International Network for Telecommunication Company

During the year 2008, the Company acquired 96% of the partners' shares in Zajil International Network for Telecommunication Company ("Zajil"), a Saudi limited liability company. The acquisition included Zajil's rights, assets, obligations, commercial name as well as its current and future trademarks for a total price of Saudi Riyals 80 million, resulting in goodwill of Saudi Riyals 63 million on the acquisition date. The remaining 4% is owned by National Company for Business Solutions, a subsidiary of the Company. The goodwill has been fully impaired during the year ended December 31, 2014.

1.2.5 National Company for Business Solutions

During the year 2008, the Company invested in 95% of the share capital of National Company for Business Solutions, a Saudi limited liability company. The remaining 5% is owned by Bayanat, a subsidiary of the Company.

1.2.6 Sehati for Information Service Company

During 2014, the Company completed the legal formalities pertaining to the investment of 90% in Sehati for Information Service Company. The remaining 10% is owned by Bayanat, a subsidiary of the Company.

1.2.7 Mobily Plug & Play LLC

During 2014, the Company completed the legal formalities pertaining to the investment of 60% in Mobily Plug & Play LLC. The remaining 40% is owned by Plug & Play International, a company incorporated in USA.

1.2.8 National Company for Business Solutions FZE

During 2014, the National Company for Business Solutions (KSA) completed the legal formalities pertaining to the investment of 100% in National Company for Business Solutions FZE, a company incorporated in the United Arab of Emirates.

Below is the summary of Group's subsidiaries' and ownership percentage as at June 30, 2015:

Name	Country of incorporation	Ownership percentage	
		Direct	Indirect
Mobily Ventures Holding SPC	Bahrain	100.00%	-
Mobily InfoTech India Private Limited	India	99.99%	0.01%
Bayanat Al-Oula for Network Services Company	Saudi Arabia	99.00%	1.00%
Zajil International Network for Telecommunication Company	Saudi Arabia	96.00%	4.00%
National Company for Business Solutions	Saudi Arabia	95.00%	5.00%
Sehati for Information Service Company	Saudi Arabia	90.00%	10.00%
Mobily Plug & Play LLC	Saudi Arabia	60.00%	-
National Company for Business Solutions FZE	United Arab Emirates	-	100.00%

ETIHAD ETISALAT COMPANY
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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE AND SIX-MONTH PERIODS ENDED JUNE 30, 2015
(All amounts in Saudi Riyals thousands unless otherwise stated)

1. Organization and activity (continued)

The main activities of the subsidiaries are as follows:

- Development of technology software programs for the Company use, and to provide information technology support.
- Execution of contracts for the installation and maintenance of wire and wireless telecommunications networks and the installation of computer systems and data services.
- Wholesale and retail trade in equipment and machinery, electronic and electrical devices, wire and wireless telecommunications' equipment, smart building systems and import and export to third parties, in addition to marketing and distributing telecommunication services and providing consultation services in the telecommunication domain.
- Wholesale and retail trade in computers and electronic equipment, maintenance and operation of such equipment, and provision of related services.
- Providing television channels service over internet protocol (IPTV).
- Establishment, management and operation of, and investment in service and industrial projects.
- Establishment, operating and maintenance of telecommunications networks, computer and its related works, and establishment, maintenance and operating of computer software, importing and exporting and sale of equipment, devices and programs of telecommunication systems and computer software
- Establish and own companies specializing in commercial activities.
- Manage its affiliated companies or to participate in the management of other companies in which it owns shares, and to provide the necessary support for such companies.
- Invest funds in shares, bonds and other securities.
- Own real estate and other assets necessary for undertaking its activities within the limits pertained by law.
- Own or to lease intellectual property rights such as patents and trademarks, concessions and other intangible rights to exploit and lease or sub-lease them to its affiliates or to others.
- Have interest or participate in any manner in institutions which carry on similar activities or which may assist the Company in realizing its own objectives in the Kingdom of Bahrain or abroad. The Company may acquire such entities or merge therewith.
- Perform all acts and services relating to the realization of the foregoing objects.

1.3 Associates

The Group's investment in associates at June 30, 2015 comprise of:

Name	Country of incorporation	Ownership %
Anghami LLC	British Virgin Islands	11.1%
Ecommerce Tax Middle East	Germany	10.0%
Hellofood Middle East	Luxembourg	12.5%

2. SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

The accompanying interim consolidated 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"). The condensed interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's reissued annual consolidated financial statements for the year ended December 31, 2014.

In management's opinion, the interim condensed financial statements reflect all adjustments (which include normal recurring adjustments) necessary to present fairly the results of operations for the interim period presented. The Group's interim results may not be indicative of its annual results.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
FOR THE THREE AND SIX-MONTH PERIODS ENDED JUNE 30, 2015
(All amounts in Saudi Riyals thousands unless otherwise stated)

2. Significant accounting policies (continued)

2.1 Basis of preparation (continued)

As referred to in Note 6, the Group is unable to meet a certain financial covenant under its long term financing facilities with various lenders and, consequently, such long-term loans and notes payable continue to be classified as a current liability as at June 30, 2015 consistent with the position as at December 31, 2014. The Group therefore has net current liabilities of Saudi Riyals 17.5 billion as at June 30, 2015. The Group is currently engaged in negotiations with the lenders to obtain a reset of the relevant covenant based on its current financial forecasts.

Management is confident that negotiations with the lenders to obtain such a reset will be successful. The Group expects to continue to meet its obligations as they become due in the normal course of operation. Accordingly, Management and Directors believe that it is appropriate to prepare these interim consolidated financial statements under the going concern basis.

Notes 12 and 13 outline the impact of certain reclassifications and restatements previously reported in the interim consolidated financial statements for the three-month period ended September 30, 2014 as a result of an error in the timing of revenue recognition in respect of a promotional program, and in the reissued consolidated financial statements for the year ended December 31, 2014 in respect of changes in accounting policies and accounting for net property and equipment. These notes contain details of the impact of these adjustments on the revenue and net income in the interim consolidated financial statements for the three-month period and six-month period ended June 30, 2014 and retained earnings and other related balances as of June 30, 2014.

2.2 Critical accounting estimates and judgments

The preparation of interim consolidated financial statements in conformity with generally accepted accounting standards in 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 Group 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 are discussed below:

a) Provision for doubtful debts

A provision for impairment of accounts receivable is established when there is objective evidence that the Group 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 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 overdue, are assessed collectively and a provision is recognized considering the length of time and recoverability in the prior years. The provision for doubtful debts included in "general and administrative expenses" in the interim consolidated statement of income for the six-month period ended June 30, 2015 amounted to Saudi Riyals 1,004 million (six-month period ended June 30, 2014 amounted to Saudi Riyals 171 million).

b) Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in Note 2.10. These calculations require the use of estimates and recoverable amounts of cash generating units have been determined based on value-in-use calculations.

