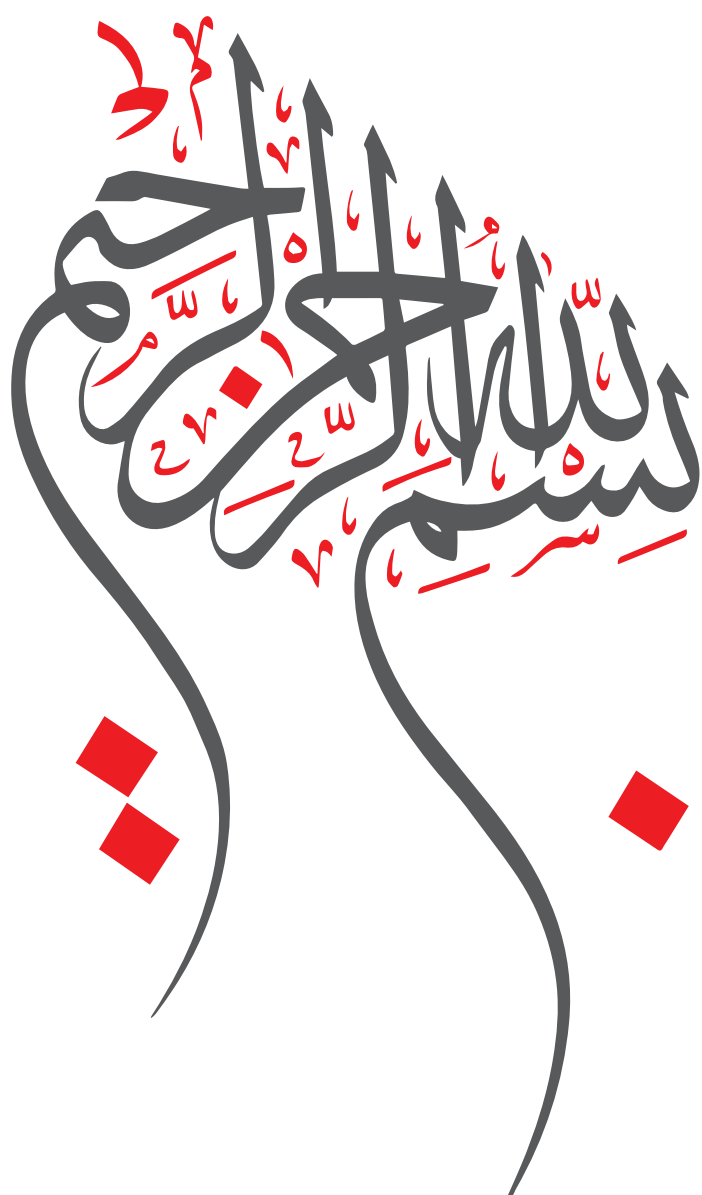




The most powerful network
for your life



2016 Annual Report Kuwait





H.H. Sheikh Sabah Al Ahmad Al Jaber Al Sabah
The Amir of the State of Kuwait



H.H. Sheikh Nawaf Al Ahmad Al Jaber Al Sabah
The Crown Prince

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A Message from the Chairman

Dear Respected Shareholders,

I present to you herewith Ooredoo's Kuwait 2016 annual report, which sheds light on the most important developments and achievements that took place in the year 2016.

During the year 2016, Ooredoo consolidated its leading position across key markets, with customer base increasing 6% to reach more than 25 million. Ooredoo maintained a stable EBITDA of KWD 240 million for the year ended 2016. In a highly competitive market, Ooredoo Kuwait cemented its position as a leading ICT company with the acquisition of "FASTtelco", a Kuwait based ISP, through which it can expand its offer of advanced fixed broadband and mobile services. Ooredoo Kuwait delivered a 5% increase in Revenues and maintained a healthy EBITDA of KWD 51 million. A significant development for the year, Ooredoo Kuwait deployed more LTE sites and by the end of 2016 it had successfully covered the entire populated area of Kuwait. In Algeria the 6% growth in our customer base was supported by successful marketing strategies, network upgrades and deployments. With the launch of 4G and continued expansion of the 3G network, Ooredoo Algeria covered a vast majority of the population by the end of the year. Due to continued currency depreciation and challenges associated with the slowdown of tourism, Ooredoo Tunisia saw a slight decrease in Revenue. Despite these challenges, we maintained our market leadership and grew our customer base by 6% to 8 million at the end of 2016. In local currency terms Revenue actually increased by 4% year on year. Ooredoo Maldives increased Revenues by 33% to reach KWD 32 million and showed significant growth in profitability, EBITDA increased 56% to KWD 17 million in 2016. Ooredoo Maldives is well positioned to continue delivering growth as it is preparing for the public listing in 2017 on the local stock exchange. Wataniya Palestine also strengthened its market position, growing customer numbers by 10% number serving now more than three quarters of a million customers. Wataniya Palestine maintained profitability and delivered revenues of KWD 25 million for the year ended 2016.

Ooredoo - Kuwait

Ooredoo's customer base in Kuwait stood at 2.3 million at the end of 2016 a 3% increase over the previous year. Revenues for 2016 were KWD 197.8 million, an increase of 5% compared to KWD 188.1 million in 2015. EBITDA was KWD 51.0 million versus EBITDA for 2015 of KWD 51.3 million.

Ooredoo - Tunisia

Ooredoo's Tunisia customer base stood at 8.0 million at the end of 2016, an increase of 6% on the same period in 2015. The Tunisian economy is still suffering from slow tourism and the KWD results were impacted by the depreciation of the Tunisian Dinar. Revenues for 2016 were KWD 142.3 million compared to revenues for the same period in 2015 of KWD 149.0 million. However, in local currency terms revenue increased by 4%. EBITDA was KWD 57.0 million compared to KWD 61.6 million for the same period in 2015.

Ooredoo - Algeria

Ooredoo's customer base in Algeria at the end of 2016 was 13.8 million customers, an increase of 6% compared with the same period in 2015. The Algerian Dinar depreciated significantly compared with the same period last year, impacting the results reported in KWD. Revenues for 2016 were KWD 309.8 million compared to revenues of KWD 332.5 million for the same period in 2015. Revenue in Algerian dinar terms increased slightly (+1%). EBITDA for 2016 was KWD 108.5 million, a decrease of 11% on KWD 121.8 million for the same period in 2015.

Wataniya - Palestine

The total customer base for Wataniya Mobile Palestine at the end of 2016 was 0.8 million, an increase of 10% from the same period in 2015. Revenues for 2016 were KWD 25.4 million, an increase of 2% compared to KWD 25.1 million for the same period in 2015. EBITDA for 2016 was KWD 6.6 million compared to an EBITDA of KWD 6.5 million for 2015.

Ooredoo - Maldives

At the end of 2016 Maldives total customer base stood at 0.4 million, an increase of 14% from the same period in 2015. Revenues for 2016 were KWD 31.6 million, an increase of 33% compared to KWD 23.8 million for the same period in 2015. EBITDA for 2016 was KWD 17.1 million, an increase of 56% compared to an EBITDA of KWD 11.0 million for the same period in 2015.

ICT is the promising future

Today, we, in Ooredoo Group Kuwait, look forward with confidence and optimism for a better future. We are committed to staying in a leading position in the market, and this is evident through our investment to develop our network infrastructure in collaboration with some of the world's best ICT solution providers.

We are also confident that the coming years will witness a qualitative leap in terms of services provided by the sector, with the internet becoming the core of all services. We aspire to be the first to launch the latest services as soon as they become available, to meet the demands of our valued customers. We aim to deliver our promise in providing an unparalleled customer experience, to become a leader not just regionally but even globally.

Saud bin Nasser Al Thani







GM & CEO's Message

Dear esteemed shareholders,

I am proud to share with you the results of the hard work and dedication of Ooredoo Kuwait's family. In 2016, we continued with the same momentum of the previous year, realizing several milestones in a highly competitive market.

The telecom sector is, without a doubt, one of the most dynamic sectors in the world. Such a rapidly-evolving environment necessitates hard work and commitment to keep up with the global trends. We are glad for having increased our footprint in Kuwait throughout the year, both in terms of network and presence in stores. We have collaborated with reputable entities to expand our network presence in crucial sites around the country, in addition to boosting our sales points with our reliable franchisees, and currently have the biggest network of stores and points of sales around Kuwait. Our goal is to be as close as possible to all our clients, to be able to truly serve them better. We have deployed close to 2000 LTE sites across Kuwait, and are invested in upgrading our network further to support the latest technologies of the future.

Internet and Digitalization

In line with our strong belief in the role of the internet in the future, we have completed in 2016 the acquisition of FASTtelco, one of Kuwait's leading internet service providers. This move comes to bolster our presence in the market in a sector that is moving towards digital and data, and is no longer attached to voice plans. This acquisition, in light of the evolving network of fiber optics in Kuwait, will surely have a positive impact on our quality of services and the plans and bundles offered to our clients in the future.

Our strategy, which aims to propel us towards better results, is focused on using our resources effectively. We are focused on leveraging on all synergies across Ooredoo Group, adapting a mobile-first mindset internally and pursuing "digital" as our main focus.

To our valued customers, we have worked extensively to deliver innovative products that meet the needs of our customers. We successfully relaunched Nukhba, our VIP plans which are specifically-tailored to meet the needs and lifestyle of our valued customers. We have also focused on innovative products for all our customers, individuals and corporates, in addition to unique plans that best fit the needs of the growing segment of SMEs in Kuwait.

Our Role in the Community

Committed to our responsibility towards society, we have honored our core values of caring, connecting, and challenging, and continued the good work we have started in the previous year to be Kuwait's leading private entity in supporting volunteer work. We have reflected

these deep-rooted values of giving in alignment with other Ooredoo operating companies (in Qatar and Oman) in our Ramadan television commercial, an award-winning song that touched the hearts of many people and highlighted the true meaning of selfless giving and spiritual connection during the holy month. We helped hundreds of Kuwait's young men and women in finding opportunities to volunteer with various groups and for different causes, both inside and outside Kuwait, and won the praise and recognition of the Ministry of State for Youth Affairs.

We have also proudly sponsored Hala Febrayer 2016, Kuwait's biggest annual event, which included a variety of events targeting different age groups and segments. The event was a collaboration with some of Kuwait's biggest private and government entities, and attracted visitors from across the region for its eventful schedule.

We also collaborated with the Ministry of State for Youth Affairs to sign, for the first time in Kuwait, a

memorandum of understanding, to help support and develop youth across Kuwait in various government-sponsored initiatives. This memorandum is directly translating the edicts of His Highness the Amir of Kuwait Sheikh Sabah Al-Ahmad Al-Jaber Al-Sabah into actions, after he urged on more than one occasion the importance of collaboration between private and government entities to support youth.

We have built a solid reputation in the Kuwaiti market as one of the leading brands, with our impactful collaborations and presence in what matters to people the most, in addition to our commitment as a provider of the best in-class services. We are certain that we can continue our success with the same vision, and can overcome any obstacles with your support and faith in our efforts.

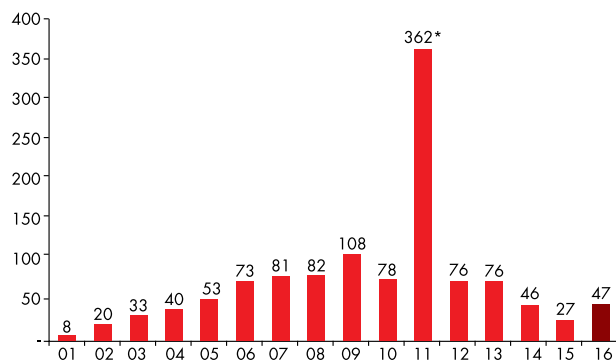
Mohammed bin Abdullah Al Thani



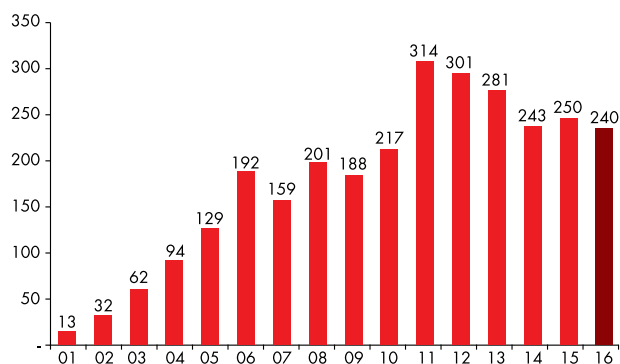
Financial Highlights

For the year ended 31 December 2016

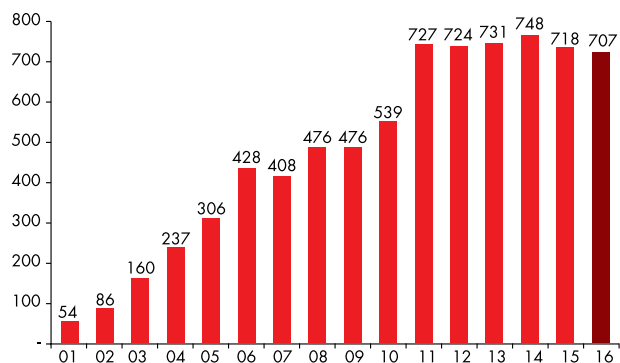
Net Profit to Ooredoo Kuwait
(KD Millions)



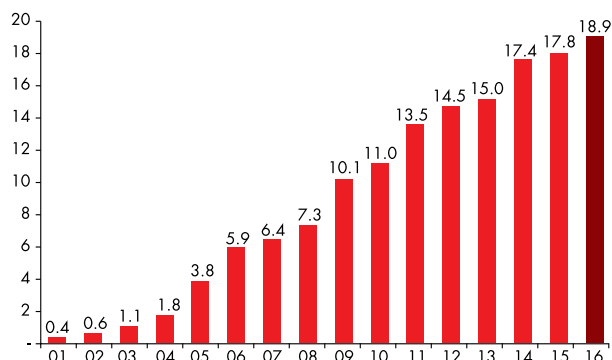
EBITDA (KD Millions)



Revenue (KD Millions)



Proportional Subscribers (In Millions)



* In Q1 2011, a fair value gain (non-cash) of KD 265.3 million was recorded due to a revaluation of the existing held interest in Tunisie S.A following the increase in the shareholding from 50% to 75%.

		Year 2016 (In Millions)	Year 2015 (In Millions)
Ooredoo KUWAIT	Total Subscribers	2.3	2.3
	Revenue	197.8	188.1
	EBITDA	51.0	51.3
	% EBITDA	26%	27%
	Net Profit to OK	11.3	17.8
Ooredoo TUNISIA	Total Subscribers	8.0	7.4
	Revenue	142.2	149.0
	EBITDA	57.0	61.6
	% EBITDA	40%	41%
	Net Profit to OK	3.8	9.1
Ooredoo ALGERIA	Total Subscribers	13.8	13.0
	Revenue	309.8	332.5
	EBITDA	108.5	121.8
	% EBITDA	35%	37%
	Net Profit to OK	24.2	14.5
Wataniya Telecom Maldives MALDIVES	Total Subscribers	0.4	0.3
	Revenue	31.6	23.8
	EBITDA	17.1	11.0
	% EBITDA	54%	46%
	Net Profit to OK	9.4	5.1
Wataniya Telecom Palestine PALESTINE	Total Subscribers	0.8	0.7
	Revenue	25.4	25.1
	EBITDA	6.6	6.5
	% EBITDA	26%	26%
	Net Profit to OK	(0.2)	(0.7)
Ooredoo Consolidated	Total Subscribers	25.2	23.8
	Revenue	706.8	718.4
	EBITDA	240.2	250.2
	% EBITDA	34%	35%
	Net Profit to OK	46.7	26.7



Ooredoo Kuwait

Ooredoo Kuwait Strategy

Our vision

Enrich people's lives

Empower Kuwait's society by driving digital transformation and enrich people's everyday lives

Our mission

One-Stop Shop Provider

Become the leading integrated communications provider in Kuwait catering to all our customers' needs

Our values

Caring

- Care about individuals and respect each other
- Support for the communities in which we live and work
- Act with compassion, integrity, honesty and high ethics in all situations

Connecting

- Build long-standing and trusting customer relationships
- Engage with customers, be collaborative and supportive

Challenging

- Strive for continuous improvement
- Set ambitious objectives and push to achieve the best results
- Always try to make a difference

Our Strategy

To fulfill our vision and mission, we defined our new strategy in 2016 that we will implement over the next three years. Our strategy will help us to evolve from a mobile operator to a digital experience provider.

We will become the partner of choice for both consumers and enterprises in Kuwait via enriching our portfolio of offerings and providing the best digital experience tailored to their needs.