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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
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(All amounts in Saudi Riyals thousands unless otherwise stated)

2. Significant accounting policies (continued)

2.2 Critical accounting estimates and judgments (continued)

c) Property and equipment

Useful lives of property and equipment

The useful life of each of the Group's items of property and equipment is estimated based on the period over which the asset is expected to be available for use (Note 2.7). Such estimation is based on a collective assessment of practices of similar businesses, internal technical evaluation, experience with similar assets and application of judgment as to when the assets become available for use and the commencement of the depreciation charge. Additional depreciation is charged in the current period to allow for known delays in capitalization or transfer out of capital work in progress.

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

Allocation of costs

The Group enters into arrangements with certain of its key suppliers which may include the provision of multiple products and services including property and equipment, inventories and maintenance and other services across a number of reporting periods. Such arrangements may include the provision of free of charge assets and incentives which enable the Group to obtain further products and services at discounted values. Management aggregates, where appropriate, such arrangements and allocates the net cost of such an aggregation between the multiple products and services based on its best estimate of the fair value of the individual components. The cost of such components is capitalized or expensed according to the relevant accounting policy.

(d) Zakat assessments

Provision for zakat and withholding taxes is determined by the Group in accordance with the requirements of the Department of Zakat and Income Tax ("DZIT") and is subject to change based on final assessments received from the DZIT. The Group recognizes liabilities for any anticipated zakat and withholding tax based on management's best estimates of whether additional zakat/taxes will be due. The final outcome of any additional amount assessed by the DZIT is dependent on the eventual outcome of the appeal process which the Group is entitled to. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences could impact the interim consolidated statement of income in the period in which such final determination is made.

(e) Contingencies

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

(f) Revenues

Finance lease arrangements

The Group accounts for certain arrangements as finance leases. In accounting for such arrangements, the Group's management has to determine whether the arrangement meets the relevant criteria, that substantially all risks and rewards incidental to ownership are transferred by the lessor, by reviewing the individual facts and circumstances of each arrangement. The Group recognises revenue related to such arrangement only when it considers it is probable that future amounts due under such arrangements will be received. Where finance lease arrangements form part of the delivery of bundled products and services, the allocation of fair values follows the accounting policy set out in Note 2.17 (j).

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2. Significant accounting policies (continued)

2.2 Critical accounting estimates and judgments (continued)

Gross versus net presentation

When the Group sells goods or services as a principal, revenue and payments to partners are reported on a gross basis in revenue and operating costs. If the Group sells goods or services as an agent, revenue and payments to partners are recorded in revenue on a net basis, representing the margin earned.

Whether the Group is considered to be the principal or an agent in the transaction depends on analysis by management of both the legal form and substance of the agreement between the Group and its business partners; such judgments impact the amount of reported revenue and operating expenses but do not impact reported assets, liabilities or cash flows.

Multiple element arrangements

In arrangements involving the delivery of bundled products and services, including long-term arrangements, those bundled products and services are separated into individual elements, each with its own separate revenue contribution taking into the consideration the specific contractual details, evaluated from the perspective of the customer. Total arrangement consideration is allocated to each deliverable based on the relative fair value of the individual element. The Group generally determines the fair value of individual elements based on an objective and reliable assessment of the prices at which the deliverables may be sold on a standalone basis, taking into consideration the time value of the money.

2.3 Cash and cash equivalents

Cash and cash equivalents include cash on hand, bank current accounts and Murabaha facilities with original maturities of three month or less from acquisition date.

2.4 Short-term investments

Short-term investments include placements with banks and other short-term highly liquid investments with original maturities of three months or more but not more than one year from the purchase date.

2.5 Accounts receivable

Accounts receivable are carried at original invoice amount less provision for doubtful debts. A provision against doubtful debts is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Such provisions are charged to the consolidated statement of income and reported under "general and administrative 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 "general and administrative expenses" in the interim consolidated statement of income. Write-off of accounts receivable against which no provision is made is charged directly to the interim consolidated statement of income in the period in which such write-off is made and reported under general and administrative expenses.

Accounts receivables which are collectible beyond 12 months are classified and presented as non-current assets in the interim consolidated balance sheet.

2.6 Inventories

Inventories comprise of mobile phones (handsets) and other customer-premise equipment (CPE), SIM cards, pre-paid vouchers and scratch cards. 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. The Group provides for slow-moving and obsolete inventories in the general and administrative expenses in the interim consolidated statement of income.

2.7 Property and equipment

Property and equipment, except land, are stated at cost less accumulated depreciation. The cost of property and equipment includes direct costs and other directly attributable incremental costs incurred in their acquisition and installation, net of any supplier discounts.

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2. Significant accounting policies (continued)

2.7 Property and equipment (continued)

During the quarter ended March 31, 2015, the Group conducted internal reviews of useful life of property and equipment based on a study conducted by an independent consultant, which resulted in changes in the useful life of certain categories of the assets. Depreciation on property and equipment is charged to the consolidated statement of income using the straight line method over their estimated useful lives at the following annual depreciation rates.

	Estimates applied from January 1, 2015 onwards	Estimates applied as on December 31, 2014 and before
Buildings	5%	5%
Leasehold improvements	10%	10%
Telecommunication network equipment	4% - 20%	5% - 20%
Computer equipment and software	16%-20%	25%
Office equipment and furniture	14%-33%	20%-25%
Vehicles	20%-25%	20%-25%

Additional depreciation is charged in the current period to allow for known delays in capitalization or transfer out of capital work in progress.

Major renovations and improvements are capitalized if they increase the productivity or the operating useful life of the assets as well as direct labor and other direct costs. Repairs and maintenance 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 interim consolidated statement of income.

Capital work in progress is stated at cost until the construction on installation is complete. Upon the completion of construction or installation, the cost of such assets together with cost directly attributable to construction or installation, including capitalized borrowing cost, are transferred to the respective class of asset. No depreciation is charged on capital work in progress.

2.8 Licenses' acquisition fees

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

2.9 Goodwill

Goodwill represents the excess of consideration paid for the acquisition of subsidiaries over the fair value of the net assets acquired at the acquisition date and reported in the interim consolidated financial statements at carrying value after adjustments for impairment in value, if any (Note 2.10).

2.10 Investments in subsidiaries and associates

(a) Subsidiaries

Subsidiaries are entities over which the Group has the power to govern the financial and operating policies to obtain economic benefit generally accompanying a shareholding of more than one half of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given or liabilities incurred or assumed at the date of acquisition, plus costs directly attributable to the acquisition. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. Goodwill arising from acquisition of subsidiaries is reported separately in the accompanying interim consolidated balance sheet. Goodwill is tested annually for impairment and carried at cost, net of any accumulated impairment losses, if any.

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2. Significant accounting policies (continued)

2.10 Investments in subsidiaries and associates (continued)

Intercompany transactions, balances and unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(b) Associates

Associates are entities over which the Group has significant influence but not control. Investments in associates are accounted for using the equity method of accounting and are initially recognized at cost. The Group's share of its associate's post-acquisition income or losses is recognized in the interim consolidated statement of income, and its share of post-acquisition movements in reserves is recognized in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Dilution gains and losses arising from investments in associates are recognized in the interim consolidated statement of income.

(c) Minority interest

Minority interest represents the portion of income or loss and net assets not held by the Group and are presented separately in the interim consolidated statement of income and within equity in the interim consolidated balance sheet, separately from shareholders' equity.

Acquisition of minority interest is accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognised as a result of such transactions. The Group recognizes any minority interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the minority interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

2.11 Impairment of non-financial assets

Non-financial assets, other than goodwill, 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-financial assets other than goodwill 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 consolidated statement of income. Impairment losses recognized on goodwill are not reversible.

2.12 Borrowings

Borrowings are recognized at the proceeds received, net of transactions costs incurred, if any. 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 consolidated statement of income.

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 Group.

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2. Significant accounting policies (continued)

2.14 Provisions

Provisions are recognized when; the Group 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 and income tax

The Group is subject to zakat in accordance with the regulations of the Department of Zakat and Income Tax (the "DZIT"). Provision for zakat for the Group and zakat related to the Group's ownership in the Saudi Arabian subsidiaries is charged to the interim consolidated statement of income. Foreign shareholders in the consolidated Saudi Arabian subsidiaries are subject to income taxes. Income tax provision related to the foreign shareholders in such subsidiaries is charged to the minority interest. Additional amounts payable, if any, at the finalization of final assessments are accounted for when such amounts are determined. The Company and its Saudi Arabian subsidiaries withhold taxes on certain transactions with non-resident parties in the Kingdom of Saudi Arabia as required under Saudi Arabian Income Tax Law.

Foreign subsidiaries are subject to income taxes in their respective countries of domicile. Such income taxes are charged to the interim consolidated statement of income.

2.16 Employee termination benefits

Employee termination benefits required by Saudi Labor and Workman Law are accrued by the Company and its Saudi Arabian subsidiaries and charged to the interim consolidated statement of income. Provision for employees' termination benefits are made in accordance with the Projected Unit Cost method. The provision is recognized based on the present value of the defined benefit obligations.

The present value of the defined benefit obligations is calculated using assumptions on the average annual rate of increase in salaries, average period of employment and an appropriate discount rate. The assumptions used are calculated on a consistent basis for each period and reflect management's best estimate. The discount rates are set in line with the best available estimate of market yields currently available at the reporting date with reference to government and corporate bonds.

2.17 Revenues

Revenue comprises the fair value of the consideration received or receivable from the sale of goods and services in the ordinary course of the Group's activities. Revenue is stated net of trade discounts, promotions and volume rebates and after eliminating revenue within the Group.

The Group recognizes revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group; and when specific criteria have been met for each of the Group's activities, as described below.

The Group's revenue comprises revenue from mobile telecommunications services as summarized below:

- (a) Revenue from mobile telecommunications comprises amounts charged to customers in respect of connection or activation, airtime usage, text messaging, the provision of other mobile telecommunications services including data services, and fees for connecting users of other fixed line and mobile networks to the Group's network.
- (b) Airtime, text messaging and data usage 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 and recognised as the customer uses the airtime.
- (c) Connection or activation fees, are non-refundable, one-off, fees charged to customers when they connect to the network and are recognized in full as revenue in the period in which the underlying obligation is fulfilled (refer to Note 2.17 (j)). The fees to the Group are not contingent upon resale or payment by the end user as the Group has no further obligations related to bringing about resale or delivery, and all other revenue recognition criteria have been met.

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2. Significant accounting policies (continued)

2.17 Revenues (continued)

- (d) Subscription fees are monthly access fees that do not vary according to usage and are recognized as revenue on a straight-line basis over the service period.
- (e) Interconnect revenue is recognized on the basis of the gross value of invoices raised on other operators for termination charges based on the airtime usage, text messaging, and the provision of other mobile telecommunications services for the billing period as per the agreed rate.
- (f) Roaming revenue is recognized on the basis of the gross value of invoices raised on other roaming partners based on actual traffic delivered during the billing period.
- (g) Revenue from sale of handsets and sim cards is recognized upon delivery of the products to the customers in the period during which the sale transaction took place.
- (h) Revenue from sale of bundled handsets and sim cards is presented net of the related costs.
- (i) Revenue from finance lease arrangements is recognized when substantially all the risks and rewards incidental to ownership are transferred by the lessor and there are no unfulfilled obligations on the lessor that affect the lessee's final acceptance of the arrangement. Where finance lease arrangements form part of the delivery of bundled products and services, the allocation of fair values follows the accounting policy set out in Note 2.17 (j).
- (j) In arrangements involving the delivery of bundled products and services, those bundled products and services are separated into individual elements, each with its own separate revenue contribution, evaluated from the perspective of the customer. Total arrangement consideration is allocated to each deliverable based on the relative fair value of the individual element. The Group generally determines the fair value of individual elements based on an objective and reliable assessment of the prices at which the deliverable is regularly sold on a standalone basis.

2.18 Costs and expenses

2.18.1 Cost of revenues

Represent the cost of services and revenues incurred during the period which include the costs of goods sold, direct labor, governmental charges, interconnection costs and other overheads related to the revenues recognized.

2.18.1.a Governmental charges

Governmental charges represent government contribution fees in trade earnings, license fees, frequency waves' fees and costs charged to the Group 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 these fees are incurred and included under cost of services in the interim consolidated statement of income.

2.18.1.b 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 interim consolidated statement of income.

2.18.2 Selling and marketing expenses

Represent expenses resulting from the Group's management efforts with regard to the marketing function or the selling and distribution function. Selling and marketing expenses include direct and indirect costs not specifically part of cost of revenues. Allocations between selling and marketing expenses and cost of revenues, when required, are made on a consistent basis.

2.18.3 General and administrative expenses

Represent expenses relating to the administration and not to the revenue earning function or the selling and distribution functions. General and administrative expenses include direct and indirect costs not specifically part of cost of revenues. Allocations between general and administrative expenses and cost of revenues, when required, are made on a consistent basis.

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2. Significant accounting policies (continued)

2.19 Dividends

Dividends are recorded in the interim consolidated financial statements in the period in which they are approved by the Shareholders of the Group.