To deliver our strategy, Ooredoo Kuwait will focus on five key strategic priorities:

- **Pursue Smart Scale**
 - We will expand our breadth of offerings and differentiate on services by offering full scope of mobile and fixed services to cater to an increasing market demand and become the **“data experience leader”** in Kuwait. We will continue to innovate and invest in our portfolio to create unique offerings in the Kuwaiti market
 - We will also differentiate ourselves by ensuring best-in-class and targeted Customer Experience for our customers
- **Capitalize on the B2B Growth Potential**
 - Capturing the growth potential in the B2B segment will also position Ooredoo as a digital ICT provider
 - We will become the one-stop shop provider to cater to the increasing demand for more tailored and end-to-end solutions, enabling our B2B customers to enjoy the highest quality products and services and increased service delivery
- **Digitize to Differentiate**

Leveraging on digital as a key pillar to transform our customers' experience and enriching our breadth of offerings while adopting a mobile-first mindset and adapting our organization accordingly
- **Enable Execution through a Lean Model**

Driving the execution of the top three priorities will be enabled through a lean operating model, continuous improvement of our cost structure, building the right agility, driving further operational efficiencies and leveraging synergies across the Ooredoo Group to maximize efficiency
- **Performance-based Culture**
 - Evolving Ooredoo's organizational culture and enhancing agility will enable us to adapt to the new market dynamics and digital age
 - To enable the new Ooredoo vision and succeed in the digital transformation journey, we will evolve our workforce by advancing their skillsets

The focus on these five priorities will ensure that the organization is aligned around creating competitive and sustainable operations while maximizing our shareholder value.

Ooredoo Group Strategy

Ooredoo Kuwait Vision, Strategy and supporting priorities and initiatives are clearly articulated and aligned with the Ooredoo Group LEAD Strategy.

Ooredoo Kuwait

Ooredoo Kuwait realized a number of important milestones in 2016, despite a challenging market and high competition. We aim to continue strengthening our mobile data services, not just with upgrading our network infrastructure but with the help of our newly-acquired company FASTtelco, one of Kuwait's leading ISPs. I am proud of our achievements in the past year, and look forward to more success with my colleagues in Ooredoo Kuwait.

2016 was an eventful year for Ooredoo Kuwait, with many achievements and milestones realized. Ooredoo Kuwait won the title "Speedtest Awards Winner 2016" by Ookla, the company that operates the famous website Speedtest.net. The famous online tool measures network speed on users' devices based on speed test results conducted by hundreds of thousands of actual smartphone and computer users in Kuwait connected to Ooredoo Kuwait network. The announcement came in alignment with Ooredoo Kuwait concluding a major milestone in its network infrastructure upgrade, with more than 2000 LTE sites deployed across Kuwait, covering the entire populated areas of the country. The infrastructure upgrade is set to conclude in 2017.

Ooredoo Kuwait also finalized the legal and procedural processes of acquiring 99% of the shares of internet service provider FASTtelco for a total of KD 11 million. The purchase aims to bolster Ooredoo's internet offerings in the fast-changing telecom sector that is dependent on strong data services.

Customer-Centric Initiatives

In March 2016, Ooredoo Kuwait launched its revamped postpaid portfolio Shamel, at competitive prices with unparalleled features. The new Shamel packages give customers more flexibility, allowing them to freeze contracts up to three months a year while traveling. Customers can also enjoy unlimited local voice calls on Ooredoo network, a feature included in all packages. They can also transfer contracts at any time and carry forward unused Internet data to the following month, which will provide customers with more freedom to use the web. Customers can also

get the latest device from Ooredoo, even if they have existing contracts, which allows them more freedom and flexibility in use.

In December, Ooredoo launched its exclusive Nukhba program for its elite customers. The program's tailored services cater to the needs of elite customers, and include keeping customers up to date with the latest offerings in the market, in addition to an exclusive hotline and designated account managers. The program aims to give customers the best in-class services.

CSR Initiatives

Ooredoo opened the door for new applicants to its volunteer program for the second consecutive year in May 2016. The program, originally launched in 2015, managed to attract hundreds of applicants from Kuwait's youth, to give them all the necessary training for volunteer work, before matching them with volunteer opportunities with projects in Kuwait. The award-winning program won recognition from the Ministry of State for Youth Affairs, leading to the signing of a memorandum of understanding between Ooredoo and the Ministry.

Volunteers from the program worked on numerous projects across Kuwait and even outside in refugee camps in Jordan. The programs included managing meal distribution of 17,000 iftar throughout the entire month of Ramadan, in distribution centres outside its head office and in an iftar tent.

In December, with partners such as the Kuwait Red Crescent Society and Abdullah Al-Nouri Charity Organization, Ooredoo held a number of charity drives for the displaced people of Aleppo. The activities included donations via SMS and via links posted on Ooredoo's social media channels. Taking the charity drive to the hot spots of youth activities, Ooredoo held several charity events at Murouj Market, where a donation box for winter clothes and blankets was placed, in addition to the "Tree of Life" initiative, where visitors write messages and tie them to a tree, and Ooredoo donates KD 1 for each message to the participating charity organizations.

Technology Initiatives

2016 witnessed vast product portfolios deliveries on all market segments, this includes the successful launch of the Shamel Postpaid Offers with distinctive

features, Xpat Prepaid portfolio revamp, as well as the launch of the iPhone 7 event. Customer bill generation has been enhanced with respect to the speed of generation and made available in multiple channels. Aside from the usual and ongoing infrastructure developments related to the fiber optics, and site expansions, Ooredoo launched a new user-friendly mobile app that enables customers to make self-service transactions, such as add services, and receive bill and usage details.

Ooredoo also enhanced its customer relationship management system (CRM) to provide agents with 360-degree empowerment to better service its customers with speed and efficiency.

Brand Positioning

Continuing with its efforts to support youth initiatives, Ooredoo proudly sponsored the Protégés, a high-caliber youth development program with the objective to mentor youth between the age of 16 and 24 by local iconic figures in different fields. The program aims to reinforce the social and personal skills of youth, develop their self-awareness and improve their critical and creative thinking.

Ooredoo is proud to be the first company to sign a memorandum of understanding with the Ministry of State for Youth Affairs. The memorandum aims at enhancing cooperation between the two entities to support youth-related projects.

Celebrating Kuwait's biggest annual event, Ooredoo was proud to be the main sponsor for Hala Febrayer Festival 2016. Ooredoo's partnership with this festival reflects the company's belief in its social responsibility toward the community and in the importance of effectively taking part in national events and activities. The festival activities included Hala Febrayer camp, which involved a dedicated area to support small businesses. Other activities

included educational, cultural and religious symposiums in addition to children activities. One of the most exciting parts of Hala Febrayer Festival 2016 was the musical concerts, which captured the interest of many people inside and outside Kuwait. Sixteen popular singers from the Middle East participated in concerts where hundreds of attendees were amused.

Awards and Recognition

The year 2016 came with a number achievements, including:

- Best Contact Centre Director in EMEA
- Excellence in the Support Professional categories for IT and HR
- Best Contact Centre Operational Manager
- From Global Association for Contact Centre & Customer Engagement Best Practices
- Ramadan television commercial
- Best products and services television commercial
- Innovative public relations team category
- At the fourth 'Creativity Awards' night by the Arab Media Forum held in December.

Key Challenges

With the high demand on data services in the market, especially in the GCC region where customers are more tech-savvy and able to keep up with the latest trends, Ooredoo Kuwait sees great importance in enhancing its data offerings. A key initiative to bolster its mobile data portfolio was the acquisition of FASTelco, one of Kuwait's leading ISPs, to offer customers the best in-class services that meet their demands and needs.





Ooredoo Tunisia

Ooredoo Tunisia

"Despite prevailing economic difficulties in the country, Ooredoo Tunisia delivered another year of competitive financial and operational results. Within only two weeks of launching our 4G network, which was a first for the country, we covered almost 40% of the population and our 3G network covered 97% of the population as at the end of last year. We are proud of maintaining our leadership position with a mobile market share of over 40 percent in 2016 and look forward to capturing more growth in the years to come."

Youssef Ali El Masri, CEO

Overview

In 2016, Ooredoo Tunisia was awarded the 4G spectrum license with good technical and financial terms. The company rolled-out the 4G network successfully, covering about 40% of the population through 400 upgraded sites within two weeks of commercial launch. The 4G network roll-out was a historic event for the country and a significant accomplishment for the company, which will be leveraged in 2017.

Another significant development in 2016 was to move into the fixed space through a completely new technology, the FVBA, which offers high-speed wireless access to residents.

Ooredoo is holding the market leader position with almost eight million mobile customer subscriptions accounting for more than 40 percent of the market share at the end of 2016. Despite high churn

and increased competition, Ooredoo accelerated its subscriber intake to 450,000 customers. Due to strong marketing campaigns and a strategic product offering, the number portability option that was introduced by the regulator in April 2016 had no material impact on the company.

Growth in revenues was supported mainly by data and device revenues. Data revenue successfully offset the decline in voice and SMS. The company's smart device marketing strategy was a key contributor to revenue growth. Ooredoo Tunisia delivered a stabilised EBITDA following a robust cost optimisation programme.

A good financial standing enabled the company to increase CAPEX to finance investment in its network and maintain competitiveness through outstanding quality of services and products. In line with the group's ethical policy and commitment to Corporate Social Responsibility, Ooredoo Tunisia launched the "Ooredoo El Khir" association. Dedicated to non-profit and charity, El Khir's objective is to support, strengthen and finance social and humanitarian projects. A team of Ooredoo volunteers was mobilised to support the association.

Outlook

Ooredoo Tunisia will capitalise on the success of 2016. The company will continue the 4G network rollout, leverage the new FVBA fixed technology and maintain its leadership in the mobile market space, marking its transition from a mobile operator to a unified communications provider.



Ooredoo Algeria

Ooredoo Algeria

"The year 2016 marked a milestone for our company, with the launch of 4G services, the expansion of our 3G network to cover the entire country and further gains in data market share, once more positioning Ooredoo Algeria as the clear market leader in data services. We will continue to mobilize our human and technical resources to meet the needs of our customers and provide them with cutting-edge technology services to help enrich their lives."

Hendrik Kasteel, Chief Executive Officer

Overview

Today, Ooredoo's 3G network covers Algeria's whole territory and is successfully providing data services to millions of Algerians across 48 provinces. With more than six million 3G subscribers as of 31 December 2016, Ooredoo captured more than half of data revenues in the country, reinforcing its leadership position in the 3G and data services space for the third consecutive year.

Underpinning Ooredoo Algeria's growth in 2016 was its considerable investment in its network, as well as in human capital and market intelligence.

In addition to the modernisation and expansion of the 3G network to 48 provinces now covering 90% of the population, Ooredoo Algeria invested in 4G rollout in three provinces and made improvements in key ICT platforms, including the digitalisation of the company, the e-commerce platform, the IT infrastructure virtualisation and the security operation centre.

To support quality and outcome of business decision processes, Ooredoo Algeria progressed last year's employee training programme,

with eligible top and middle management representatives sent to prestigious business schools in France and Algeria. Significant investment in market intelligence continued to inform all business decisions and drove the company's success in maintaining market leadership and launching new products and services.

One of the major technological accomplishments during 2016 was the partnership with Nokia, through which it achieved a ground breaking transmission speed of 1.2 terabits per second over optical fibre, marking Africa's first field trial of innovative optical communications technology. Trial of the optical fibre speed was conducted over a distance exceeding 200 kilometres, between the cities of Algiers and Ain Defla. Commercial deployment of the innovative technology will enable Ooredoo Algeria to maximise the performance and flexibility of the optical fibre, thereby providing customers with high capacity-based solutions.

Through various corporate social responsibility programmes, Ooredoo Algeria continued its efforts in supporting the community and enriching the lives of people. During 2016, the company was the golden sponsor and technological partner of the 3rd Regional Final of Arab Mobile Challenge (AMC), which supports youth entrepreneurship, start-ups and innovative applications in various sectors, such as health, education and social entrepreneurship.

Outlook

Ooredoo Algeria is confident that 4G deployment in 2017 will cover the majority of provinces in the country and provide the company with a distinct competitive advantage, positioning it for further growth in the years to come. Ooredoo Algeria will sustain investment in its network and market intelligence to support customer growth and maintain market leadership.

A vibrant tropical scene featuring a row of overwater bungalows with thatched roofs, built on stilts over clear turquoise water. Palm fronds frame the top of the image, and a bright blue sky with soft white clouds is visible. A large red circle is superimposed over the center, containing the text "Ooredoo Maldives".

Ooredoo Maldives

Ooredoo Maldives

"The year 2016 was a year of transformation for our company. On the 13th of October 2016, Ooredoo Maldives took its first step towards life as a public company. In addition, Ooredoo Maldives became a fully edged communications service provider with the launch of new services, such as fixed broadband, mobile money services and smart solutions. I am humbled to be a part of this dynamic and highly engaged team that has brought new levels of innovation to the country, thus connecting local communities to life-enriching opportunities for development."

Vikram Sinha, CEO

Overview

Ooredoo Maldives delivered a year of outstanding performance, remaining committed to its strategic priorities: a state-of-the-art network experience, an innovative product portfolio, and a differentiated customer experience. The company covered the islands with 4G network, entered the fixed broadband market and maintained its leadership in the mobile market..

As Ooredoo Maldives evolved from being a telecom service provider to becoming an integrated ICT solutions provider in 2016, the company made significant investments to strengthen its infrastructure and support its growth.

Ooredoo Maldives completed the laying of the nationwide submarine cable. Worth USD 25 million, the new submarine cable connects the country from North to South and effectively contributes to the government's mission of Digital Maldives. The initiative strengthened Ooredoo Maldives' network system and enabled the company to convert the country-wide network to 4G+.

During 2016, Ooredoo Maldives obtained the ISP license, which enabled the company to enter the fixed broadband market as the third operator in Maldives. Under the brand name of "SuperNet", Ooredoo Maldives gained more than 10% of the market share within seven months of its launch.

The company was also awarded the Mobile Money license by the Central Bank and the Monetary Authority of Maldives. Launched under the brand name "m-Faisaa," the mobile money service is a first for the country, reinforcing Ooredoo Maldives' market leadership and superior product offering. m-Faisaa is a mobile wallet service that allows customers to deposit, withdraw, make payments and send money instantly in the Maldives. m-Faisaa connected a number of un-banked residents and put the country one step closer to its mission of becoming Digital Maldives.

Ooredoo Maldives launched a number of customer-focused initiatives in 2016. The "Vedhun" loyalty programme enables customers to collect points on expenditure and redeem points for in-house products and partner products. Maintaining its commitment to good customer service, Ooredoo Maldives opened two new Ooredoo Experience Centres (OEC) in Malé (Central Maldives) and Kulhudufushi (Northern Maldives).

As part of its commitment to Digital Maldives, Ooredoo is working towards connecting all communities to smart solutions to provide new opportunities for development.

The company introduced free Wi-Fi hangout areas across prime spots in the capital city including hospitals, ferry terminals, youth centres, cafés, etc. A significant project carried out last year was implementing the Ooredoo Smart Campus, a cloud-based education solution powered by Microsoft, at a local educational institute. Maldives Polytechnic provides free courses to students and the smart campus technology enables it to expand its reach to more underprivileged students across the country.

Outlook

During 2016, Ooredoo Maldives gained significant competitive advantage. The company is confident in its ability to capitalise on its infrastructure to support growth and deliver a differentiated customer service. As part of its commitment to Digital Maldives, Ooredoo will continue working towards connecting all communities to smart solutions and providing new opportunities for development.



Wataniya Palestine

Wataniya Palestine

"2016 marked a breakthrough for Wataniya Palestine with the official approval to launch services in Gaza, as well as the approval and allocation of 5MHz exclusive frequency to launch 3G services in the West Bank, both initiatives planned for completion by the end of 2017.

Operationally, during 2016 Wataniya Palestine strengthened its market position, increased customer base by 10% and delivered triple increase in training hours for all staff, resulting in exceptional improvements in both customer service and employee engagement."

Dr. Durgham Maraee, CEO

Overview

The company strengthened its market position through a series of smart initiatives and aggressive marketing campaigns.

Wataniya Palestine launched the "Super prepaid" product with discounted unified prices to local destinations. A key initiative in 2016, the Super prepaid product eased the negative impact of the off-net community and brought significant incremental traffic volume to the company. "Super Fatoora", a strategic product targeting the postpaid segment, was also launched in 2016, successfully bridging the gap between the company's current offering and that of its competitors. Super Fatoora enables customers to call Palestine and Jordan through a unified rate per minute tariff plan. As a result, Wataniya Palestine achieved an increase in its customer base of 10% and a reduction in churn for the year.

In an important moment for the company, Wataniya Palestine received official approvals to launch telecommunication services in Gaza and to roll-out a 3G network in the West Bank in September 2016. The company achieved significant progress in executing its preparations ahead of the launch – hosting location for 3G core equipment is underway, a backbone transmission leasing agreement is signed and the majority of the transmission backbone

equipment is installed. The launch of services in Gaza is also underway, with site acquisition and end-to-end network testing on-going.

During 2016, Wataniya Palestine invested heavily in training and upskilling programmes to tackle retention issues and retain talent, a challenge for the overall telecommunications sector in the country. In total, 24,000 hours of training were delivered to enhance employee skills in commercial and business operations, sales effectiveness, 3G network and leadership development – a 200 percent increase on the previous year. In addition, the company launched a structured learning programme which includes the opportunity for employees to obtain professional accreditations and MBAs. As a result, employee engagement scores for 2016 increased to 84 points on a scale of 1-100.