2.20 Foreign currency transactions

(a) Reporting currency and functional currency

The interim consolidated financial statements are presented in Saudi Riyals, which is the Company's functional and Group's presentation currency. Each subsidiary in the Group determines its own functional currency, and as a result, items included in the financial statements of each subsidiary are measured using that functional currency.

(b) Transactions and balances

At the subsidiary level, transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. At interim 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, which are not material for 2014 and 2015, are recognized in the interim consolidated statement of income.

(c) Group companies

The results and financial position of foreign subsidiaries and associates, not operating in a hyper-inflationary economy, having reporting currencies other than Saudi Riyals are translated into Saudi Riyals as follows:

- i. assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
- ii. income and expenses for each the income statement are translated at average exchange rates; and
- iii. components of the shareholders' equity accounts are translated at the exchange rates in effect at the dates the related items originated.

Cumulative adjustments resulting from the translations of the financial statements of foreign subsidiaries and associates into Saudi Riyals are reported as a separate component of shareholders' equity.

2.21 Operating and finance leases

Lease agreements are classified as capital leases if the lease agreement transfers substantially all the risks and rewards incidental to ownership of an asset. Other leases are classified as operating leases whereby the expenses and the revenues associated with the operating leases are recognized in the interim consolidated statement of income on a straight-line basis over the term of the leases.

The present value of lease payments for assets sold under finance lease is recognized as a receivable net of unearned finance income. Lease income is recognized over the term of the lease using the net investment method, which reflects a constant periodic rate of return. Provision is made against lease receivables, as soon as they are considered doubtful of recovery. Amounts due over one year are classified as non-current assets.

2.22 Loyalty program

The Group operates a loyalty program that provides a variety of benefits for customers. Loyalty award credits are based on a customer's telecommunications usage. The Group accounts for the loyalty award credits as a separately identifiable component of the sales transaction in which they are granted.

The consideration in respect of the initial sale is allocated to award credits based on their fair value and is accounted for as a liability in the consolidated balance sheet until the awards are utilized. The fair value is determined using estimation techniques that take into account the fair value of the benefits for which the awards could be redeemed. The Group also sells award credits to third parties for use in promotional activities. The revenue from such sales is recognized when the awards are ultimately utilized.

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2. Significant accounting policies (continued)

2.23 Contingent liabilities

A contingent liability is a possible obligation which may arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group, or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. If the amount of the obligation cannot be measured with sufficient reliability, then the Group does not recognize the contingent liability but discloses it in the interim consolidated financial statements.

2.24 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. See also Note 11.

3. ACCOUNTS RECEIVABLES, NET

	Note	2015	2014 (Restated)
Accounts receivables		5,953,892	7,027,000
Less: provision for doubtful debts		(2,213,036)	(863,101)
		3,740,856	6,163,899

During quarter four of 2014, the Group started an arbitration process in relation to amounts receivable arising from a Service Agreement signed with Mobile Telecommunications Company Saudi Arabia ("Zain KSA") on May 6, 2008 (corresponding to Jumada Al-Awwal 1,1429H). This agreement covers provision of services that include national roaming, site sharing, transmission links, and international traffic. The first arbitration session was held on December 20, 2014 (corresponding to Safar 28, 1436H) during which the arbitration panel process was agreed and the Group submitted its statement of claims.

The second session was held on February 7, 2015 (corresponding to Rabi Al-Thani 18,1436H) wherein the Group submitted during this session the documents relating to the engagement cancellation of its previous lawyer handling this case and confirmed the appointment of the new legal counsel to represent the Group in this case. The arbitration panel decided to schedule the next session to be held on February 14, 2015 (corresponding to Rabi Al-Thani 25, 1436H).

On February 14, 2015 (corresponding to Rabi Al-Thani 25, 1436H), the arbitration panel confirmed the Group's appointment of the new legal counsel to represent the Group in this case. Also during this session, the Group submitted its statement of response no.1 to the statement of defense submitted by Zain KSA. Furthermore, Zain KSA has submitted its counter response to the reply provided by the Group.

On May 23, 2015 (corresponding to Shaban 5, 1436H), the Group submitted a detailed response consisting of the required statement of claim and supporting annexes to the secretary general of the arbitration panel to which Zain KSA acknowledged the receipt of the documents from the secretary general and had two-and-a-half months from the date of receipt of the documents to prepare and respond to Mobily's statement of claim.

On July 13, 2015 (corresponding to Ramadan 26, 1436H), Zain KSA stated in the Tadawul website the submission of its response and documents accompanying the response to the secretary general of the arbitration panel and on the same date, Mobily acknowledged the receipt of Zain's KSA brief and supporting attachments thereto and indicated it would respond to this brief in accordance with the arbitration procedures.

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3. ACCOUNTS RECEIVABLES, NET (Continued)

On June 27, 2015 (corresponding to Ramadan 10, 1436H), the Group stated in an announcement on Tadawul that following a review of outstanding receivables, an additional provision of Saudi Riyals 800 million will be booked against the amount due from Zain KSA and have reflected this in the Group's interim consolidated financial statements for the three and six-month periods ended June 30, 2015.

The accounts receivable balance that is subject to the arbitration proceedings amounted to Saudi Riyals 2.2 billion as of June 30, 2015. The Group now has a provision of Saudi Riyals 2.0 billion against total receivables due from Zain KSA as of June 30, 2015. Total provision for doubtful debts charged during the quarter ended June 30, 2015 related to Zain balances amounted to Saudi Riyals 800 million less a net reversal of Saudi Riyals 25 million relating to balances not subject to arbitration proceedings (Saudi Riyals 152 million charged in year ended December 31, 2014).

The Service Agreement is still valid and the Group is receiving irregular payments from Zain KSA for the services provided. While the outcome of the arbitration proceedings is still on-going, management and the directors believe that sufficient and adequate provision has been made as of June 30, 2015.

The Group has also reassessed the recoverability of various other outstanding receivables and, based on the current circumstances in each case, has provided additional amounts against heightened risks of non-recovery.

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4. PROPERTY AND EQUIPMENT, NET

	Land	Buildings	Leasehold improvements	Telecommunication network equipment	Computer equipment and software	Office equipment and furniture	Vehicles	Capital work-in progress	Total
Cost									
January 1, 2015	274,710	750,810	743,376	30,243,236	4,030,802	496,738	2,642	981,823	37,524,137
Additions/Reclassifications	-	(16,398)	31,127	492,058	(7,913)	564	-	518,943	1,018,381
Transfers	-	158,578	11,891	380,489	85,426	-	-	(636,384)	-
Disposals	-	-	-	(1,682)	(7)	-	-	-	(1,689)
June 30, 2015	274,710	892,990	786,394	31,114,101	4,108,308	497,302	2,642	864,382	38,540,829
Accumulated depreciation									
January 1, 2015	-	97,829	457,252	10,293,838	2,191,680	409,780	1,231	-	13,451,610
Depreciation for the period	-	19,277	39,557	1,199,301	204,453	14,049	175	-	1,476,812
Disposals	-	-	-	(1,348)	(5)	-	-	-	(1,353)
June 30, 2015	-	117,106	496,809	11,491,791	2,396,128	423,829	1,406	-	14,927,069
Net book value									
June 30, 2015	274,710	775,884	289,585	19,622,310	1,712,180	73,473	1,236	864,382	23,613,760

The Group has capitalized borrowing costs amounting to Saudi Riyals 23.47 million (period ended June 30, 2014: Saudi Riyals 2.85 million) and internal technical salaries amounting to Saudi Riyals 72.51 million (period ended June 30, 2014: Saudi Riyals 79.43 million) during the six-month period ended June 30, 2015.

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4. PROPERTY AND EQUIPMENT, NET (continued)

	Land	Buildings	Leasehold improvements	Telecommunication network equipment	Computer equipment and software	Office equipment and furniture	Vehicles	Capital work-in progress	Total
Cost (Restated)									
January 1, 2014	275,360	737,101	703,990	25,241,709	2,886,933	468,726	2,370	502,695	30,818,884
Additions	2,189	79,737	27,896	2,789,508	598,967	15,530	272	797,201	4,311,300
Transfers	-	69,509	-	367,822	131,183	502	-	(569,016)	-
Disposals	-	-	-	(4,292)	-	-	-	-	(4,292)
June 30, 2014	277,549	886,347	731,886	28,394,747	3,617,083	484,758	2,642	730,880	35,125,892
Accumulated depreciation (Restated)									
January 1, 2014	-	73,248	387,927	8,041,543	1,618,037	377,691	876	-	10,499,322
Depreciation for the period	-	17,260	35,190	1,090,273	298,571	17,201	180	-	1,458,675
Disposals	-	-	-	(1,800)	-	-	-	-	(1,800)
June 30, 2014	-	90,508	423,117	9,130,016	1,916,608	394,892	1,056	-	11,956,197
Net book value (Restated)									
June 30, 2014	277,549	795,839	308,769	19,264,731	1,700,475	89,866	1,586	730,880	23,169,695

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5. LICENSES' ACQUISITION FEES, NET

	Mobile Telecom- munication services license	3G services license	Other	Total
<u>Cost</u>				
January 1, 2015	12,210,000	753,750	1,135,059	14,098,809
Additions	-	-	27,571	27,571
Disposals	-	-	(13,092)	(13,092)
June 30, 2015	12,210,000	753,750	1,149,538	14,113,288
<u>Accumulated amortization</u>				
January 1, 2015	4,970,912	306,340	243,415	5,520,667
Amortization for the period	241,302	14,914	42,124	298,340
Disposals	-	-	(702)	(702)
June 30, 2015	5,212,214	321,254	284,837	5,818,305
<u>Net book value</u>				
June 30, 2015	6,997,786	432,496	864,701	8,294,983
	Mobile Telecom- munication services license	3G services license	Other	Total
<u>Cost</u>				
January 1, 2014	12,210,000	753,750	895,109	13,858,859
Additions	-	-	58,002	58,002
June 30, 2014	12,210,000	753,750	953,111	13,916,861
<u>Accumulated amortization</u>				
January 1, 2014	4,488,306	276,513	181,249	4,946,068
Amortization for the period	241,302	14,914	16,891	273,107
June 30, 2014	4,729,608	291,427	198,140	5,219,175
<u>Net book value</u>				
June 30, 2014	7,480,392	462,323	754,971	8,697,686

6. LOANS AND NOTES PAYABLE

	2015	2014
Loans and notes payable	15,626,941	15,512,278
Less: current portion	(15,626,941)	(1,415,848)
Non-current	-	14,096,430

The Group is unable to meet a certain financial covenant as at June 30, 2015 under its long-term financing facilities with various lenders. The Group is currently in negotiations with its lenders to obtain a reset of the relevant covenant with effect from Quarter 1, 2015 such that, based on its current financial forecasts, it will be able to meet the relevant financial covenant with each of its facilities, on a quarterly basis, going forward. These discussions are on-going and are expected to be finalised during Quarter 3, 2015. Management is confident that the outcome of such discussions will be successful.

The Group has met all its loan repayment obligations under these financing facilities during the three-month period ended June 30, 2015 and is expected to continue to comply with its short-term repayment obligations as disclosed in Note 6 (a) and 6 (b) on the assumption that its negotiations with the lenders to reset the relevant covenant are successful.

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6. LOANS AND NOTES PAYABLE (continued)

If such negotiations are successful and reset of the financial covenant is obtained, the proforma classification and maturity profile of loans and notes payable and proforma summarized consolidated balance sheet would have been as follows:

a) Classification of loans and notes payable (excluding the reclassification)

	<u>2015</u>	<u>2014</u>
Loans and notes payable	15,626,941	15,512,278
Less: current portion	(2,038,300)	(1,415,848)
Non-current	13,588,641	14,096,430

b) Maturity profile of loans and notes payable (excluding the reclassification)

	<u>2015</u>	<u>2014</u>
Less than one year	2,038,300	1,415,848
Between one to five years	10,321,440	11,034,253
Over five years	3,267,201	3,062,177
	15,626,941	15,512,278

c) The proforma summarized interim consolidated balance sheet at June 30, 2015 (excluding the reclassification).

	<u>2015</u>
Total current assets	10,489,339
Total non-current assets	33,386,909
Total assets	43,876,248
Total current liabilities	14,359,359
Total non-current liabilities	13,808,425
Total liabilities	28,167,784
Total equity	15,708,464
Total liabilities and equity	43,876,248

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6. LOANS AND NOTES PAYABLE (continued)

d) The details of loans and notes payable as at June 30, 2015 (excluding reclassification) are as follows:

Lender	Borrowing Company	Loan nature	Borrowing purpose	Date issued	Currency	Principal amount	Utilized amount	Profit rate	Payment terms	Period	Current portion	Long-term portion	Total	Other terms
Local banks	Mobily	Long-term refinancing facility agreement Sharia' compliant	Settling the outstanding loan balances, previously obtained by Mobily, and financing the Company's capital expenditures and working capital requirements.	Q1, 2012	Saudi Riyals	Saudi Riyals 10 billion	Saudi Riyals 10 billion	Murabaha rate based on SIBOR plus a fixed profit margin	Semi-annual scheduled instalments, with the first instalment settled in August 2012. The last instalment is due on February 12, 2019.	Divided to five and seven years	Saudi Riyals 1,050 million	Saudi Riyals 7,306 million	Saudi Riyals 8,356 million	None
Export Credit Agency of Finland (Finnvera) & Swedish Export Credit Corporation (EKN)	Mobily	Long-term financing agreement Sharia' compliant	Acquiring network equipment from Nokia Siemens Networks (NSN) and Ericsson to upgrade and enhance the infrastructure capabilities, introduce new technologies, and strengthen the Company's competitiveness in the business segment	Q3, 2013	US Dollars	USD 644 million (Saudi Riyals 2.4 billion)	USD 442 million (Saudi Riyals 1,657 million)	1.71% fixed rate per annum	Scheduled instalments	10 years	Saudi Riyals 89 million	Saudi Riyals 1,333 million	Saudi Riyals 1,422 million	Utilization period of 1.5 years, and an extended repayment period of 8.5 years