Also, Wataniya Palestine maintained a strong focus on brand development and corporate social responsibility throughout 2016. For the second year in a row, the company sponsored the biggest tournament in the country, the "Palestine Football League" in the West Bank and Gaza, maintaining Wataniya's exposure among society and specifically, young people. Through its corporate social responsibility programme, Wataniya and Ooredoo Group signed an agreement with the Palestine Football Academy in Jerusalem to provide QAR 500,000 towards football training for underprivileged children.

In addition, Wataniya and Ooredoo Group signed an agreement with Hebron Rehabilitation Centre to renovate an entire neighbourhood in Hebron's old city which will enable people in that area to have a better quality of life. An agreement with Al Aqsa School in Jerusalem was also signed and will provide better education services to underprivileged children living in Jerusalem.

Outlook

The roll-out of 3G services in the West Bank and the launch of the 2G services in Gaza will enable Wataniya Palestine to better capitalise on growth opportunities in Palestine and capture growth in a country with lower penetration rates and a younger population compared to nearby countries.

The image is a composite graphic. The background shows several hands of different skin tones cupped together, holding a small, green, conical moss ball. Overlaid on this is a large red circle containing a dark red tree whose roots are formed by a pile of gold coins. Below this red circle is another smaller red circle containing several red pills. The text 'Corporate Social Responsibility' is written in white across the middle of the red circle with the tree and coins.

Corporate Social Responsibility

Sustainable Future

Ooredoo is committed to investing in mobile technology, people and resources that enable people and communities to achieve their full potential. In particular, Ooredoo believes strongly in the benefit of economically empowering women and youth.

At both a Group level and across its operations, Ooredoo works with a range of partners to support community and charity initiatives, with a particular focus on using mobile technology to achieve social goals.

Ooredoo Kuwait

Ooredoo Kuwait opened the door for new applicants for its second volunteer programme in May 2016. The programme attracted hundreds of young people, training them for volunteer work before matching them with volunteer opportunities with projects in Kuwait. The award-winning programme won recognition from the Ministry of State for Youth Affairs, leading to the signing of a Memorandum of Understanding between Ooredoo Kuwait and the Ministry.

Volunteers from the programme worked on a broad spectrum of projects across Kuwait and even outside in refugee camps in Jordan. Initiatives included managing meal distribution of 17,000 iftar throughout the month of Ramadan, in distribution centres outside its head office and in an iftar tent.

In December 2016, Ooredoo Kuwait held a number of charity drives for the displaced people of Aleppo in partnership with the Kuwait Red Crescent Society and Abdullah Al-Nouri Charity Organisation.

Activities included collecting donations via SMS and links posted on Ooredoo's social media channels. Ooredoo held several charity drives in areas popular with young people, such as Murouj Market, where a box for winter clothes and blankets collected donations from the public. In addition, Ooredoo Kuwait organised the "Tree of Life"

initiative, where visitors write messages and tie them to a tree, and Ooredoo donates KD 1 for each message to the participating charity organisations.

Ooredoo Tunisia

Ooredoo Tunisia launched the "Ooredoo El Khir" association in July 2016. Dedicated to non-profit and charity work, Ooredoo El Khir's objective is to support, strengthen and finance social and humanitarian projects across Tunisia.

A team of Ooredoo volunteers was mobilised to support the new association, donating time and ideas to help deliver the strongest social impact.

Ooredoo Maldives

In February 2016 at the Mobile World Congress in Barcelona, Ooredoo Maldives became one of the first GSMA operator members to endorse the "Connected Women Commitment Initiative" that aims to reduce the mobile gender gap.

As part of this commitment, participating operators are seeking to increase the proportion of their female customers using mobile internet and mobile financial services. Ooredoo Maldives supported a range of initiatives to improve digital literacy among women and girls through educational programmes and interactive content in 2016. It also partnered with local NGO Women on Boards to empower the next generation of women to fill senior positions; held programmes to create awareness on internet safety; and coordinated a "Science and Technology" evening to create interest in STEM subjects among young people.

The company also donated Ooredoo Smart Campus, a cloud-based education solution powered by Microsoft in Education, to Maldives Polytechnic, a local educational institute which provides free courses to students. Smart Campus provides an end-to-end solution for distance education and has enabled Maldives Polytechnic to offer free technical and vocational education to young people.

To foster innovative solutions, Ooredoo Maldives and UNDP partnered to host Miyaheli, the first Social Innovation Camp in Maldives. The camp supported new ideas from young to improve their communities for the better. Ooredoo Maldives also launched a new Youth Ambassador Programme.

Ooredoo celebrated its 11th anniversary in the Maldives by donating digital solutions for people with disabilities. These solutions include 15 electronic wheelchairs for young children with disabilities, which allow for more comfort, enhanced mobility, and the opportunity to maximise their independence.

As an active supporter of GSMA's Humanitarian Connectivity Charter, Ooredoo Maldives remains committed to implement disaster response initiatives to ensure effective and predictable response during times of crisis.

Ooredoo Algeria

Ooredoo Algeria built upon its longstanding relationships with a range of partners in 2016, working to support the Group's wider efforts for the Global Goals.

In the area of women's empowerment, Ooredoo worked to support International Women's Day and helped organise the International Women's Day activities in Algiers in March 2016. It also partnered with community organisation Women Techmakers of Algiers.

In the field of education, Ooredoo Algeria worked with the IQRA Association to inaugurate a Centre

for Literacy, Training and Inclusion of Women (AFIF), in Tizi-Ouzou province.

Healthcare remained a priority area for Ooredoo Algeria, with the company working with the Algerian Red Crescent to launch new Mobile Medical Clinics in the south of the country, including a dedicated Mobile Clinic for Tamanrasset province.

To support entrepreneurship, particularly among young people, Ooredoo Algeria was the golden sponsor and technological partner of the 3rd Regional Final of the Arab Mobile Challenge (AMC) and sponsored the Injaz Al-Arab competition, providing experiential education and training in work readiness, financial literacy and entrepreneurship for young people.

Wataniya Palestine

Wataniya Mobile, supported by Ooredoo Group, signed an agreement with the Hebron Rehabilitation Committee in 2016 to renovate an entire neighbourhood in Hebron's old city. The aim of the project is to enable underprivileged people living in the area to have a better quality of life.

In addition, the company announced a new programme to support the Palestine Football Academy in Jerusalem, to help them provide quality training for the talented children with aspirations to become professional footballers.

Ooredoo Group and Wataniya Mobile signed an agreement with Al Aqsa School in Jerusalem to enable them to provide better educational services for young people.



Achievements



Recognition and Success

Ooredoo Kuwait achieved many milestones in 2016 that culminated in a number of awards and trophies. The awards are a clear indicator of the hard work and clear vision that Ooredoo has delivered in a variety of fields, including network development, digital lifestyle, marketing and customer service.

Here are some of the highlights:

Ooredoo Kuwait:

- Ooredoo Kuwait took home six trophies at the Contact Centre World Awards 2016 in London in the following categories:
 - Best Contact Centre Director in EMEA
 - Best Support Professional in IT
 - Best Support Professional in HR
 - Best Incentive Scheme
 - Best Contact Centre Operations Manager
 - Best Medium Size Contact Centre Category

- Ooredoo Kuwait also won three trophies in the fourth Creativity Awards event, organized by the Arab Media Forum in Kuwait City, in the following categories:

- Ramadan television commercial
- Best products and services television commercial
- Innovative public relations team category

- Ooredoo Kuwait has additionally won for its Ramadan television commercial in Tasaweeq Award, an annual event that looks at television commercials produced in the region, in the following category:

- Most effective Ramadan television commercial in 2016

Ooredoo Algeria:

- Stevie's Awards 2016 (International Business Awards)
 - Best App – Education & Reference – Azul

Ooredoo Tunisia:

- Stevie's Awards 2016 (International Business Awards)
 - Best App – Experimental & Innovation - 3jeja

Corporate Governance



Corporate Governance Report 2016

1. The role of the Board of Directors:

The Board of Directors is handling the task of supervision and strategic direction of the Company by reviewing and adopting the different policies, directly or through its Committees, with a view to ensuring compliance with specific standards to reduce the Company chances to risks. The Board of Directors has the whole powers and authorities to manage Ooredoo, and to continue working to achieve the main objective to maintain the Shareholders rights, which will lead to achieve the Company's other objectives.

The Board of Directors ensures that all necessary measurements are taken to guarantee transparency and fair treatment, in addition to auditing procedures and reducing cases of conflict of interest and improving professional conduct, with the main goal of helping the company achieve its targets.

We are working on developing the Corporate Governance in accordance with the Capital Market Authority Resolution No. (48) Year 2015 issued on the 30th of June 2015.

In this regard, the Board of Directors carried out duties and responsibilities including:

Vision and Strategy: to define the Company's strategy, goals and its plans that are the base of all the Board resolutions.

Supervising the Management: to appoint the Chief Executive Officer and the senior management, and to define their duties, responsibilities and the benefits that they are eligible for, in addition to electing the chairman and the vice chairman.

Financial issues and Investment: to review and approve the financial reports and accounts and to monitor the Company's financial situation.

Communicate with the stakeholders: to supervise the stakeholders' reports and to disclose the information according to the applicable laws and regulations.

2. The Formation of the Board of Directors:

The Board of Directors forms of seven Members elected by the General Assembly of the shareholders through the secret voting.

The Chairman and the Vice Chairman are elected by the Board Members in accordance with the article No. (183) of the Corporate Law and article No. (16) of the Article of Association amended in November 2012.

Name	Title	Role	Educational Background	Election/ Appointment date
Saud bin Nasser Al Thani	Chairman of the Board of Directors	Non-Executive	Bachelor Degree in Business Administration	March 24 2016
Abdul Aziz Ibrahim Fakhroo	Vice Chairman	Non-Executive	Bachelor Degree in Engineering	March 24 2016
Fahad Othman Al-Saeed	Member of the Board	Independent	Master Degree in Military Sciences	March 24 2016
Yousef Mohamed Al-Sumait	Member of the Board	Independent	Master Degree in Geography	March 24 2016
Bader Nasser Al-Humaidi	Member of the Board	Non-Executive	Diploma in Business Administration and Bachelor Degree in Science	March 24 2016
Ahmed Ali Al-Mohannadi	Member of the Board	Non-Executive	Bachelor Degree in Engineering	March 24 2016
Nasser bin Hamad Al Thani	Member of the Board	Non-Executive	Master Degree in Business Administration	March 24 2016
Fatena Abdel Al Ahmad	Board Secretary	-	PhD. in Law	March 24 2016

The Company is following the principle of the separation of powers, as the Chairman is Sheikh Saud bin Nasser Al Thani and the CEO is Sheikh Mohammed bin Abdullah Al Thani.

3. The Board of Directors Meetings:

The Board of Directors held (7) meetings throughout the fiscal year 2016, which witnessed the attendance of all Board of Directors except for one meeting when one Board Member apologized for not being able to attend.

Throughout 2016, the Board of Directors thoroughly reviewed the developments of the company's operations and approve the quarterly financial results.

The Board has also amended the debts allocations' policy and has approved on FASTelco's acquisition, hiring external auditors, endorsing Business and recommending Financing plan as well as approving number of network modernization's contracts. The Audit and Risk Management Committee Charter has been modified as well as the charter of the Executive Committee. The Company's taxes policy has been approved.

4. The Roles and Responsibilities of the Chairman of the Board of Directors:

The Chairman of the Board of Directors' main task is to lead the Board and to ensure working in a proper and effective way, in addition to the below tasks:

- A. Represent the Company with others; communicate with them and report to the Board.
- B. Chair the Board, the related Committees', and the AGM meetings, and run them to ensure that all the discussions are openly and professionally managed, so the participants can express their opinions.
- C. Coordinate with the CEO, the Committees Chairman and the Board Secretary to set the Schedule of the Board and Committees meetings and the other important meetings.
- D. Coordinate with the CEO to ensure that the Management will provide the required

information to the Board of Directors.

- E. Review the suitable timing of receiving the supportive documents of the Management suggestions and ensure the information availability to the Board.
- F. Guide and improve the effectiveness of the Board and its Members, and distribute tasks among them.
- G. Review the Quarterly Financial results of the Company in coordination with the CEO.
- H. Ensure that the Company has friendly and productive relationship with the official and non-official Authorities, and with the different media channels.
- I. Invite the Board of Directors to meet and create the meeting's agenda with considering the Board Members suggestions. In all cases, the Chairman can authorize any other Board Member with some of his authorities.

5. The Board Members Obligations:

Each Board Member is committed to loyalty, care and conducts mentioned in the related laws and regulations, in addition to the following tasks:

- A. Define the CEO authorities, competences, duties and responsibilities and evaluate his performance and reward him.
- B. Evaluate the Board Members and the Committees authorities, define and describe the way of practicing them.
- C. Monitor the performance of the Senior Executive Management, review their plans and decide for their remunerations.
- D. Check the suitability of the organizational and administrative structure and focus on the internal control system.
- E. Recommend the General Assembly of Shareholders in its annual meeting about appointing; reappointing or fire the External Auditors based on the Audit Committee recommendations.

6. The Board Secretary:

Based on a Board resolution, Dr. Fatena Abdel Al Ahmed has been appointed as a Board Secretary, she has a PHD in the International Law from Ain-Shams University year 2000. Before being hired in this position, she worked in the Company as the Head of the Legal Department from 2003 until 2010.

The Board Secretary's main role is to develop a calendar of meetings at the beginning of the year and is in charge of the preparation of all meetings in coordination with the executive management. This calendar should be presented to the chairman of Board of Directors for approval. Minutes of meetings should be saved physically and digitally.

Additionally, the Board Secretary is tasked with sending invitations to the Board Members, responding to their queries, ensuring that the minutes of meetings are recording and sent for the Board Members revision and approval.

7. The Board Committees:

The Board of Directors has four main Committees, they are working to increase the effectiveness of the decision making process, these Committees are the Executive Committee, the Audit and Risk Management Committee, the Remunerations and Nominations Committee and the Corporate Governance Committee.

Each Committee has a charter approved by the Board of Directors, it clarifies its responsibilities, duties and authorities, each charter is complying with the rules of the Corporate Governance manual.

A. The Executive Committee:

Formed in April 2007, this Committee takes all the operational decisions which come within its competences, recommends the Board of Directors about the operational and strategic issues which are beyond its authorities, monitors the Management implementation of the Company strategies and investments plans, and evaluate the management performance. The committee convened 6 times in 2016 whereby it endorsed lot of projects related

to operational contracts. Additionally, the committee updated the agreement to best fit the operational process requirements and according to the corporate governance's principle.

The Committee Members:

- 1- Sh. Saud bin Nasser Al Thani - Chairman
- 2- Mr. Bader Nasser Al-Humaidi - Member
- 3- Sh. Nasser bin Hamad Al Thani - Member

B. The Audit and Risk Management Committee:

Formed in April 2007, this Committee reviews the internal and external audit processes and makes reports about the audit related issues, helps the Board to handle his supervision responsibilities and issues the recommendations about the financial policies and appointing auditors.

The committee held four meetings in the 2016 fiscal year whereby it revised its reports and issued a recommendation to hire external and independent auditors as per the internal policies of the company. The committee has also approved external auditors reports before sharing it with the board of directors in addition to updating the charter to align it with CMA requirements.

The Committee Members:

- 1- Mr. Abdul Aziz Fakhroo - Chairman
- 2- Mr. Fahad Othman Al-Saeed - Member
- 3- Mr. Youssef Mohamed Al-Sumait - Member

C. The Nominations and Remunerations Committee:

Formed in September 2014, the Committee appoints and evaluates the Executive management performance and puts the Human Resources Policies, and helps the Board to do his tasks and responsibilities regarding nominating and appointing the Board Members and deciding their remunerations and the Executive Management bonuses.

The committee convened 5 meetings in 2016, where it set the key performance indicators for the management and approved the staff's annual bonuses.

The Committee Members:

- 1- Sh. Saud bin Nasser Al Thani - Chairman
- 2- Mr. Fahad Othman Al-Saeed - Member
- 3- Mr. Ahmed Ali Al Mohannadi - Member

D. The Corporate Governance Committee:

Formed in February 2014, this Committee monitors the Company's commitment with the Corporate Governance rules, puts the policies and regulations that the Management will follow in accordance with the laws and regulations, helps the Board to carry out its responsibilities in issuing the policies as well as monitoring the Company's performance in this regard. The committee held one meeting in 2016.

The Committee Members:

- 1- Mr. Bader Al-Humaidi - Chairman
- 2- Mr. Yousuf Al-Sumait - Member
- 3- Mr. AbdulAziz Ibrahim Fakhroo - Member

8. The Capital Structure:

The authorized, approved and totally paid capital as of the 31st of December 2016 is 504,033 thousands share (in 2014: 504,033 Thousands shares) in the value of 100 Fils per share which had been paid cash.

9. The Internal Audit Objectives:

The Internal Audit Department monitors the performance of the Executive Management, reviews the quarterly financial reports and provides consultancy services to the Executive Management to ensure that they are doing their responsibilities in accordance with the applicable standards, under the supervision of the Audit and Risk Management Committee. To grant the transparency and credibility, the Internal Audit Department investigates any matter or violation that any of the Management staff may commit, and according to a process, the results will be submitted to the Executive Management to take the appropriate action.

10. Risk Management:

Risk Management Department is tasked with implementing the strategy and policy of risk management across the organization, and preparing reports with details about risks facing the company to be shared with the Audit and Risk Management Committee, which in turn shares these reports once approved with the Board of Directors. People working in the Risk Management Department are independent and have substantial expertise to help them with performing their tasks.

11. The Shareholders Rights:

Ooredoo keeps the Shareholders' list in accordance with Article No. (8.1) Resolution No. (48) Year 2015 issued by the Capital Markets Authority Commissioners, and any shareholder may see this list and get all the related information.

The Company keeps open and transparent communications channels with the Shareholders, and regularly releases the information through the website and other media channels.

12. Availability of Information:

The Company provides the right for all Shareholders to have visibility on all related information and releases through its website and the annual reports which are available to all the Shareholders, in addition to allowing them to get all the information about the Board Members and their qualifications, their shares, their membership or chairmanship in other companies and the information about the Executive Management. All these information are available to the stakeholders.

13. Disclosure Requirements:

The Company is committed to all the disclosing requirements and issues all the financial and audit reports accurately and transparently, including the financial statements and special releases.

The management confirms that all the provided statements are accurate, true and non-misleading. And all the annual financial reports are according to the international applicable standards.

14. Stakeholders:

The company acknowledges its stakeholders and strives to protect and ensure good relations with them, all in accordance to its policies which values the secrecy of their personal information.

15. Fair Treatment and Voting Rights:

Every Shareholder has the right to attend the General Meetings of the Shareholders, to vote for all the decisions and to document his reservations or objections about any decision, in accordance with the Commercial Companies Law.

16. The Policy of Cash Dividends:

Regarding the cash dividends policy, it is decided based on the achieved profits and according to the Board recommendation after the approval of the Annual General Meeting of Shareholders.

17. Company Employees:

The Company has a number of Employees of different experiences and qualifications. Their tasks,

responsibilities and rights are defined in the Human Resources Policy, which is based on the Private Sector Labor Law.

18. Code of Conduct:

The Code of Conduct establishes policies and procedures that are intended to guide employees in the performance of their duties and responsibilities and ensure compliance with the Company's commitment to ethical and lawful conduct, as per the Private Sector Labor Law.

19. Social Responsibility:

Ooredoo is committed, in alignment with its core values, towards the social and economic needs of the community in which it operates. The company sets its annual strategy with transparency, and involves its employees to raise their awareness about the importance of serving the community.

20. Enhancing Expertise and Skills:

The Board of Directors works continuously to enhance its expertise and leadership skills. The Board worked with a number of consultants and training institutes to receive training about corporate governance.

**NATIONAL MOBILE TELECOMMUNICATIONS
COMPANY K.S.C.P. AND SUBSIDIARIES**



Consolidated Financial Statements and Independent Auditors' Report
for the year ended 31 December 2016

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS

**National Mobile Telecommunications Company K.S.C.P.
Kuwait**

Report on the Audit Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of National Mobile Telecommunications Company K.S.C.P. ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2016, and the consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2016, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("the IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

a. Revenue

There is an inherent risk around the accuracy of revenue recorded due to the complexity of Information

Technology ("IT") environment in which billing, rating and other relevant support systems reside; changes to tariff plans and multiple element contracts with customers, which impact timing and recognition of revenue. Due to this complexity, we have identified the revenue recognition as a key audit matter.

The accounting policies for revenue recognition for the different revenue streams are set out in note 2 (r) to the consolidated financial statements.

Our audit procedures include assessment of the design and operating effectiveness of internal controls over the IT environment in which rating, billing and other relevant support system reside, change control procedures in place around those systems that bill and record material revenue streams. Our audit procedures also included the reconciliation of the revenue generated from online charging system and billing system to the general ledger and the test of details of revenue recorded.

b. Impairment of goodwill and intangible assets

As at 31 December 2016, the goodwill and intangible assets are carried at KD 437,625 thousand. The impairment test of goodwill and intangible assets performed by the management are significant to our audit as the assessment of the recoverable amount of goodwill and intangible assets under the value-in-use basis is complex and requires considerable judgement on the part of management. Estimates of future cash flows are based on management's views of variables such as the growth in the telecom sector, economic conditions such as the economic growth and expected inflation rates and yield. Therefore, we identified the impairment testing of goodwill and intangible assets as a key audit matter.

We tested the key assumptions forming the Group's value-in-use calculation including the cash flow projections and discount rate. We have also involved our valuation specialists in these audit procedures. We have assessed the historical accuracy of management's estimates, evaluation and testing the assumptions, methodologies, the discount rate and data used by the Group, for example, by comparing them to external data. We assessed the discount rate, terminal growth rate and the appropriateness of the valuation model used. Additionally, we have analysed the sensitivities such as the impact on the headroom if the growth rate would be decreased or the discount rate would be increased. We also assessed the adequacy of the Group's disclosures included in note 5 of the consolidated financial statements about those assumptions to which the outcome of the impairment test is more sensitive. The Group's policy on assessing impairment of these items is given in note 2(k) of the consolidated financial statements.

Other information

Management is responsible for the other information. Other information comprises the information included in the Group's 2016 Annual Report, other than the consolidated financial statements and our auditors' report thereon.

Prior to the date of this auditors' report, we obtained the Board of Directors' report which forms part of the annual report and the remaining sections of the annual report are expected to be made available to us after that date.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on other information that we have obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those Charged with Governance are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including

the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate to Those Charged with Governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

From the matters communicated to Those Charged with Governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

We further report that we have obtained the information and explanations that we required for the purpose of our audit and the consolidated financial statements include the information required by the Companies Law No. 1 of 2016 and its Executive Regulations and the Company's Memorandum of Incorporation and Articles of Association, as amended. In our opinion, proper books of account have been kept by the Company, an inventory count was carried out in accordance with recognized procedures and the accounting information given in the board of directors' report agrees with the books of accounts of the Company. We have not become aware of any violations of the provisions of the Companies Law No. 1 of 2016 and its Executive Regulations, or of the Company's Memorandum of Incorporation and Articles of Association, as amended, during the year ended 31 December 2016 that might have had a material effect on the business of the Group or on its consolidated financial position.



Safi A. Al-Mutawa
License No 138 "A"
of KPMG Safi Al-Mutawa & Partners
Member firm of KPMG International



Bader A. Al-Wazzan
License No. 62A
Deloitte & Touche
Al-Wazzan & Co.

Kuwait
21 February 2017

Consolidated Statement of financial position

As at 31 December 2016

	Note	2016 KD 000's	2015 KD 000's
ASSETS			
Non-current assets			
Property and equipment	4	636,145	660,803
Intangible assets and goodwill	5	437,625	453,205
Available for sale financial assets	6	6,250	6,438
Deferred tax asset	7	19,607	2,046
Other non-current assets		1,301	295
		<u>1,100,928</u>	<u>1,122,787</u>
Current assets			
Inventories		18,257	34,874
Trade and other receivables	8	139,657	135,465
Bank balances and cash	9	130,557	114,428
		<u>288,471</u>	<u>284,767</u>
Total assets		<u>1,389,399</u>	<u>1,407,554</u>
EQUITY AND LIABILITIES			
EQUITY			
Share capital	10	50,403	50,403
Treasury shares	10	(3,598)	(3,598)
Foreign currency translation reserve		(218,122)	(179,075)
Other reserves	10	234,674	229,741
Retained earnings		579,566	589,815
Equity attributable to shareholders of the company		<u>642,923</u>	<u>687,286</u>
Non-controlling interests		115,236	102,607
Total equity		<u>758,159</u>	<u>789,893</u>
LIABILITIES			
Non-current liabilities			
Long term debts	11	120,545	126,775
Provision for staff indemnity		8,536	6,224
Other non-current liabilities		19,015	18,915
		<u>148,096</u>	<u>151,914</u>
Current liabilities			
Trade and other payables	12	367,018	355,628
Deferred income		43,904	42,422
Income tax payable		10,019	720
Long term debts	11	62,203	66,977
		<u>483,144</u>	<u>465,747</u>
Total liabilities		<u>631,240</u>	<u>617,661</u>
Total equity and liabilities		<u>1,389,399</u>	<u>1,407,554</u>



Saud Bin Nasser Al Thani
Chairman

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مكتب الرئيس Chairman Office

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

Consolidated statement of profit or loss

For the year ended 31 December 2016

	Note	2016 KD 000's	2015 KD 000's
Revenue		706,841	718,418
Operating expenses		(301,587)	(286,006)
Selling, general and administrative expenses		(184,131)	(199,730)
Finance costs – net	13	(10,322)	(12,288)
Depreciation and amortisation	4 & 5	(144,663)	(144,943)
Other income / (expenses) - net	14	6,047	(10,033)
Impairment loss		(134)	(16,708)
Profit before provision for Directors' remuneration, provision for contribution to Kuwait Foundation for the Advancement of Sciences ("KFAS"), National Labour Support Tax ("NLST"), Zakat and taxation		72,051	48,710
Provision for Directors' remuneration		(600)	(782)
Provision for contribution to KFAS, NLST and Zakat	16	(2,436)	(1,179)
Profit before taxation		69,015	46,749
Taxation related to subsidiaries	7	1,632	(12,404)
Profit for the year		70,647	34,345
Attributable to:			
Shareholders of the Company		46,668	26,671
Non-controlling interests		23,979	7,674
		70,647	34,345
Basic and diluted earnings per share (fils)	17	93	53

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

Consolidated Statement of comprehensive income

For the year ended 31 December 2016

	2016 KD 000's	2015 KD 000's
Profit for the year	70,647	34,345
Other comprehensive income		
<i>Items that are or may be reclassified subsequently to the consolidated statement of profit or loss</i>		
Change in fair value of available for sale financial assets	(172)	(563)
Net loss on sale of available for sale financial assets transferred to the consolidated statement of profit or loss (note 14)	-	4
Impairment loss (note 6)	134	-
Exchange difference transferred to consolidated statement of profit or loss	(2)	-
Exchange differences arising on translation of foreign operations and fair value reserve	(44,329)	(51,196)
<i>Total items that are or may be reclassified subsequently to the consolidated statement of profit or loss</i>	(44,369)	(51,755)
Other comprehensive loss for the year	(44,369)	(51,755)
Total comprehensive (loss) / income for the year	26,278	(17,410)
Attributable to:		
Shareholders of the Company	7,583	(14,574)
Non-controlling interests	18,695	(2,836)
	26,278	(17,410)

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

Consolidated Statement of changes in equity

For the year ended 31 December 2016

	Share capital	Treasury shares	Foreign currency translation reserve	Other reserves	Retained earnings (*)	Equity attributable to shareholders of the Company	Non-controlling interests	Total equity
	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's
Balance at 31 December 2014	<u>50,403</u>	<u>(3,598)</u>	<u>(138,389)</u>	<u>227,437</u>	<u>601,088</u>	<u>736,941</u>	<u>116,447</u>	<u>853,388</u>
Comprehensive income								
Profit for the year	-	-	-	-	26,671	26,671	7,674	34,345
Other comprehensive loss for the year	-	-	(40,686)	(559)	-	(41,245)	(10,510)	(51,755)
Total comprehensive loss for the year	-	-	(40,686)	(559)	26,671	(14,574)	(2,836)	(17,410)
Dividends (note 10)	-	-	-	-	(35,081)	(35,081)	(11,004)	(46,085)
Transfer to general reserve (note 10)	-	-	-	2,863	(2,863)	-	-	-
Balance at 31 December 2015	<u>50,403</u>	<u>(3,598)</u>	<u>(179,075)</u>	<u>229,741</u>	<u>589,815</u>	<u>687,286</u>	<u>102,607</u>	<u>789,893</u>
Comprehensive income								
Profit for the year	-	-	-	-	46,668	46,668	23,979	70,647
Other comprehensive loss for the year	-	-	(39,047)	(38)	-	(39,085)	(5,284)	(44,369)
Total comprehensive (loss) / profit for the year	-	-	(39,047)	(38)	46,668	7,583	18,695	26,278
Transfer to employee association fund	-	-	-	-	(1,830)	(1,830)	(610)	(2,440)
Dividends (note 10)	-	-	-	-	(50,116)	(50,116)	(5,456)	(55,572)
Transfer to general reserve (note 10)	-	-	-	4,971	(4,971)	-	-	-
Balance at 31 December 2016	<u>50,403</u>	<u>(3,598)</u>	<u>(218,122)</u>	<u>234,674</u>	<u>579,566</u>	<u>642,923</u>	<u>115,236</u>	<u>758,159</u>

* Included an amount of KD 2,975 thousand related to legal reserve for one of the subsidiaries, not available for distribution.

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

Consolidated Statement of cash flows

For the year ended 31 December 2016

	Note	2016 KD 000's	2015 KD 000's
Cash flows:			
Profit for the year		70,647	34,345
Adjustments for:			
Depreciation and amortisation	4&5	144,663	144,943
Dividend income	14	-	(1)
Finance income	13	(1,837)	(740)
Loss on sale of available for sale financial assets		-	4
Impairment loss	5	134	16,708
Provision for impairment of receivables	8	6,212	8,263
Taxation relating to subsidiaries	7	(1,632)	12,404
Loss / (gain) on disposal and write off of property and equipment and intangibles		61	(744)
Finance costs	13	12,159	13,028
Provision for KFAS, NLST and Zakat	16	2,436	1,179
Provision for staff indemnity		1,917	1,730
		<u>234,760</u>	<u>231,119</u>
Changes in:			
Trade and other receivables and other non-current assets		(6,193)	55,913
Inventories		17,002	(67)
Trade and other payables and other non-current liabilities		(4,579)	(100,472)
Cash generated from operating activities		<u>240,990</u>	<u>186,493</u>
Provision for staff indemnity paid		(479)	(1,132)
Net cash generated from operating activities		<u>240,511</u>	<u>185,361</u>
Cash flows from investing activities:			
Term deposits		37,050	(47,604)
Proceeds from sale of available for sale financial assets		-	41
Purchase of property and equipment	4	(113,826)	(135,109)
Proceeds from disposal of property and equipment		2,426	792
Purchase of intangible assets	5	(36,407)	(8,824)
Acquisition of subsidiary	25	(10,934)	-
Dividend income received		-	1
Finance income received		1,837	740
Net cash used in investing activities		<u>(119,854)</u>	<u>(189,963)</u>
Cash flows from financing activities:			
Finance costs paid		(12,159)	(13,028)
Dividends paid		(49,587)	(34,975)
Dividend paid by subsidiary to non-controlling interests		(4,332)	(15,035)
Payment to employee association fund		(2,440)	-
Net increase in long term debts		(21,584)	26,118
Net cash used in financing activities		<u>(90,102)</u>	<u>(36,920)</u>
Effect of foreign currency translation		<u>22,624</u>	<u>18,947</u>
Net change in cash and cash equivalents		<u>53,179</u>	<u>(22,575)</u>
Cash and cash equivalents at 1 January		59,782	82,357
Cash and cash equivalents at 31 December	9	<u>112,961</u>	<u>59,782</u>

1. Incorporation and activities

National Mobile Telecommunications Company K.S.C.P. ("the Company") is a Kuwaiti shareholding company incorporated by Amiri Decree on 10 October 1997. The Company and its subsidiaries (together referred to as "the Group") are engaged in the following:

- Purchase, supply, installation, management and maintenance of wireless sets and equipment, mobile telephone services, pager system and other telecommunication services;
- Import and export of sets, equipment and instruments necessary for the purposes of the Company;
- Purchase or hiring communication lines and facilities necessary for providing the Company's services in co-ordination with the services provided by the State, but without interference or conflict herewith;
- Purchase of manufacturing concessions directly related to the Company's services from manufacturers or producing them in Kuwait;
- Introduction or management of other services of similar nature and supplementary to telecommunications services with a view to upgrade such services or rendering them integrated;
- Conduct technical research relating to the Company's business in order to improve and upgrade the Company's services in co-operation with competent authorities within Kuwait and abroad;
- Purchase and holding of lands, construction and building of facilities required for achieving the Company's objectives;
- Purchase of all materials and machineries needed to undertake the Company's activities as well as their maintenance in all possible modern methods;
- Use of financial surplus available at the Company by investing the same in portfolios managed by specialized companies and parties as well as authorizing the board to undertake the same; and
- The Company may have interest or in any way participate with corporates and organizations which practice similar activities or which may assist it in achieving its objectives in Kuwait or abroad. It may acquire such corporates, or make them subsidiary.

The Company was registered in the commercial register on 10 May 1998 under registration number 73211.