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Lender	Borrowing Company	Loan nature	Borrowing purpose	Date issued	Currency	Principal amount	Utilized amount	Profit rate	Payment terms	Period	Current portion	Long-term portion	Total	Other terms
Export Credit Agency of Finland (Finnvera) and the Swedish Export Credit Corporation (EKN)	Mobily	Long-term financing agreement Sharia' compliant	Acquiring network equipment from Nokia Siemens Networks (NSN) and Ericsson to upgrade and enhance the infrastructure capabilities, introduce new technologies, and strengthen the Company's competitiveness in the business segment	Q1, 2014	US Dollars	USD 560 million (Saudi Riyals 2.1 billion)	USD 51 million (Saudi Riyals 192 million)	2.4% fixed rate per annum	Scheduled instalments	10 years	-	Saudi Riyals 181 million	Saudi Riyals 181 million	Utilization period of 1.5 years, and an extended repayment period of 8.5 years
Saudi Investment Bank	Mobily	Long-term financing agreement Sharia' compliant	Financing the Company's working capital requirements	Q1, 2014	Saudi Riyals	Saudi Riyals 1.5 billion	Saudi Riyals 1.5 billion	Murabaha rate is based on SIBOR plus a fixed profit margin of 1.25%	One bulk amount due on June 28, 2020	7.5 years	-	Saudi Riyals 1,498 million	Saudi Riyals 1,498 million	None
CISCO Systems International	Mobily	Vendor financing agreement	Acquiring CISCO network equipment and software solutions	Q1, 2014	US Dollars	USD 100 Million (Saudi Riyals 372.2 million)	USD 93.69 million (Saudi Riyals 351.34 million)	.95% fixed competitive rate	Semi-annual repayments	3 years	Saudi Riyals 58 million	Saudi Riyals 217 million	Saudi Riyals 275 million	None

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Lender	Borrowing Company	Loan nature	Borrowing purpose	Date issued	Currency	Principal amount	Utilized amount	Profit rate	Payment terms	Period	Current portion	Long-term portion	Total	Other terms
Export Development of Canada (EDC)	Mobily	Long-term financing agreement Sharia' compliant	Acquiring a telecommunication devices and equipment from Alcatel-Lucent	Q2, 2014	US Dollars	USD 200 million (Saudi Riyals 750 million)	USD 29 million (Saudi Riyals 109 million)	2.52% fixed competitive rate per annum	Semi-annual repayments	10.5 years	-	Saudi Riyals 109 million	Saudi Riyals 109 million	Utilization period of 2 years, and an extended repayment period of 8.5 years
Societe Generale Banque	Mobily	Bilateral long-term financing agreement Sharia' compliant	Financing the uncovered portion of the agreements with the Export Credit Agency of Finland (Finnvera) and the Swedish Export Credit Corporation (EKN) and Export Development of Canada (EDC)	Q2, 2014	US Dollars	USD 200 million (Saudi Riyals 750 million)	USD 116 million (Saudi Riyals 436 million)	Murabaha rate is based on LIBOR plus a fixed profit margin of 0.70%	One bulk payment due on June 26, 2017	3 years	-	Saudi Riyals 436 million	Saudi Riyals 436 million	None
Samba	Mobily	Long-term financing agreement Sharia' compliant	Financing its working capital requirements	Q3, 2014	Saudi Riyals	Saudi Riyals 600 million	Saudi Riyals 600 million	Murabaha rate is based on SIBOR plus a fixed profit margin of 1.25%	20% on instalments and 80% on, one bulk payment due in 2021	7 years	Saudi Riyals 19 million	Saudi Riyals 559 million	Saudi Riyals 578 million	None

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Lender	Borrowing Company	Loan nature	Borrowing purpose	Date issued	Currency	Principal amount	Utilized amount	Profit rate	Payment terms	Period	Current portion	Long-term portion	Total	Other terms
Banque Saudi Fransi	Mobily	Long-term financing agreement Sharia' compliant	Financing its capital expenditures and working capital requirements	Q3, 2014	Saudi Riyals	Saudi Riyals 500 million	Saudi Riyals 500 million	Murabaha rate is based on SIBOR plus a fixed profit margin of 1.25%	One bulk payment in 2017	7 years	-	Saudi Riyals 500 million	Saudi Riyals 500 million	None
Local & International banks	Mobily	Short-term financing agreement Sharia' compliant	Vendor financing	Q2, 2013	Saudi Riyals	Saudi Riyals 1,654 million	Saudi Riyals 1.654 million	Murabaha rate is based on SIBOR plus a fixed profit margin	Sporadic payments	5 years	Saudi Riyals 622 million	Saudi Riyals 458 million	Saudi Riyals 1,080 million	None
Local banks	Bayanat	Long-term financing agreement Sharia' compliant	Settling outstanding long-term loans in addition to financing the subsidiary's working capital requirements	Q2, 2013	Saudi Riyals	Saudi Riyals 1.5 billion	Saudi Riyals 1.5 billion	Murabaha rate is based on SIBOR plus a fixed profit margin of 1.25%	Semi-annual scheduled instalments where the last instalment is due on June 17, 2018	5 years	Saudi Riyals 200 million	Saudi Riyals 992 million	Saudi Riyals 1,192 million	None
Total											Saudi Riyals 2,038 million	Saudi Riyals 13,589 million	Saudi Riyals 15,627 million	

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7. STATUTORY RESERVE

In accordance with the Regulations for Companies in the Kingdom of Saudi Arabia and the Company's By-Laws, the Company establishes at every financial year end 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.

8. (LOSS) / EARNINGS PER SHARE

(Loss)/earnings per share from (loss)/ income from main operations and from net (loss)/ income for the period is calculated by dividing (loss)/ income from operations and net (loss)/ income for the period by the average outstanding number of ordinary shares amounting to 770 million shares as at June 30, 2015 and 2014.

9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

9.1 Financial instruments

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

Risk management is carried out by senior management under policies approved by the board of directors. Senior management identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The most important types of risk are credit risk, currency risk and fair value and cash flow commission rate risks.