The Company operates under a licence from the Ministry of Communications, State of Kuwait and elsewhere through subsidiaries in the Middle East and North Africa region and Maldives. The Company's shares were listed on the Boursa Kuwait in July 1999 and commercial operations began in December 1999.

The Company is a subsidiary of Ooredoo International Investment LLC ("Parent Company"), a subsidiary of Ooredoo Q.S.C. ("Ooredoo") ("Ultimate Parent Company"), which is a Qatari shareholding company listed on the Qatar Stock Exchange.

The address of the Company's registered office is Ooredoo Tower, Soor Street, Kuwait City, State of Kuwait, P.O.Box 613, Safat 13007, State of Kuwait.

The number of employees of the Company at 31 December 2016 was 550 (2015: 574).

These consolidated financial statements were approved for issue by the Board of Directors of the Company on 20 February 2017 and are subject to the approval of the Annual General Assembly of the shareholders which has the power to amend these consolidated financial statements.

Notes to the consolidated financial statements

For the year ended 31 December 2016

2. Basis of preparation and significant accounting policies

The principal accounting policies have been applied consistently by the Group and are consistent with those used in the previous year, with the exception of new accounting policies as set out in note 2 (c).

a. Basis of preparation

The consolidated financial statements are prepared on a historical cost basis, except for the measurement of the fair value of available for sale financial assets.

These consolidated financial statements are presented in Kuwaiti Dinars ("KD"), which is the Company's functional and presentation currency.

b. Statement of compliance

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") promulgated by the International Accounting Standards Board ("IASB"), interpretations issued by the International Financial Reporting Committee of the IASB and the relevant provisions of the Companies Law No. 1 of 2016 and its Executive Regulations and the Company's Memorandum of Incorporation and Articles of Association and Ministerial Order No. 18 of 1990.

The new Companies Law No. 1 of 2016 was issued on 24 January 2016 and was published in the Official Gazette on 1 February 2016, which cancelled the Companies Law No. 25 of 2012, and its amendments. According to Article No. 5, the new Law will be effective retrospectively from 26 of November 2012. The Minister of Commerce has issued the Executive Regulations of Law No. 1 of 2016 (by Ministerial Resolution No. 287 of 2016 issued on 12 July 2016) and cancelled the current Executive regulations of Company Law No. 25 of 2012. The new Executive Regulations are effective from 17 July 2016, date of publication in Kuwait Gazette. As per Article No. 21 of the new Executive Regulations, all companies have a grace period of 6 months from the date of publication of the Executive Regulation to comply with the new regulations.

c. Revised and newly issued IFRS adopted by the Group

The Group has adopted the following revised and newly issued IFRS effective for annual periods beginning on or after 1 January 2016:

Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)

The amendments to IAS 16 Property, Plant and Equipment explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. This is because such methods reflect factors other than the consumption of economic benefits embodied in the asset.

The amendments of IAS 38 Intangible Assets introduce a rebuttable presumption that the use of revenue based amortization methods of intangible assets is inappropriate.

This presumption can be overcome only when revenue and the consumption of the economic benefits of the intangible assets are 'highly correlated', or when the intangible asset is expressed as measure of revenue.

Notes to the consolidated financial statements

For the year ended 31 December 2016

2. Basis of preparation and significant accounting policies (continued)

c. Revised and newly issued IFRS adopted by the Group (continued)

Equity Method in Separate Financial Statements (Amendments to IAS 27)

The amendments allow the use of the equity method in separate financial statements, and apply to the accounting not only for associates and joint ventures, but also for subsidiaries.

Annual Improvements to IFRSs 2012–2014 Cycle – various standards

This new cycle improvements contains amendments to the following standards:

- IFRS 5 Non-Current Assets Held for Sale and Discontinued Operations - Change in method of disposal
- IFRS 7 Financial Instruments: Disclosures - Continuing involvement for servicing contracts and Offsetting disclosures in condensed interim financial statements
- IAS 19 Employee Benefits - Discount rate in a regional market sharing the same currency
- IAS 34 Interim Financial Reporting - Disclosure of information 'elsewhere in the interim financial report'

Disclosure Initiative (Amendments to IAS 1)

These narrow-scope amendments are effective for periods beginning on or after 1 January 2016. But the amendments do not require any significant change to current practice. Only by keeping the bigger picture in mind, and avoiding a boilerplate, checklist approach to financial statement disclosures, can preparers achieve the improved reporting sought by these clarifications.

The implementation of the above amendments of the standards had no significant financial impact on the consolidated financial statements.

d. Standards issued but not yet effective

Standards issued but not yet effective up to the date of issuance of the Group's financial statements are listed below. The Group intends to adopt those standards when they become effective.

Disclosure Initiative (Amendments to IAS 7)

IAS 7 Statement of Cash Flows has been amended as part of the IASB's broader disclosure initiative to improve presentation and disclosure in financial statements. The amendments are effective for periods beginning on or after 1 January 2017, with earlier application permitted.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 specifies how and when an entity recognises revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers. The standard was issued in May 2014 and applies to annual financial statements beginning on or after 1 January

Notes to the consolidated financial statements

For the year ended 31 December 2016

2. Basis of preparation and significant accounting policies (continued)

d. Standards issued but not yet effective (continued)

2018. The Group is in the process of evaluating the effect of IFRS 15 on the Group, when adopted.

IFRS 9 Financial Instruments

IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the Company's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39.

For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. The standard is effective for accounting periods beginning on or after 1 January 2018. The Group is in the process of quantifying the impact of this standard on the Group's financial statements, when adopted.

Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)

The amendments cover three accounting areas:

- measurement of cash-settled share-based payments;
- classification of share-based payments settled net of tax withholdings; and
- accounting for a modification of a share-based payment from cash-settled to equity settled.

The new requirements could affect the classification and / or measurement of these arrangements and potentially the timing and amount of expense recognised for new and outstanding awards.

IFRS 16 Leases

IFRS 16 eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. Lessor accounting remains similar to current practice – i.e. lessors continue to classify leases as finance and operating leases. This standard takes effect in January 2019.

Notes to the consolidated financial statements

For the year ended 31 December 2016

2. Basis of preparation and significant accounting policies (continued)

e. Basis of consolidation

These consolidated financial statements include the financial statements of the Company and its subsidiaries (note 15).

Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Inter-company transactions, balances, income and expenses on transactions between Group companies are eliminated. Profits and losses resulting from inter-company transactions are also eliminated. Accounting policies of subsidiaries have been changed, where necessary, to ensure consistency with the policies adopted by the Group.

Non-controlling interests represent the net assets (excluding goodwill) of consolidated subsidiaries not attributable directly, or indirectly, to the equity holders of the Company. Equity and net income attributable to non-controlling interests are shown separately in the consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and consolidated statement of changes in equity.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

Loss of control

On the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in consolidated statement of profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted or as an available for sale financial asset depending on the level of influence retained.

Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. The Group controls an entity when it is exposed to, or has the right to, variable returns from its involvement with the entity and has the ability to affect those returns through its powers over the entity.

The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement.

Notes to the consolidated financial statements

For the year ended 31 December 2016

2. Basis of preparation and significant accounting policies (continued)

e. Basis of consolidation (continued)

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the result is negative, a bargain purchase gain is recognised immediately in the consolidated statement of profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts generally are recognised in the consolidated statement of profit or loss.

Transactions costs, other than those associated with the issue of debt or equity securities that the Group incurs in connection with a business combination, are expensed as incurred. If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through the consolidated statement of profit or loss.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in the consolidated statement of profit or loss or in the consolidated statement of comprehensive income.

If share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards) and relate to past services, then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared with the market-based value of the acquiree's awards and the extent to which the replacement awards relate to past and/or future service.

Acquisitions of non-controlling interests

The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis at fair value. Transactions with non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognised as a result. Adjustments to non-controlling interests arising from transactions that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary.

Notes to the consolidated financial statements

For the year ended 31 December 2016

2. Basis of preparation and significant accounting policies (continued)

f. Foreign currency

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Kuwaiti Dinars (KD), which is the Group's presentation currency, rounded off to the nearest thousand.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of profit or loss.

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in the consolidated statement of profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets, such as equities classified as available for sale, are included in other comprehensive income.

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Kuwaiti Dinar at exchange rates prevailing at the reporting date. Income and expenses for each statement of profit or loss are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in this case income and expenses are translated at the rate on the dates of the transactions).

Foreign currency differences are recognized in the consolidated statement of comprehensive income and presented in the foreign currency translation reserve in the consolidated statement of changes in equity. However, if the foreign operation is a non-wholly owned subsidiary, then the relevant portion of the translation difference is allocated to non-controlling interests. When a foreign operation is disposed of such control, significant influence or joint control is lost, the cumulative amount in the foreign currency translation reserve related to that foreign operation is reclassified to the consolidated statement of profit or loss as part of the gain or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests.

Notes to the consolidated financial statements

For the year ended 31 December 2016

2. Basis of preparation and significant accounting policies (continued)

f. Foreign currency (continued)

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign currency gains and losses arising from such item are considered to form part of a net investment in the foreign operation and are recognised in the consolidated statement of comprehensive income, and presented in foreign currency translation reserve in the consolidated statement of changes in equity.

g. Financial instruments

i. Non-derivative financial assets

The Group initially recognises loans and receivables on the date that they are originated. All other financial assets are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

The Group classifies non-derivative financial assets into the following categories:

- loans and receivables; and
- available for sale financial assets

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise of cash and cash equivalents and trade and other receivables.

Cash and cash equivalents

Cash and cash equivalents comprise of cash balances and deposits with original maturities of three months or less from the date of placement less bank overdrafts. The deposits are subject to an insignificant risk of changes in their fair value and are used by the Group in the management of its short-term commitments.

Available for sale financial assets

Available for sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified in any of other categories of financial assets.

Available for sale financial assets are recognised initially at fair value plus any directly attributable transaction costs.

Notes to the consolidated financial statements

For the year ended 31 December 2016

2. Basis of preparation and significant accounting policies (continued)

g. Financial instruments (continued)

Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses are recognised in other comprehensive income and presented in the fair value reserve in the consolidated statement of changes in equity. When an investment is derecognised, the gain or loss accumulated in the consolidated statement of changes in equity is reclassified to the consolidated statement of profit or loss.

Available for sale financial assets comprise of equity securities and debt securities.

ii. Non-derivative financial liabilities

The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities are recognised initially at the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities comprise of trade and other payables, term debts and other non-current liabilities.

Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less from the financial position date (or in the normal operating cycle of the business if longer), otherwise, they are presented as non-current liabilities.

Offsetting

Financial assets and liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions.

Notes to the consolidated financial statements

For the year ended 31 December 2016

2. Basis of preparation and significant accounting policies (continued)

h. Inventories

Inventories are stated at the lower of purchase cost and net realisable value using the weighted average method after making allowance for any slow moving and obsolete items. Purchase cost includes the purchase price, import duties, transportation, handling and other direct costs except for borrowing costs. Net realisable value represents the estimated selling price less all estimated selling costs.

i. Property and equipment

Property and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Cost includes the purchase price and directly associated costs of bringing the asset to a working condition for its intended use and capitalised borrowing cost.

Depreciation is calculated based on the estimated useful lives of the applicable assets (note 4) on a straightline basis commencing when the assets are ready for their intended use.

Property and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset and the lease term.

The estimated useful lives, residual values and depreciation methods are reviewed at each reporting date, with the effect of any changes in estimate accounted for on prospective basis.

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Group. Ongoing repair and maintenance are expensed as incurred.

Any gain or loss on disposal of an item of property and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in the consolidated statement of profit or loss.

Notes to the consolidated financial statements

For the year ended 31 December 2016

2. Basis of preparation and significant accounting policies (continued)

j. Leases

Leased assets

Leases in terms of which the Group assumes substantially all of the risks and rewards of ownership are classified as finance leases. On initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Operating leases are not recognised in the Group's statement of financial position. Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Lease payments

Payments made under operating leases are recognised in the consolidated statement of profit or loss on a straight line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant rate of interest on the remaining balance of the liability.

At inception of an arrangement, the Group determines whether such an arrangement is or contains a lease. This will be the case if the following two criteria are met:

- the fulfilment of the arrangement is dependent on the use of a specific asset or assets; and
- the arrangement contains a right to use the asset(s).

At inception or on reassessment of the arrangement, the Group separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values.

If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance cost on the liability is recognised using the Group's incremental borrowing rate.

Notes to the consolidated financial statements

For the year ended 31 December 2016

2. Basis of preparation and significant accounting policies (continued)

k. Intangible assets

Identifiable non-monetary assets without physical substance acquired in connection with the business and from which future benefits are expected to flow are treated as intangible assets. Intangible assets consist of telecom license fees paid by the subsidiaries, brand name, customer relationships, concession arrangements, softwares and goodwill arising on the acquisition of subsidiaries. Intangible assets with definite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses. Cost includes the purchase cost and directly associated costs of being the asset for its intended use.

The telecom license fee, brand name, customer relationships and concession intangible assets are being amortised on a straight-line basis over their useful lives. The estimated useful lives and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Goodwill is not amortised, but is reviewed for impairment at least annually. Any impairment loss is recognised immediately in the consolidated statement of profit or loss and is not subsequently reversed. On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Amortization is calculated based on the estimated useful lives of the applicable intangible assets on a straightline basis (note 5).

l. Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

m. Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's consolidated financial statements in the period in which the dividends are approved by the Company's shareholders.

Notes to the consolidated financial statements

For the year ended 31 December 2016

2. Basis of preparation and significant accounting policies (continued)

n. Impairment

i. *Non-derivative financial assets*

A financial asset not classified as at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that loss event(s) had an impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in available for sale equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

Financial assets measured at amortised cost

The Group considers evidence of impairment for financial assets measured at amortised cost (loans and receivables) at both a specific asset and collective level. All individually significant assets are assessed for specific impairment.

Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in the consolidated statement of profit or loss and reflected in an allowance account against loans and receivables.

Interest on the impaired asset continues to be recognised. When an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the consolidated statement of profit or loss.

Available for sale financial assets

Impairment losses on available for sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve in equity to the consolidated statement of profit or loss.

Notes to the consolidated financial statements

For the year ended 31 December 2016

2. Basis of preparation and significant accounting policies (continued)

n. Impairment (continued)

The cumulative loss that is reclassified from the consolidated statement of changes in equity to the consolidated statement of profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss recognised previously in the consolidated statement of profit or loss. Changes in cumulative impairment losses attributable to application of the effective interest method are reflected as a component of interest income. If, in a subsequent period, the fair value of an impaired available for sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed, with the amount of the reversal recognised in the consolidated statement of profit or loss. However, any subsequent recovery in the fair value of an impaired available for sale equity security is recognised in the other comprehensive income.

ii. Non-financial assets

The carrying amounts of the Group's non-financial assets other than deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment. An impairment loss is recognised if the carrying amount of an asset or cash-generating unit (CGU) exceeds its recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to the present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Subject to an operating segment ceiling test, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups at CGUs that are expected to benefit from the synergies of the combination.

Impairment losses are recognised in the consolidated statement of profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro-rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Notes to the consolidated financial statements

For the year ended 31 December 2016

2. Basis of preparation and significant accounting policies (continued)

o. Term debt

Term debt is recognised initially at fair value, net of transaction costs incurred. Term debt is subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated statement of profit or loss over the period of the debt using the effective interest method.

p. Provision for staff indemnity

The provision for staff indemnity is payable on completion of employment. The provision is calculated in accordance with applicable labour law based on employees' salaries and accumulated periods of service or on the basis of employment contracts, where such contracts provide extra benefits.

With respect to its Kuwaiti employees, the Group makes contributions to Public Institution for Social Security calculated as a percentage of the employees' salaries. The Group's obligations are limited to these contributions, which are expensed when due. The Group expects this method to produce a reliable approximation of the present value of the obligations.

q. Treasury shares

Treasury shares consist of the Company's own shares that have been issued, subsequently reacquired and not yet reissued or cancelled. Treasury shares are accounted for using the cost method. Under the cost method, the weighted average cost of the shares reacquired is charged to a contra account in the consolidated statement of changes in equity. When treasury shares are reissued, gains are credited to a separate account in the consolidated statement of changes in equity, which is not distributable.

Any realised losses are charged to the same account to the extent of the credit balance on that account. Any excess losses are charged to retained earnings then to reserves. Gains realised subsequently on the sale of treasury shares are first used to offset any previously recorded losses in the order of reserves, retained earnings and the gain on sale of treasury shares account. No cash dividends are paid on these shares. The issue of bonus shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

r. Revenue recognition

Revenue represents the fair value of the consideration received or receivable for communication services and equipment sales net of discounts and sales tax. Revenue from rendering of services and sale of equipment is recognised when it is probable that the economic benefits associated with the transaction shall flow to the Group and the amount of revenue and the associated costs can be reliably measured.

The Group principally obtains revenue from providing telecommunication services comprising access charges, airtime usage, messaging, interconnect fee, data services and infrastructure provision, connection fees, equipment sales and other related services.

Notes to the consolidated financial statements

For the year ended 31 December 2016

2. Basis of preparation and significant accounting policies (continued)

r. Revenue recognition (continued)

The specific revenue recognition criteria applied to significant elements of revenue is set out below:

Revenue from rendering of services

Revenue from access charges, airtime usage and messaging by contract customers is recognised as revenue when services are performed with unbilled revenue resulting from services already provided accrued at the end of each period and unearned revenue from services to be provided in future periods deferred.

Revenue arising from separable installation and connection services is recognised when it is earned. Subscription fee is recognised as revenue as the services are provided.

Interconnection, roaming and post-paid revenue

Revenue from interconnection and roaming services provided to other telecom operators, as well as post-paid services provided to subscribers are generally billed on a monthly basis and are recognised based on actual usage, applying contractual rates, net of estimated discounts.

Sales of prepaid cards

Sale of prepaid cards is recognised as revenue based on the actual utilisation of the prepaid cards sold. Sales relating to unutilised prepaid cards are accounted for as deferred income. Deferred income related to unused prepaid cards is recognised as revenue when utilised by the customer or upon termination of the customer relationship.

Sales of equipment

Revenue from sales of peripheral and other equipment is recognised when the significant risks and rewards of ownership are transferred to the buyer which is normally when the equipment is delivered and accepted by the customer.

Multiple element arrangements

In revenue arrangements including more than one deliverable that have value to a customer on standalone basis, the arrangement consideration is allocated to each deliverable based on the consideration received from the individual elements. The cost of elements are immediately recognised in profit or loss.

Other income

Other income represents income generated by the Group that arises from activities outside of the provision for communication services and equipment sales. Key components of other income are:

- Interest income

Interest income is recognised on an accrual basis using effective interest rate method.

- Dividend income

Dividend income is recognised when the Group's right to receive dividend is established.

Notes to the consolidated financial statements

For the year ended 31 December 2016

2. Basis of preparation and significant accounting policies (continued)

s. Customer loyalty program

The Group has implemented a customer loyalty program, whereby the subscribers may earn loyalty points that are redeemable in the form of discounts against the purchase price of handsets or credits for free service usage as well as vouchers to be utilised at third parties. The Group records the loyalty program in accordance with IFRIC 13 since the inception of the program, and therefore maintains a deferred revenue balance for the fair value of loyalty points earned and not yet redeemed.

Deferred revenue is released to revenue when loyalty points are redeemed or when it is no longer considered probable that the loyalty points will be redeemed.

t. Taxation

Certain subsidiaries are subject to taxes on income in various foreign jurisdictions. Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the financial position date.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements of the relevant subsidiaries and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the financial position date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the

Notes to the consolidated financial statements

For the year ended 31 December 2016

2. Basis of preparation and significant accounting policies (continued)

t. Taxation (continued)

Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

u. Zakat, KFAS and NLST

Zakat, contribution to Kuwait Foundation for the Advancement of Sciences (KFAS) and National Labour Support Tax (NLST) represent levies/taxes imposed on the Company at the flat percentage of net profits attributable to the Company less permitted deductions under the prevalent respective fiscal regulations of the State of Kuwait.

Tax / statutory levy	Rate
Contribution to KFAS	1.0% of net profit less permitted deductions
NLST	2.5% of net profit less permitted deductions
Zakat	1.0% of net profit less permitted deductions

v. Finance costs

Finance costs representing interest expense on interest-bearing financial liabilities are calculated on an accrual basis and are recognised in the consolidated statement of profit or loss in the period in which they are incurred.

w. Contingencies

Contingent liabilities are not recognised in the consolidated statement of financial position, but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are not recognised in the consolidated statement of financial position, but are disclosed when an inflow of economic benefits is probable.

Notes to the consolidated financial statements

For the year ended 31 December 2016

3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 2, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Classification of investments

On acquisition of an investment, the Group decides whether it should be classified as "financial assets at fair value through profit or loss" or "available for sale". The Group follows the guidance of IAS 39 on classifying its investments.

Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair values.

The valuation team of ultimate parent company regularly reviews significant unobservable inputs and valuation adjustments. If the third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on inputs used in the valuation techniques (refer note 23).

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Notes to the consolidated financial statements

For the year ended 31 December 2016

3. Critical accounting judgements and key sources of estimation uncertainty (continued) **Critical judgements in applying accounting policies (Continued)**

Impairment of investments

The Group treats available for sale financial assets as impaired when there has been a significant or prolonged decline in the fair value below its cost. The determination of what is "significant" or "prolonged" requires judgement. In addition, the Group also evaluates among other factors, normal volatility in the share price for quoted investments and the future cash flows and discount factors for unquoted investments.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year

Fair value of unquoted equity investments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. The Group uses different valuation techniques for various available for sale financial assets that are not traded in active markets.

Impairment of non-financial assets and useful lives

The Group's management tests annually whether non-financial assets have suffered impairment in accordance with the accounting policies stated in note 2. The recoverable amount of an asset is determined based on value-in-use method. This method uses estimated cash flow projections over the estimated useful life of the asset discounted using market rates.

The Group's management determines the useful lives and the related depreciation and amortisation charge.

The depreciation and amortisation charge for the year will change significantly if actual life is different from the estimated useful life of the asset.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

The cash flows are derived from the budget for the next 10 years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset base of the cash generating unit being tested, but do include the Group's expectation of future capital expenditure necessary to maintain the Group's existing operations. The input factors most sensitive to change are management estimates of future cash flows based on budgets, growth rates and discount rate. Further details on these assumptions are disclosed in note 5 along with the related sensitivities.

Notes to the consolidated financial statements

For the year ended 31 December 2016

3. Critical accounting judgements and key sources of estimation uncertainty (continued) **Key sources of estimation uncertainty (continued)**

Impairment of receivables

The impairment charge reflects estimates of losses arising from the failure or inability of the parties concerned to make the required payments.

At the date of financial position, gross trade and billing and other receivables were KD 159,987 thousand (2015: KD 141,132 thousand), and the allowance for doubtful debts was KD 60,414 thousand (2015: KD 52,691 thousand). Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the consolidated statement of profit or loss.

Impairment of inventories

Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on historical selling prices. As at the reporting date, gross inventory was KD 24,789 thousand (2015: KD 35,754 thousand) and provision for obsolete inventory items was KD 6,532 thousand (2015: KD 880 thousand).

Deferred tax

The Group is subject to income taxes in various jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Were the actual final outcome (on the judgement areas) of expected cash flows to differ by 10% from management's estimates, the Group would need to increase the income tax liability by 1,607 KD thousand (2015: KD 1,188 thousand) and the deferred tax asset by KD 1,771 thousand (2015: KD 53 thousand) if unfavorable or decrease the income tax liability by KD 1,607 thousand (2015: KD 1,188 thousand) and the deferred tax asset by KD 1,771 thousand (2015: KD 53 thousand), if favorable.

Notes to the consolidated financial statements

For the year ended 31 December 2016

4. Property and equipment

	Land and buildings KD 000's	Exchange and network assets KD 000's	Subscriber apparatus and other equipment KD 000's	Capital work-in progress KD 000's	Total KD 000's
Cost					
Balance at 1 January 2015	62,437	997,902	120,546	93,987	1,274,872
Transfers	414	35,636	2,275	(38,970)	(645)
Additions	3,906	85,962	8,854	36,387	135,109
Disposals	(7)	(33,308)	(550)	(1)	(33,866)
Currency translation effects	(3,745)	(84,782)	(5,614)	(10,206)	(104,347)
Balance at 31 December 2015	63,005	1,001,410	125,511	81,197	1,271,123
Acquisition of Subsidiary (note 25)	-	15,007	2,727	-	17,734
Transfers	411	48,517	3,597	(54,345)	(1,820)
Additions	924	41,302	7,236	64,364	113,826
Disposals	(87)	(12,508)	(481)	(1,535)	(14,611)
Currency translation effects	(1,218)	(37,601)	(2,792)	(2,563)	(44,174)
Balance at 31 December 2016	63,035	1,056,127	135,798	87,118	1,342,078
Accumulated depreciation and impairment					
Balance at 1 January 2015	16,389	481,874	79,439	-	577,702
Transfers	-	(1)	-	-	(1)
Charge for the year	4,421	96,783	13,883	-	115,087
Related to disposals	(9)	(32,932)	(534)	-	(33,475)
Impairment loss	-	136	-	-	136
Currency translation effects	(1,771)	(43,043)	(4,315)	-	(49,129)
Balance at 31 December 2015	19,030	502,817	88,473	-	610,320
Acquisition Of Subsidiary (note 25)	-	12,483	2,208	-	14,691
Transfers	(9)	(223)	206	-	(26)
Charge for the year	4,285	99,339	14,127	-	117,751
Related to disposals	(101)	(11,636)	(387)	-	(12,124)
Currency translation effects	(660)	(21,859)	(2,160)	-	(24,679)
Balance at 31 December 2016	22,545	580,921	102,467	-	705,933
Carrying amounts:					
At 31 December 2015	43,975	498,593	37,038	81,197	660,803
At 31 December 2016	40,490	475,206	33,331	87,118	636,145
Annual depreciation rates	12.5% - 16.67%	5% - 15%	12.5% - 33.33%		

Notes to the consolidated financial statements

For the year ended 31 December 2016

4. Property and equipment (continued)

Property and equipment of Wataniya Palestine Mobile Telecom Limited (WPT) totalling to KD 14,167 thousand are under registered mortgage to secure certain bank loans (2015: KD 18,827 thousand) (note 11).

Certain assets classified under leasehold land, furniture, fixtures and others amounting to KD 90 thousand (2015: KD 206 thousand) were acquired under finance lease agreements for which the current portion of the respective obligations amounting to KD 56 thousand (2015: KD 164 thousand) is included under trade and other payables and the non-current portion from 1 to 5 years amounting to KD 34 thousand (2015: KD 42 thousand) is included under non-current liabilities. In addition, the Group is upgrading its networks in several locations for which part of the related assets are included within inventories pending the transfer to capital work in progress.

Notes to the consolidated financial statements

For the year ended 31 December 2016

5. Intangible assets and goodwill

	Goodwill KD 000's	License and other intangible assets KD 000's	Brand names KD 000's	Total KD 000's
Cost				
Balance at 1 January 2015	251,533	439,896	12,639	704,068
Transfers	-	645	-	645
Additions	-	8,824	-	8,824
Disposals	-	(81)	-	(81)
Currency translation effects	(13,100)	(33,215)	(659)	(46,974)
Balance at 31 December 2015	238,433	416,069	11,980	666,482
Acquisition of Subsidiary	1,927	10,396	-	12,323
Transfers	-	1,820	-	1,820
Additions	-	36,407	-	36,407
Currency translation effects	(25,613)	(23,779)	(1,288)	(50,680)
Balance at 31 December 2016	214,747	440,913	10,692	666,352
Accumulated amortisation and impairment				
Balance at 1 January 2015	124	177,561	8,426	186,111
Transfers	-	1	-	1
Related to disposals	-	(81)	-	(81)
Charge for the year	-	25,581	4,139	29,720
Impairment loss	16,708	-	-	16,708
Currency translation effects	(16)	(18,581)	(585)	(19,182)
Balance at 31 December 2015	16,816	184,481	11,980	213,277
Transfers	-	26	-	26
Charge for the year	-	26,912	-	26,912
Currency translation effects	(1,872)	(8,328)	(1,288)	(11,488)
Balance at 31 December 2016	14,944	203,091	10,692	228,727
Carrying amounts				
At 31 December 2015	221,617	231,588	-	453,205
At 31 December 2016	199,803	237,822	-	437,625
Amortisation rate	-	4% - 30%	16.67%	

Goodwill of KD 212,820 thousand is allocated to Ooredoo Tunisie S.A. and KD 1,927 thousand to Fast Telecommunications Company W.L.L. (refer note 25), which are the Group's cash generating units (CGUs). The estimated recoverable amount of Ooredoo Tunisie S.A. exceeded the carrying amount by KD 35,975

Notes to the consolidated financial statements

For the year ended 31 December 2016

5. Intangible assets and goodwill (continued)

thousand (2015: estimated recoverable amount of the CGU was lower than its carrying amount by KD 16,708 thousand which was recorded as an impairment loss).

The recoverable amount of this CGU was based on its value in use, estimated by discounting the future cash flows to be generated from the continuing use of the CGU.

The key assumptions used in the estimation of value in use were as follows:

	2016	2015
	%	%
Discount rate	10.53	11.29

The discount rate was estimated based on the historical industry average weighted-average cost of capital, with a projected debt leveraging of 50% and a weighted average cost of debt of 4.41%.

The Group has also performed a sensitivity analysis by varying these input factors by a reasonable possible margin. Based on such analysis, there are no indications that Goodwill is impaired considering the level of judgements and estimations used.

Notes to the consolidated financial statements

For the year ended 31 December 2016

6. Available for sale financial assets

	2016 KD 000's	2015 KD 000's
Listed equity securities	144	316
Unlisted equity securities	6,106	6,122
	<u>6,250</u>	<u>6,438</u>

Movement in available for sale financial assets is as follows:

	2016 KD 000's	2015 KD 000's
Balance at beginning of the year	6,438	7,050
Additions	-	-
Disposals	-	(45)
Impairment loss on value of financial assets	(134)	-
Net unrealised loss	(38)	(559)
Foreign exchange difference	(16)	(8)
Balance at end of the year	<u>6,250</u>	<u>6,438</u>

At 31 December 2016, unlisted equity investments with a net amount of KD 2,133 thousand (2015: KD 2,149 thousand) are carried at cost less impairment due to the non-availability of quoted market prices or other reliable measures of their fair value. Management believes that the carrying value of these equity investments approximates their fair value.

At 31 December 2016, available for sale financial assets amounting to KD 6,093 thousand (2015: KD 6,266 thousand), KD 24 thousand (2015: KD 23 thousand) and KD 133 thousand (2015: KD 149 thousand) are denominated in Kuwaiti Dinars, US Dollars and Tunisian Dinars respectively.

Notes to the consolidated financial statements

For the year ended 31 December 2016

7. Taxation relating to subsidiaries

The income tax represents amounts recognised by subsidiary companies.

The major components of the income tax expense are as follows:

	2016 KD 000's	2015 KD 000's
Current tax		
Current income tax charge	16,074	11,876
Deferred tax		
Relating to origination and reversal of temporary differences	(17,706)	528
Income tax included in the consolidated statement of profit or loss	(1,632)	12,404

The Company is not subject to income tax in the state of Kuwait. The effective tax rate applicable to the taxable subsidiary companies is 15.34% (2015: 19.46%). For the purpose of determining the taxable results for the year, the accounting profit of the subsidiaries is adjusted for tax purposes. Adjustments for tax purposes included items relating to both income and expense. The adjustments are based on the current understanding of the existing laws, regulations and practices of each subsidiaries' jurisdiction. In view of the operations of the Group being subject to various tax jurisdictions and regulations, it is not practical to provide a detailed reconciliation between accounting and taxable profits together with the details of the effective tax rates. As a result, the reconciliation includes only the identifiable major reconciling items.

The reconciliation between tax expense and the product of accounting profit multiplied by the Group's effective tax rate is as follows:

	2016 KD 000's	2015 KD 000's
Accounting consolidated profit before tax	69,015	46,749
Company and its subsidiaries that are not subject to corporate income tax	22,024	(19,097)
Accounting profit of subsidiaries that are subject to corporate income tax	91,039	27,652
Add:		
Allowances, accruals and other temporary differences	1,733	5,235
Expenses and income that are not subject to corporate tax	11,472	33,050
(Deduct) / add:		
Depreciation – net	684	(407)
Unutilised tax gains brought forward	-	(4,503)
Taxable profit of subsidiaries that are subject to corporate income tax	104,928	61,027
Current income tax charge at the effective income tax rate of 15.34% (2015: 19.46%)	16,074	11,876
Current income tax charge	16,074	11,876

Notes to the consolidated financial statements

For the year ended 31 December 2016

7. Taxation relating to subsidiaries (continued)

Deferred tax

The deferred tax asset of KD 19,607 thousand as at 31 December 2016 (2015: KD 2,046 thousand) has been recognised on account of accumulated tax losses incurred by the subsidiaries, Ooredoo Maldives Private Limited and Ooredoo Tunisie S.A., which are expected to be deductible against taxable profits in the foreseeable future.

Movement in deferred tax asset during the year:

	2016 KD 000's	2015 KD 000's
Opening balance	2,046	2,649
Benefit / charge to the consolidated statement of profit or loss	17,706	(528)
Foreign exchange differences	(145)	(75)
Closing balance	<u>19,607</u>	<u>2,046</u>

8. Trade and other receivables

	2016 KD 000's	2015 KD 000's
Trade and billing receivables	148,352	122,812
Unbilled revenue	6,412	8,065
Advances and prepayments	32,821	38,029
Interest receivable	851	930
Other receivables	11,635	18,320
	<u>200,071</u>	<u>188,156</u>
Less: allowance for doubtful debts	<u>(60,414)</u>	<u>(52,691)</u>
	<u>139,657</u>	<u>135,465</u>

Advances and prepayments include advance payments to suppliers amounting to KD 12,166 thousand (2015: KD 18,584 thousand).