Financial instruments carried on the balance sheet include cash and cash equivalents, short-term investments, accounts receivable, due from a related party, short-term and long-term loans and notes payable, accounts payable, due to related parties and accrued expenses and other current liabilities. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item. Significant accounting policies for financial assets and liabilities are set out in Note 2.

Financial asset and liability is offset and net amounts reported in the financial statements, when the Group 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.

9.2 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. Cash is placed with banks with sound credit ratings. The Group regularly updates its cash forecast and, where appropriate, places any excess cash on short-term investments. The Group has two major customers representing 36% of total accounts receivables as at June 30, 2015 (45% at June 30, 2014). The rest of the balances do not have significant concentration of credit risk, with exposure spread over a large number of counterparties and customers. The Group continues to review its credit policy in line with developments of its liquidity risk. See also Note 9.5

A credit assessment is being made to check the credit worthiness of major customers prior to signing the contract/accepting their purchase order. Accounts receivable are carried net of provision for doubtful debts.

The credit quality of financial assets that are neither past due nor impaired are being assessed by reference to customers with appropriate and strong credit history, with minimal account defaults and where the receivables are fully recovered in the past. The Company recognizes provision for impairment of accounts receivables that are assessed to have a significant probability of becoming uncollectible and considering historical write-offs. Credit and Collection Operations provide inputs on the aging of the financial assets on a periodic basis.

9.3 Foreign currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group's transactions are principally in Saudi Riyals and US Dollars.

The management closely and continuously monitors the exchange rate fluctuations. Based on its experience, the management does not believe it is necessary to hedge the effect of foreign exchange risks as most of the transactions are in Saudi Riyals and US Dollars.

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9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

9.4 Fair value and cash flow commission rate risk

Fair value and cash flow commission rate risks are the exposures to various risks associated with the effect of fluctuations in the prevailing commission rates on the Group's financial positions and cash flows. The Group's exposure to market risk for changes in commission rates relates primarily to the Group's borrowings which were acquired to finance working capital requirements and capital expenditures. These borrowings are re-priced on a periodic basis and expose the Group to cash flows commission rate risk. The Group's practice is to manage its commission cost through optimizing available cash and minimizing borrowings. When borrowing is necessary, tenor of borrowings is matched against the expected receipts. There is regular review of commission rates to ensure that the impact of such risk is mitigated.

9.5 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. The management closely and continuously monitors the liquidity risk by performing regular review of available funds, present and future commitments, operating and capital expenditure. Moreover, the Group monitors the actual cash flows and matches the maturity dates of its financial assets and its financial liabilities. Also see Note 6.

9.6 Price risk

The Group is not exposed to equity securities price risk as it does not currently have significant investments in equity securities as at June 30, 2015.

9.7 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 Group'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 Group's financial assets and liabilities are not materially different from their carrying values.

10. COMMITMENTS AND CONTINGENCIES

10.1 Commitments

The Group had capital commitments resulting from contracts for supply of property and equipment, which were entered into and not yet executed at the consolidated interim balance sheet date in the amount of Saudi Riyals 8.2 billion as at June 30, 2015 (June 30, 2014: Saudi Riyals 7.9 billion).

10.2 Contingent liabilities

The Group had contingent liabilities in the form of letters of guarantee and letters of credit amounting to Saudi Riyals 436 million as at June 30, 2015 (2014: Saudi Riyals 382 million).

The Communication Information Technology Commission (CITC's) violation committee has issued several penalty resolutions against the Group which the Group has opposed in accordance with the Telecom regulations. These resolutions relate to various matters, including the manner of issuing prepaid SIM Cards and providing promotions that have not been approved by CITC.

Multiple lawsuits were filed by the Company against CITC at the Board of Grievances to oppose such resolutions of the CITC's committee in accordance with the Telecom regulations. The status of these lawsuits as at June 30, 2015 is as follows:

- There are 332 lawsuits filed by the Company against CITC amounting to Saudi Riyals 590 million;
- The Board of Grievance has issued 140 preliminary verdicts in favor of the Company voiding 140 resolutions of the CITC's violation committee with total penalties amounting to Saudi Riyals 360 million; and
- Some of these preliminary verdicts have become conclusive (after they were affirmed by the appeal court) resulting in cancellation of penalties with a total amount of Saudi Riyals 109 million.

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10. COMMITMENTS AND CONTINGENCIES (continued)

10.2 Contingent liabilities (continued)

In addition, there are 16 lawsuits filed by the Company against CITC, specifically 9 of them in relation to the mechanism of calculating the government contribution fees in trade earnings as of June 30, 2015 of which 2 lawsuits have been preliminary ruled in favor of the Company. Subsequently, the Company received final verdict on one of the cases in favor of the Company and two preliminary judgments in favor of the Company. The remaining cases are still being adjudicated before the Board of Grievance. Management and Directors believe that the likelihood of additional material liabilities arising from these lawsuits is remote and has adequate and sufficient provision based on the appropriate estimate of the likely payable fees. The external lawyers have also previously reaffirmed that the expected outcome of these lawsuits would be favorable to the Company.

The Group received additional claims from CITC in December 2014 for which it has provided additional Saudi Riyals 55 million during six-month period ended June 30, 2015 believing that to be an appropriate estimate of the amounts that it may ultimately have to pay to settle such claims.

The Group is subject to litigation in the normal course of business. Management and Directors believe that it has adequate and sufficient provision based on the status of these litigations as of June 30, 2015.

The Group has filed its zakat returns with DZIT for the years through 2013 and settled its zakat thereon. The Group intends to submit an adjusted zakat return for 2013 as a result of restatements for the year ended December 31, 2013. The expected result of such filing is a lower zakat expense.

The Group has finalized its zakat status and obtained the final zakat assessments for the years until 2006. The Group has received zakat assessments for the years 2007 through 2011 that showed additional zakat and withholding tax differences of Saudi Riyals 317 million and Saudi Riyals 237 million, respectively, which have been objected by the Group at the preliminary and higher appeal committees. Management believes that it has sufficient grounds to contest the matters included in the assessments and the eventual outcome of the appeal process will not result in any significant liability.

Furthermore subsequent to December 31, 2014, there are 147 lawsuits filed by a number of shareholders against the Company before the Committee for the Resolutions of Security Disputes and are currently being adjudicated by the said committee. Management and Directors believe that the likelihood of additional material liabilities arising from these lawsuits is remote.

11. SEGMENT INFORMATION

The Group's operations are substantially comprised of mobile telecommunication services of which the consumer and business and other segments represent 78.96% and 21.04%, respectively, of the Group's revenues for the six-month period ended June 30, 2015 (2014: 80.32% and 19.68%, respectively). The Group views its assets and liabilities on an integrated basis without segregation for each operational segment. Furthermore, all of the Group's operations are principally conducted in Saudi Arabia.