Notes to the consolidated financial statements

For the year ended 31 December 2016

8. Trade and other receivables (continued)

Movement in the allowance for doubtful debts is as follows:

	2016 KD 000's	2015 KD 000's
Balance at beginning of the year	52,691	46,213
Acquisition of subsidiary	2,274	-
Charge for the year (included under selling, general and administrative expenses)	6,212	8,263
Amounts written off as uncollectible	(171)	(198)
Amount recovered during the year	(192)	(516)
Foreign exchange differences	(400)	(1,071)
Balance at end of the year	60,414	52,691

Ageing of unimpaired trade receivables is as follows:

	Total KD 000's	Neither past due nor impaired KD 000's	Past due not impaired			
			< 30 days KD 000's	30 – 60 days KD 000's	60 – 90 days KD 000's	> 90 days KD 000's
2016	87,938	49,315	11,435	6,080	5,037	16,071
2015	70,121	40,473	12,083	7,668	3,698	6,199

The estimated fair value of trade receivables at the reporting date is not significantly different from their carrying value.

Notes to the consolidated financial statements

For the year ended 31 December 2016

9. Bank balances and cash

	2016	2015
	KD 000's	KD 000's
Cash and bank balances	97,463	57,262
Deposits	33,094	57,166
Bank balances and cash in the consolidated statement of financial position	130,557	114,428
Deposits with original maturities of three months or more	(17,596)	(54,646)
Cash and cash equivalents in the consolidated statement of cash flows	112,961	59,782

The effective interest rate on interest-earning deposits ranged from 1.75% to 7.45% (2015: 1.75% to 6.9%) per annum. Cash and bank balances include KD 47 thousand (2015: KD 50 thousand) held as part of a managed portfolio.

Included in deposits with original maturities of three months or more is an amount of KD 723 thousand (2015: KD 7 thousand) restricted in accordance with a subsidiary's syndicated loan agreement (refer to note 11).

10. Equity

a. Share capital

The authorised, issued and fully paid up share capital as at 31 December 2016 consists of 504,033 thousand shares (2015: 504,033 thousand shares) of 100 fils each, contributed in cash.

b. Treasury shares

	2016	2015
Number of shares (000's)	2,871	2,871
Percentage of issued shares	0.57%	0.57%
Cost (KD 000's)	3,598	3,598
Market value (KD 000's)	3,445	3,158

c. Statutory reserve

In accordance with the Companies Law No. 1 of 2016 and its Executive Regulations and the Company's Articles of Association, 10% of profit for the year attributable to shareholders of the Company before KFAS, NLST, Zakat and Directors' remuneration is required to be transferred to a statutory reserve until the reserve reaches a minimum of 50% of the paid up share capital. This reserve is not available for distribution except for the amount in excess of 50% of share capital or payment of a dividend of 5% of paid up share capital in years when retained earnings are not sufficient for the payment of such dividends.

The Company has discontinued further transfers to statutory reserve as it has exceeded 50% of the authorised, issued and fully paid up share capital.

Notes to the consolidated financial statements

For the year ended 31 December 2016

10. Equity (continued)

d. General reserve

In accordance with the Company's Articles of Association, 10% of profit for the year attributable to shareholders of the Company before KFAS, NLST, Zakat and Directors' remuneration is required to be transferred to the general reserve until the shareholders decide to discontinue the transfer to the general reserve. During the current year, an amount of KD 4,971 thousand has been transferred to general reserve (2015: KD 2,863 thousand).

e. Proposed dividends

The Board of Directors proposed a cash dividend of 85 fils per share for the year ended 31 December 2016 (2015: 100 fils per share). This proposal is subject to the approval of the shareholders in the Annual General Assembly and has not been accounted for in these consolidated financial statements.

The Annual General Assembly of the Company, held on 24 March 2016, approved the consolidated financial statements of the Group for the year ended 31 December 2015 and the payment of cash dividend of 100 fils per share for the year ended 31 December 2015 (2014: cash dividend of 70 fils per share) to the Company's shareholders existing as at 24 March 2016.

f. Other reserves

	Share premium	Statutory reserve	General reserve	Gain on sale of treasury shares	Fair value reserve	Other reserves	Total reserves
	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's		
Balance at 31 December 2014	66,634	32,200	117,854	6,914	423	3,412	227,437
Comprehensive income							
Other comprehensive loss for the year	-	-	-	-	(559)		(559)
Transfer to general reserve	-	-	2,863	-	-		2,863
Balance at 31 December 2015	66,634	32,200	120,717	6,914	(136)	3,412	229,741
Comprehensive income							
Profit for the year							
Other comprehensive loss for the year	-	-	-	-	(38)	-	(38)
Transfer to general reserve	-	-	4,971	-	-	-	4,971
Balance at 31 December 2016	66,634	32,200	125,688	6,914	(174)	3,412	234,674

Notes to the consolidated financial statements

For the year ended 31 December 2016

11. Long term debts

	Current		Non-current	
	2016	2015	2016	2015
	KD 000's	KD 000's	KD 000's	KD 000's
Due to local banks	13,900	-	175	-
Due to local banks related to subsidiaries	45,565	63,063	108,946	114,402
Due to foreign banks	2,738	3,914	11,424	12,373
	<u>62,203</u>	<u>66,977</u>	<u>120,545</u>	<u>126,775</u>

The comparative fair value and carrying value of the Group's long term debts are as follow:

	Carrying amounts		Fair values	
	2016	2015	2016	2015
	KD 000's	KD 000's	KD 000's	KD 000's
Fixed rates	98,997	130,181	99,083	130,181
Floating rates	83,751	63,571	85,096	63,620
	<u>182,748</u>	<u>193,752</u>	<u>184,179</u>	<u>193,801</u>

The details of long term debts are as follows:

Description	2016 KD 000's	2015 KD 000's
a. The loans bear interest rates of 5.5% per annum (2015: 4.5% to 6% per annum and LIBOR plus 3% per annum). The repayment term is made in installments from March 2016 up to September 2020. These loans are not secured by any pledge by Wataniya Telecom Algeria S.P.A. ("WTA"), but are subject to various obligations and financial covenants over the term of those debts.	84,388	127,522
b. The loans bear annual interest rates ranging from LIBOR plus 5% to 5.85% per annum (2015: LIBOR plus 5% to 5.85% per annum) and are repayable in semiannual installments commencing 15 January 2011 and ending 15 June 2021. These loans are secured by Wataniya Palestine Mobile Telecom Limited ("WPMT")'s assets.	18,279	20,922
c. The loans bear annual interest rates of 2.65% per annum over the Central Bank of Kuwait discount rate. These loans are partially secured by promissory notes signed by the Company as a guarantee for the loan.	13,600	-

Notes to the consolidated financial statements

For the year ended 31 December 2016

11. Long term debts (continued)

Description	2016 KD 000's	2015 KD 000's
d. The loan bears floating interest rate indexed to the average monthly monetary rate published by the Central Bank of Tunisia plus 1.1% to 1.75% margin (2015: Central Bank of Tunisia plus 1.1% to 1.5%). The installments of principal and interest are payable quarterly. The first installment of principal was paid in September 2014, the first installment of interest was paid in December 2013. The last installments of principal and interest are payable on 20 March 2021. The loan arrangements contain financial covenants to be tested on an annual basis, including the Net Debt to EBITDA ratio and the Debt Service Coverage ratio, as defined in the agreements. In addition, the lenders may declare the loans repayable in full upon failure to comply with various positive and negative covenants, change in control, revocation or adverse modification of the GSM license, prolonged suspension of the network operation, and other materially adverse events.	63,236	41,396
e. The loans bear an interest rates of 1 month US\$ LIBOR plus 4.6% per annum and an interest rate of overnight US\$ LIBOR plus 5% & US\$ 3% per annum (2015: 1 month US\$ LIBOR plus 4.6% per annum and an interest rate of overnight US\$ LIBOR plus 5.5% & US\$ 6% per annum). The loans are repayable within 10 quarterly installments and 36 equal monthly installments respectively with accrued interest (2015: 36 equal monthly installments) The facility is secured by fixed deposits of Ooredoo Maldives Private Limited ("OMPL" previously "WTM"s).	2,770	3,912
f. The Murabaha loan amount to KD 475 thousand is repayable in equal instalments and carries a profit rate of 7.5%. These loans are secured by PDCs singed by the Company as a guarantee for the loan.	475	-
	<u>182,748</u>	<u>193,752</u>

Notes to the consolidated financial statements

For the year ended 31 December 2016

12. Trade and other payables

	2016	2015
	KD 000's	KD 000's
Accruals	180,955	172,824
Trade payables	70,769	79,410
Amounts due to related parties (note 18)	54,080	41,611
Other tax payable	14,511	14,485
Staff payable	13,263	13,485
Dividends payable	11,973	10,320
Other payables	21,467	23,493
	<u>367,018</u>	<u>355,628</u>

The Group has adequate financial risk management policies in place to ensure that all payables are paid within the specified credit time frame (note 21).

13. Finance costs - net

	2016	2015
	KD 000's	KD 000's
Finance income	1,837	740
Finance costs	(12,159)	(13,028)
	<u>(10,322)</u>	<u>(12,288)</u>

14. Other income / (expenses) - net

	2016	2015
	KD 000's	KD 000's
Gain on upgrade of network equipment	-	3,268
Write off of network equipment	-	(3,268)
Dividend income	-	1
Exchange loss	(2,207)	(13,197)
Other operating income – net	8,254	3,167
Loss on sale of available for sale financial assets (note 6)	-	(4)
	<u>6,047</u>	<u>(10,033)</u>

Notes to the consolidated financial statements

For the year ended 31 December 2016

15. Subsidiaries and non-controlling interests

Significant subsidiaries of the Company are as follows:

Name of subsidiaries	Country of incorporation	Voting capital held 2016	Voting capital held 2015
Wataniya Telecom Algerie S.P.A. (WTA)	Algeria	71%	71%
Wataniya International FZ – L.L.C. (WTI)	U.A.E	100%	100%
Ooredoo Maldives Public Limited Company (WTM) (Previously known as Ooredoo Maldives Private Limited (subsidiary of WTI))	Maldives	100%	100%
WARF Telecom International Private Limited (WARF) (subsidiary of WTM)	Maldives	65%	65%
Wataniya Palestine Mobile Telecom Limited (WPT) (subsidiary of WTI)	Palestine	48.45%	48.45%
Al-Bahar United General Trading and Contracting Company W.L.L.	Kuwait	99%	99%
Ooredoo Tunisie S.A.	Tunisia	75%	75%
Ooredoo Consortium Limited	Malta	100%	100%
Ooredoo Tunisia Holding Limited	Malta	100%	100%
Fast Telecommunications Company W.L.L.	Kuwait	99%	-

Notes to the consolidated financial statements

For the year ended 31 December 2016

15. Subsidiaries and non-controlling interests (continued)

The following table summarizes the information relating to each of the Group's subsidiaries that has material non-controlling interests (NCI), before any intra-group eliminations:

	WTA	WPT	Ooredoo Tunisie S.A.
31 December 2016	KD 000's	KD 000's	KD 000's
Non-current assets	359,800	56,684	158,067
Current assets	110,410	11,230	55,436
Non-current liabilities	(63,106)	(31,675)	(45,874)
Current liabilities	(189,731)	(15,405)	(103,874)
Net assets	217,373	20,834	63,755
Carrying amount of NCI	63,038	10,740	15,939
Revenue	309,774	25,427	142,250
Profit / (loss) and total comprehensive income / (loss)	47,084	(472)	5,128
Profit / (loss) allocated to NCI	22,420	(243)	1,282
Cash flows from operating activities	149,824	5,223	45,982
Cash flows used in investing activities	(64,276)	(3,070)	(46,655)
Cash flows from / (used in) financing activities	(40,323)	(4,259)	22,096
Net increase / (decrease) in cash and cash equivalents	45,225	(2,106)	21,423

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For the year ended 31 December 2016

15. Subsidiaries and non-controlling interests (continued)

	WTA	WPT	Ooredoo Tunisie S.A.
31 December 2015	KD 000's	KD 000's	KD 000's
Non-current assets	353,764	61,770	163,607
Current assets	93,562	12,795	38,837
Non-current liabilities	(86,206)	(31,666)	(28,248)
Current liabilities	(206,535)	(21,744)	(98,109)
Net assets	154,585	21,155	76,087
Carrying amount of NCI	44,830	10,905	19,022
Revenue	332,476	25,051	148,987
Profit / (loss)	20,407	(1,529)	12,095
Total comprehensive income / (loss)	20,407	(1,529)	12,095
Profit / (loss) allocated to NCI	5,918	(788)	3,024
Cash flows from operating activities	115,104	2,893	39,653
Cash flows used in investing activities	(74,851)	(1,314)	(28,720)
Cash flows from / (used in) financing activities	7,049	(4,890)	(38,344)
Net (decrease) / increase in cash and cash equivalents	47,302	(3,311)	(27,411)

Notes to the consolidated financial statements

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16. Provision for contribution to KFAS, NLST and Zakat

	2016 KD 000's	2015 KD 000's
KFAS	407	196
NLST	1,422	703
Zakat	607	280
	<u>2,436</u>	<u>1,179</u>

17. Basic and diluted earnings per share

Earnings per share attributable to shareholders of the Company is computed by dividing the profit for the year attributable to shareholders of the Company by the weighted average number of shares outstanding during the year less treasury shares as follows:

	2016	2015
Profit for the year attributable to shareholders of the Company (KD 000's)	<u>46,668</u>	<u>26,671</u>
Number of shares outstanding		
Weighted average number of paid up shares (000's)	504,033	504,033
Weighted average number of treasury shares (000's)	(2,871)	(2,871)
Weighted average number of outstanding shares (000's)	<u>501,162</u>	<u>501,162</u>
Basic and diluted earnings per share attributable to shareholders of the Company (fils)	<u>93</u>	<u>53</u>

There are no potential dilutive shares as at 31 December 2016 (2015: nil).

Notes to the consolidated financial statements

For the year ended 31 December 2016

18. Related party transactions

Related parties represent major shareholders, directors and key management personnel of the Group and Ooredoo and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Group's management. Transactions between the Company and its subsidiaries, which are related parties to the Company, have been eliminated on consolidation and are not disclosed in this note. Transactions with related parties are as follows:

	As at 31 December	
	2016	2015
	KD 000's	KD 000's
a. Balances included in the consolidated statement of financial position		
Payable to Ooredoo Group L.L.C – fellow subsidiary	42,807	37,247
Payable to ultimate parent company	8,961	3,258
Payable to Ooredoo IP L.L.C – fellow subsidiary	2,312	1,106
Amounts due to related parties (note 12)	<u>54,080</u>	<u>41,611</u>
	Year ended 31 December	
	2016	2015
	KD 000's	KD 000's
b. Transactions included in the consolidated statement of profit or loss within selling, general and administrative expenses		
Management fees to Ooredoo Group L.L.C – fellow subsidiary	17,381	17,193
Brand license fees to Ooredoo IP L.L.C - fellow subsidiary	2,308	1,135
c. Compensation of key management personnel:		
Short term benefits	8,344	7,320
Termination benefits	541	595
	<u>8,885</u>	<u>7,915</u>

During the year, the Group has entered into transactions with related parties on substantially the same terms as those with other parties on an arm's length basis.

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19. Operating segments

Operating segments were identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker, the Group Chief Financial Officer, in order to allocate resources to the segment and to its performance.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 2. Segment profit represents the profit earned by each segment without investment revenue, finance costs and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resources allocation and assessment of segment performance.

For the purpose of monitoring performance and allocating resources between segments:

- Goodwill is allocated to each reportable segment as applicable. There are no assets used jointly by any reportable segment.
- There are no liabilities for which any segment is jointly liable.

Although certain segments do not meet the quantitative thresholds required by IFRS 8, management has concluded that these segments should be reported, as they are closely monitored as a potential growth region and are expected to materially contribute to Group revenue in the future.

The reportable operating segments derive their revenue primarily from telecommunications services.