12. RECLASSIFICATION

Certain comparative figures as at and for the three-month and six-month period ended June 30, 2014 have been reclassified to conform to the presentation adopted as at and for the three-month and six-month period ended June 30, 2015 are as follows:

Balance sheet as at June 30, 2014:	Balance as previously reported	Reclassification	Balance after reclassification
Prepaid expenses and other assets *	4,238,502	393,642	4,632,144
Current portion of long-term loans	857,124	558,724	1,415,848
Accounts payable*	7,097,087	(2,038,297)	5,058,790
Accrued expenses and other liabilities*	3,768,971	446,375	4,215,346
Long-term loans	12,669,590	1,426,840	14,096,430
Income statement for the three-month period ended June 30, 2014:			
Revenues*	5,989,688	(1,325,327)	4,664,361
Cost of revenues*	(2,902,079)	1,325,327	(1,576,752)

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12. RECLASSIFICATION (continued)

Income statement for the six-month period ended June 30, 2014:	Balance as previously reported	Reclassification	Balance after reclassification
Revenues*	12,226,953	(2,726,049)	9,500,904
Cost of revenues*	(6,005,140)	2,721,328	(3,283,812)
General and administrative expenses *	(1,044,711)	4,721	(1,039,990)

*See Note 13 in relation to restated amounts.

Reclassified amounts relating to revenues and cost of revenues and sales resulted from presenting revenues from sale of bundled handsets and sim cards net of the related costs.

13. RESTATEMENT OF COMPARATIVE FIGURES

The Group decided in June 2015 to adopt an accounting policy for recognizing revenue of certain contracts (FTTH, brand reseller and IRU contracts) that would be an approach that would be closer to that outlined in IFRS 15 (IFRS 15 is a converged international accounting standard that will improve the financial reporting of revenue. This Standard will be mandatory for reporting periods beginning on or after January 1, 2018) whilst still maintaining compliance with existing SOCPA standards.

This required the Group to allocate revenue from multi component contracts in proportion to the relative stand-alone selling price of the underlying service or products provided and, for such types of contracts, would have the effect of deferring revenue to be recognised to later periods. The Board adopted this new accounting policy as of December 31, 2014 and reissued the annual consolidated financial statements for the year ended December 31, 2014 (including restated 2013 corresponding figures) and the interim consolidated financial statements for the three-month period ended March 31, 2015 reflecting this change in accounting policy.

At that time, the Group also recognised that delays in capitalization of fixed assets were not infrequent (as it was often not clear when a particular asset is ready for use or placed into service) thus delaying the start of depreciation. As such amounts were not material to any one previous period and involved estimation, the Company had previously depreciated the full cost of the asset (less residual value) over the remaining useful life rather than making one-off adjustments to catch up on depreciation. As the annual consolidated financial statements for 2014 were being reissued, the Group decided to reassess the capitalization of its fixed assets and accounting for depreciation charge in prior periods to reflect the depreciation in the appropriate periods from the date assets were placed in service.

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13. RESTATEMENT OF COMPARATIVE FIGURES (continued)

The tables below set out the impact on the three-month and six-month periods ended June 30, 2014:

- a. The restatement of revenue, other related items and net income in addition to retained earnings and related balances in the interim consolidated financial statements for the three-month and six month periods ended 30 June 2014 as a result of an error in the timing of revenue recognition resulting from a promotional program. The restatements remain unchanged from the previously reported interim consolidated financial statements for the quarter ended September 30, 2014.
- b. The restatement as a result of the change in accounting policy for revenue recognition for certain transactions, including finance leases, and the accounting for net property and equipment for previously reported periods as discussed above.

Three month and six-month periods ended June 30, 2014 (Unaudited)

Income statement for three-month period ended June 30, 2014:	Balance as at June 30, 2014 reported in previously issued financial statements	Adjustments referred to in 13 (a) above	Adjustments referred to in 13 (b) above	Balance as at June 30, 2014 after all adjustments
Revenues *	4,664,361	(885,386)	(210,450)	3,568,525
Cost of revenues *	(1,576,752)	(39,550)	(50,433)	(1,666,735)
Selling and marketing expenses	(419,430)	(709)	-	(420,139)
General and administrative expenses	(576,442)	(2,748)	-	(579,190)
Depreciation and amortization	(789,925)	-	(59,065)	(848,990)
Net income for the period	1,311,895	(899,452)	(319,948)	92,495
Earnings per share (in Saudi Riyals) from:				
Income from main operations	1.69	(1.21)	(0.42)	0.07
Net income for the period	1.71	(1.17)	(0.42)	0.12

* Balances were reclassified (see Note 12).

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13. RESTATEMENT OF COMPARATIVE FIGURES (continued)

	Balance as at June 30, 2014 reported in previously issued financial statements	Adjustments referred to in 13 (a) on page 32	Adjustments referred to in 13 (b) on page 32	Balance as at June 30, 2014 after all adjustments
Income statement for six-month period ended June 30, 2014:				
Revenues *	9,500,904	(627,716)	(1,451,606)	7,421,582
Cost of revenues *	(3,283,812)	(81,359)	9,081	(3,356,090)
Selling and marketing expenses	(812,617)	(1,583)	-	(814,200)
General and administrative expenses *	(1,039,990)	(5,317)	-	(1,045,307)
Depreciation and amortization	(1,553,006)	-	(178,776)	(1,731,782)
Net income for the period	2,711,521	(687,034)	(1,621,301)	403,186
Earnings per share (in Saudi Riyals) from:				
Income from main operations	3.65	(0.93)	(2.11)	0.62
Net income for the period	3.52	(0.89)	(2.11)	0.52

* Balances were reclassified (see Note 12).

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13. RESTATEMENT OF COMPARATIVE FIGURES (continued)

Balance sheet as at June 30, 2014

	Balance as at June 30, 2014 reported in previously issued financial statements	Adjustments referred to in 13 (a) on page 32	Adjustments referred to in 13 (b) on page 32	Balance as at June 30, 2014 after all adjustments
Accounts receivable, net	10,175,383	(1,473,466)	(2,538,018)	6,163,899
Prepaid expenses and other assets *	4,632,144	23,863	100,121	4,756,128
Due to related parties	67,686	(3,859)	-	63,827
Accounts payable *	5,058,790	(61,745)	1,873,797	6,870,842
Accrued expenses and other liabilities *	4,215,346	42,857	(8,603)	4,249,600
Property and equipment, net	22,595,717	-	573,978	23,169,695

Statement of changes in equity as at June 30, 2014:

Retained earnings	14,202,416	(1,352,874)	(3,604,631)	9,244,911
Statutory reserve	2,847,434	(73,981)	(124,482)	2,648,971

* Balances were reclassified (see Note 12).