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For the year ended 31 December 2016

19. Operating segments (continued)

	Inside Kuwait KD 000's	Outside Kuwait					Total KD 000's
		Tunisia KD 000's	Algeria KD 000's	Maldives KD 000's	Others KD 000's	Un- allocated KD 000's	
31 December 2016							
Segment revenues	197,765	142,250	309,774	31,625	25,427	-	706,841
Profit / (loss)	10,354	5,128	47,084	9,633	(1,190)	(362)	70,647
Segment assets	280,526	212,315	452,011	51,073	69,482	298,135	1,363,542
Investments and other assets	6,117	1,187	18,198	355	-	-	25,857
Total assets	286,643	213,502	470,209	51,428	69,482	298,135	1,389,399
Segment liabilities	134,618	67,350	168,450	10,612	58,926	-	439,956
Debt and other obligations	21,086	63,236	84,387	2,770	19,805	-	191,284
Total liabilities	155,704	130,586	252,837	13,382	78,731	-	631,240
<i>Other information</i>							
Impairment loss on available for sale financial assets (note 6)	(134)	-	-	-	-	-	(134)
Purchase of property and equipment	29,319	25,713	50,555	6,871	8,239	-	113,826
Purchase of intangible assets	177	21,446	13,974	315	810	-	36,407
Depreciation and impairment of property and equipment	(28,921)	(26,309)	(55,896)	(3,788)	(6,625)	-	(117,751)
Amortisation of intangible assets	(477)	(10,169)	(12,207)	(682)	(3,697)	(362)	(26,912)
Provision for staff indemnity	(1,463)	-	(97)	-	(357)	-	(1,917)

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19. Operating segments (continued)

	Inside Kuwait KD 000's	Outside Kuwait			Un- allocated KD 000's	Total KD 000's
		Tunisia KD 000's	Algeria KD 000's	Others KD 000's		
31 December 2015						
Segment revenues	188,098	148,987	332,476	48,857	-	718,418
Profit / (loss)	17,839	12,095	20,407	3,712	(19,708)	34,345
Segment assets	309,532	200,388	447,326	114,188	327,636	1,399,070
Investments and other assets	6,290	2,057	-	137	-	8,484
Total assets	315,822	202,445	447,326	114,325	327,636	1,407,554
Segment liabilities	143,260	70,564	134,451	69,410	-	417,685
Debt and other obligations	4,935	41,396	127,522	26,123	-	199,976
Total liabilities	148,195	111,960	261,973	95,533	-	617,661

Other information

Impairment loss on goodwill (note 5)	-	-	-	-	(16,708)	(16,708)
Purchase of property and equipment	29,650	28,400	68,870	8,189	-	135,109
Purchase of intangible assets	1,357	1,164	5,576	727	-	8,824
Depreciation and impairment of property and equipment	(28,106)	(25,000)	(55,646)	(6,471)	-	(115,223)
Amortisation of intangible assets	(523)	(10,265)	(12,408)	(3,523)	(3,001)	(29,720)
Provision for staff indemnity	(1,404)	-	(49)	(277)	-	(1,730)

Notes to the consolidated financial statements

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20. Commitments and contingent liabilities

	2016 KD 000's	2015 KD 000's
a. Capital commitments		
For the acquisition of property and equipment	33,879	56,420
For the acquisition of Palestinian mobile license	48,795	48,455
	<u>82,674</u>	<u>104,875</u>

The Group has other tax and penalties contingencies related to its subsidiaries which are under assessment with the tax authorities in the respective countries.

b. Operating lease commitments

The Group has a number of operating leases over properties for the erection of communication towers, office facilities and warehouses. The lease expenditure charged to the consolidated statement of profit or loss during the year is disclosed under cost of revenue. The leases typically run for a period ranging from 1 to 5 years, with an option to renew the lease after that date.

Minimum operating lease commitments under these leases are as follows:

	2016 KD 000's	2015 KD 000's
Not later than one year	8,117	7,545
Later than one year but not later than five years	29,029	33,997
	<u>37,146</u>	<u>41,542</u>
c. Contingent liabilities		
Letters of guarantee	1,932	4,120
Letters of credit	3,107	3,405
	<u>5,039</u>	<u>7,525</u>

21. Financial instruments and risk management

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, interest rate risk and equity price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out by a central treasury department (Group treasury) under policies approved by the Board of Directors. Group treasury identifies and evaluates financial risks in close co-operation with the Group's operating units.

The Board of Directors provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of non-derivative financial instrument, and investment of excess liquidity.

Notes to the consolidated financial statements

For the year ended 31 December 2016

21. Financial instruments and risk management (continued)

Market risk

Market risk is the risk that changes in market prices, such as foreign currency exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates, interest rates and equity prices.

i. Foreign currency exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US Dollar, Tunisian Dinars, Algerian Dinars and UAE Dirham. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities.

The Group manages the foreign currency exchange risk by diversifying its exposure to different currency rates.

The Group had the following significant net exposures denominated in foreign currencies:

	2016 KD 000's Equivalent	2015 KD 000's Equivalent
US Dollar	(15,070)	(23,983)
Tunisian Dinar	(75,948)	(70,052)
Algerian Dinar	(125,364)	(183,500)
UAE Dirham	(32,718)	(32,630)

Foreign currency sensitivity analysis

The Group is maintaining exposure mainly to the US Dollar, Tunisian Dinar, Algerian Dinar and UAE Dirham. The following table details the Group's sensitivity to a 10% increase in the KD against the other currencies (as a result of a change in the foreign currency) at the year end due to the assumed change in market rates, with all other variable held constant. A 10% decrease in the KD against these currencies would have the opposite effect. A positive number indicates increase in equity and a negative number indicates decrease in equity.

Notes to the consolidated financial statements

For the year ended 31 December 2016

21. Financial instruments and risk management (continued)

Market risk (continued)

	2016	2015
	Effect on equity	Effect on equity
	KD 000's	KD 000's
US Dollar	1,507	2,398
Tunisian Dinar	7,595	7,005
Algerian Dinar	12,536	18,350
UAE Dirham	3,272	3,263

ii. Interest rate risk management

Interest rate risk is the risk arising from possible changes in financial instruments that may affect future profitability of the Group.

The Group's interest rate risk arises from term borrowings which are detailed in note 11. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates which is detailed in note 9.

The following table illustrates the sensitivity of the profit as well as equity to a reasonably possible change in interest rates of 1% (2015: 1%) with effect from the beginning of the year. The calculations are based on the Group's financial instruments held at each reporting date. A positive number below indicates an increase in profit/equity and a negative number indicates a decrease in profit/equity.

		2016		2015	
	Increase	Effect on profit	Effect on equity	Effect on profit	Effect on equity
		KD 000's	KD 000's	KD 000's	KD 000's
KD	+1	(5)	(5)	(7)	(7)
US Dollar	+1	(9)	(9)	(12)	(12)
Tunisian Dinar	+1	(27)	(27)	(24)	(24)
Algerian Dinar	+1	(63)	(63)	(80)	(80)

Sensitivity to interest rate movements will be on a symmetric basis.

Notes to the consolidated financial statements

For the year ended 31 December 2016

21. Financial instruments and risk management (continued)

Market risk (continued)

iii. Equity price risk

Equity price risk is the risk that the fair values of equities will fluctuate as a result of changes in the level of equity indices or the value of individual share prices. Equity price risk arises from the change in fair values of listed equity investments. The Group manages the risk through diversification of investments in terms of industry concentration. The effect of equity price risk on profit for the year of the Group is not significant as it has no investments classified as financial assets at fair value through profit or loss, except for effect of impairment in value of financial assets (if any). The effect on equity (as a result of a change in the fair value of equity investments held as available for sale financial assets) at the year end due to an assumed 15% change in market indices, with all other variables held constant, is not significant.

Credit risk management

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties. The Group's exposure is continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

Trade and billing receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of trade receivables.

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics.

i. Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Carrying amount	
	2016	2015
	KD 000's	KD 000's
Bank balances	127,349	111,827
Trade and other receivables	106,836	97,437
	<u>234,185</u>	<u>209,264</u>

Notes to the consolidated financial statements

For the year ended 31 December 2016

21. Financial instruments and risk management (continued) Credit risk management (continued)

The maximum exposure to credit risk for financial assets at the reporting date by geographic region was:

	Carrying amount	
	2016 KD 000's	2015 KD 000's
Kuwait	60,494	99,173
Tunisia	47,672	33,045
Algeria	89,525	49,245
Maldives	26,668	17,491
Palestine	8,259	9,355
Other	1,567	955
	<u>234,185</u>	<u>209,264</u>

The Group's credit risk bearing assets can be analysed by the industry sector as follows:

	2016 KD 000's	2015 KD 000's
Banks and other financial institutions	127,349	111,827
Others	106,836	97,437
Total	<u>234,185</u>	<u>209,264</u>

Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to historical information about counterparty default rates.

The average credit period is 30 days. No interest is charged on the overdue trade and billing receivables.

The Group has substantially provided for all receivables due for a period greater than 365 days as a result of historical experience. Trade and billing receivables between 30 days and 365 days are provided for based on estimated irrecoverable amounts determined by reference to past default experience.

As of 31 December 2016, trade and billing receivables of KD 87,938 thousand (2015: KD 70,121 thousand) were fully performing.

Included in the Group's trade and billing receivables balances are debtors with a carrying amount of KD 38,623 thousand (2015: KD 29,648 thousand) which are past due at the reporting date for which the Group has not provided for as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

Notes to the consolidated financial statements

For the year ended 31 December 2016

21. Financial instruments and risk management (continued)

Credit risk management (continued)

The table below shows the credit risk exposure by credit quality of financial assets that are neither past due nor impaired by class, grade and status.

	Rated	Unrated		Total
		Unrated High grade	Standard grade	
	KD 000's	KD 000's	KD 000's	KD 000's
31 December 2016				
Bank balances	125,153	2,196	-	127,349
Trade and other receivables	-	49,113	19,100	68,213
Total	125,153	51,309	19,100	195,562
31 December 2015				
Bank balances	104,667	7,160	-	111,827
Trade and other receivables	-	48,807	18,981	67,788
Total	104,667	55,967	18,981	179,615

All the above financial assets are classified as "loans and receivables".

Liquidity risk management

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group finance department. Group treasury department monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, compliance with internal financial position ratio targets and external regulatory or legal requirements.

Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the Group treasury. Group treasury invests surplus cash in interest bearing current accounts and time deposits, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts.

Notes to the consolidated financial statements

For the year ended 31 December 2016

21. Financial instruments and risk management (continued)

Liquidity risk management (continued)

At the reporting date, the Group held short term deposits of KD 15,498 thousand (2015: KD 2,520 thousand) and other liquid assets of KD 204,299 thousand (2015: KD 243,382 thousand) that are expected to readily generate cash inflows for managing liquidity risk. The following tables detail the Group's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the discounted cash flows of financial liabilities as the impact of discounting is not material.

2016	Less than 1 year KD 000's	Between 1 and 2 years KD 000's	Between 2 and 5 years KD 000's	Over 5 years KD 000's	Total KD 000's	Weighted average effective interest rate %
Financial liabilities						
Trade and other payables	115,306	169,340	82,372	-	367,018	
Long term debt	61,464	43,557	77,727	-	182,748	5.6%
Other non-current liabilities	-	2,629	16,386	-	19,015	
	<u>176,770</u>	<u>215,526</u>	<u>176,485</u>	<u>-</u>	<u>568,781</u>	
Commitments and contingencies						
Acquisition of property and equipment	12,504	16,381	4,994	-	33,879	
Acquisition of Palestinian mobile license	-	-	-	48,795	48,795	
Operating leases	8,117	6,967	22,062	-	37,146	
Letters of credit and guarantee	4,944	62	33	-	5,039	
	<u>25,565</u>	<u>23,410</u>	<u>27,089</u>	<u>48,795</u>	<u>124,859</u>	

Notes to the consolidated financial statements

For the year ended 31 December 2016

21. Financial instruments and risk management (continued)

Liquidity risk management (continued)

2015	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total	Weighted average effective interest rate %
	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	
Financial liabilities						
Trade and other payables	111,728	164,084	79,816	-	355,628	
Long term debt	66,977	40,648	85,255	872	193,752	5.6%
Other non-current liabilities	-	2,616	16,299	-	18,915	
	<u>178,705</u>	<u>207,348</u>	<u>181,370</u>	<u>872</u>	<u>568,295</u>	
Commitments and contingencies						
Acquisition of property and equipment	20,824	27,280	8,316	-	56,420	
Acquisition of Palestinian mobile license	-	-	-	48,455	48,455	
Operating leases	7,545	8,159	25,838	-	41,542	
Letters of credit and guarantee	6,941	284	300	-	7,525	
	<u>35,310</u>	<u>35,723</u>	<u>34,454</u>	<u>48,455</u>	<u>153,942</u>	

22. Operational risk

Operational risk is the risk of loss arising from inadequate or failed internal processes, human error, systems failure or from external events. The Group has a set of policies and procedures, which are approved by the board of directors and are applied to identify, assess and supervise operational risk. The Group's management ensures compliance with policies and procedures and monitors operational risk as part of overall risk management.

23. Fair value of financial instruments

Valuation techniques and assumptions applied for the purposes of measuring fair value

The fair value of financial instruments traded in active markets (such as trading and available for sale securities) is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Group is the current bid price.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date.

Notes to the consolidated financial statements

For the year ended 31 December 2016

23. Fair value of financial instruments (continued)

Fair value measurements recognised in the consolidated statement of financial position

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	2016		
	Level 1 KD 000's	Level 2 KD 000's	Total KD 000's
Available for sale financial assets			
Listed equity securities	144	-	144
Unlisted equity securities	-	3,973	3,973
	<u>144</u>	<u>3,973</u>	<u>4,117</u>
	2015		
	Level 1 KD 000's	Level 2 KD 000's	Total KD 000's
Available for sale financial assets			
Listed equity securities	316	-	316
Unlisted equity securities	-	3,973	3,973
	<u>316</u>	<u>3,973</u>	<u>4,289</u>

There were no transfers between levels during the years ended 31 December 2016 and 31 December 2015.

Notes to the consolidated financial statements

For the year ended 31 December 2016

23. Fair value of financial instruments (continued)

Valuation techniques and assumptions for the purpose of measuring fair value

a. Listed securities

All listed equity securities are publicly traded on a recognised stock exchange. Fair value has been determined by referring to their quoted bid prices at the reporting date.

B. Unlisted securities

Unlisted securities are measured at fair value using prices as per last market transaction.

24. Capital risk management

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the Group performance in relation to its long range business plan and its long-term profitability objectives.

The Group's objectives for managing capital are:

- To safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To provide an adequate return to shareholders by pricing products and services commensurate with the level of risk.

Notes to the consolidated financial statements

For the year ended 31 December 2016

25. Business Combination

On 2 May 2016, the Group acquired control over Fast Telecommunications Company W.L.L., Kuwait (FASTelco), through an acquisition of 100% equity interest for a total consideration of KD 11,000 thousands. The net cash out flow on acquisition net of cash acquired with the subsidiary of KD 66 thousands amounted to KD 10,934 thousands. Goodwill recognized as a result of the acquisition amounted to KD 1,927 thousands.

<i>Purchase consideration</i>	11,000
Less: Net assets acquired	(9,073)
Goodwill arising on acquisition	<u>1,927</u>

The above goodwill is attributable to the profitability of the acquired business and the significant synergies expected to arise from the acquisition.

Cash flows upon acquisition of FastTelco

Purchase consideration settled in cash	11,000
Cash and cash equivalents in subsidiary acquired	(66)
Cash outflow on acquisition	<u>10,934</u>

	Carrying value on acquisition KD 000's	Fair value Adjustment KD 000's	Fair value on acquisition KD 000's
Analysis of assets and liabilities acquired			
Net assets acquired			
Assets			
Property and equipment	3,043	-	3,043
Intangible assets and goodwill	6,182	4,214	10,396
Other non-current assets	1,185	-	1,185
Inventories	453	-	453
Trade and other receivables	3,632	-	3,632
Bank balances and cash	66	-	66
	<u>14,561</u>	<u>4,214</u>	<u>18,775</u>
Liabilities			
Long term debts	2,165	-	2,165
Provision for staff indemnity	851	-	851
Trade and other payables	6,686	-	6,686
	<u>9,702</u>	<u>-</u>	<u>9,702</u>
Net assets acquired	<u>4,859</u>	<u>4,214</u>	<u>9,073</u>
Purchase consideration			11,000
Goodwill arising upon acquisition			<u>1,927</u>

Board of Directors



Sheikh Saud bin Nasser Al Thani
Chairman



Mr. AbdulAziz Ibrahim Fakhroo
Vice Chairman



Mr. Fahad Othman Al Saeed

Board Member



Mr. Youssef Mohammad Al-Sumait

Board Member



Mr. Bader Nasser Al Humaidi

Board Member



Mr. Ahmed Ali Al Mohannadi

Board Member



Sheikh Nasser Bin Hamad Al Thani

Board Member

Executive Management



Sheikh Mohammed bin Abdullah Al Thani
General Manager & CEO



Frederic Debord
Chief Operating Officer



Rupesh Sharma
Chief Finance Officer



Tamer Samir Shibl
Chief Sales Officer



Hendrik Vorster
Chief Technical Officer



Faisal El-Bably
Chief Marketing Officer



Omar Al-Bassam
Chief Human Resources & Administration Services Officer



Dr. Yousef Al-Sellili

Chief Corporate Legal & Regulatory Affairs Officer



Fouad M A A Al-Awadhi

Chief Audit Executive



Wael Al Sultan

Senior Director, Customer Care



Amine Tazi

Senior Director, Strategy and CEO Support Office



Mijbil Alayoub

Senior Director, Corporate Communications



Abdulaziz Al-Babtain

Senior Director, B2B



Filip Prochazka

Senior Director, Supply Chain



Amadou Ndiaye

Senior Director - Corporate Security

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* For calls from outside the Gulf region, please replace the international code 970 with the code 972.