



**WATANIYA TELECOM**

**ANNUAL REPORT 2008**



**THE POWER TO TRANSFORM**



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



H.H. Sheikh  
Nasser Al Mohammed Al Ahmed Al Sabah  
The Prime Minister

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TRANSFORMING STRATEGY INTO SUCCESS





## Chairman's Message

Dear Shareholders,

I am very pleased to offer this overview of Wataniya Telecom's performance in 2008. The past year was one of great achievements and important progress, demonstrated by the very positive results outlined in this report.

2008 was a year of double-digit revenue growth, which witnessed strong business development built upon a firm and clear business strategy. We have demonstrated our unmatched understanding of our customers' needs across multiple markets and – most importantly – have demonstrated the innovation and flexibility which will enable us to achieve even greater success in 2009.

Our growth has been achieved by clear and distinct focus upon the three main pillars of our development strategy. We look to offer innovative services; we aim to maintain exceptional network quality; and we ensure that we deliver outstanding customer experiences. We have made important strides in each of these areas for each of our markets in 2008, which will provide us with the potential to win new customers and sustain existing business in the year ahead, despite the challenging global economic conditions.

In 2008, we demonstrated our capacity to launch leading-edge services across the spectrum of the information, communication, and entertainment (ICE) sectors. Wataniya became the first operator in Kuwait to provide in-flight roaming for customers' GSM phones. Wataniya Telecom Maldives was first to launch a 3.5G HSDPA network in the Maldives, offering video calls and high speed mobile data connectivity. These new services range from the essential to the entertaining, but share a common spirit of innovation.

For network quality, we saw major developments in Kuwait, where the nationwide HSDPA network was upgraded to offer an enhanced 7.2Mbps per second service across the country. Network densification projects were completed in Wataniya's Tunisian business (Tunisiana), Algeria, Kingdom of Saudi Arabia and the Maldives. These major network enhancements position our operations for ongoing growth in the Consumer and Business Broadband sectors, which we see as a source of significant future revenue generation.

We are proud to say that we delivered outstanding customer experiences in 2008. Wataniya continues to be the preferred choice for customers in Kuwait, even with

the arrival of a new entrant in late 2008. Our customers in Saudi Arabia, the Maldives, Tunisia and Algeria continue to look to us to take the lead in the level of service we deliver. We have maintained our practice of constantly evaluating and assessing our customers' needs in order to ensure we maintain this lead position.

These core elements of our strategy continue to deliver results across our markets. We maintained strong growth throughout 2008, with strong revenue and EBITDA growth throughout the year and into the fourth quarter.

We were also able to take important steps for further regional growth. We saw very positive news from Palestine in 2008, with the award of the spectrum license for Wataniya Palestine from The Palestinian Ministry of Telecommunications and Information Technologies (MTIT), that provides us with the framework to launch operations in that market in 2009.

Our progress in 2008 was supported by the close relationship between Wataniya and the major shareholder Qatar Telecom leading to winning knowledge-sharing and greater efficiency. We have managed a number of initiatives in 2008 that saw us work together on marketing and development projects, many of which saw strong returns. We see major scope for increasing the number of co-operative projects in the coming years.

Equally importantly, we are beginning to realize the potential for driving synergies within the Group. This process will enhance the value of our current operations, increase our effectiveness and ensure that new innovations are shared across operations and deployed in a manner which best suits the needs of each specific market.

This sense of teamwork and knowledge-sharing has defined Wataniya throughout its history, and will only increase as we work more closely with our colleagues in The Qtel Group. Together, we are confident that we will continue to deliver value to our shareholders and the best possible experience for our customers in 2009.

Abdullah Bin Mohammed Bin Saud Al Thani  
Chairman of the Board





TRANSFORMING WORDS INTO ACTION



# Management Report

Dear Shareholders

2008 was another successful year for Wataniya, delivering double-digit growth against a background of exceedingly competitive markets, tougher regulations and the entry of new competitors.

Throughout the year, we have worked tirelessly to implement our three-tier strategy of offering leading-edge services, delivering superior network quality and providing the very best customer service and experience.

The consolidated results reflect the success of our customer-centric approach in 2008. Wataniya delivered total revenue of KD476 million for the year, representing growth of 17%, and net profit of KD82.4 million, with the number of customers across all regions growing from 9.5 million to 10.9 million. Kuwait continued to deliver the largest proportion of revenue, with 48% of the consolidated total, and Bravo in Saudi Arabia saw the greatest improvement with 66% growth in turnover. EBITDA also showed considerable improvement at 26% growth, with an overall margin of 42%.

Key investment decisions in each region brought Wataniya closer to its goal of achieving network quality comparable to the world's best. In the Maldives, we began the task of replacing the old transmission network with a state-of-the-art platform capable of supporting future growth and service improvements in voice, 3G and leased-line businesses. Tunisia focused on major network densification, EDGE roll out in major cities and the preparation of the IP MPLS backbone. In Palestine, the drive towards finalising the network and billing solutions is rapidly nearing completion, on target for launch as soon as possible this year.

Algeria is engaged in meeting the license obligations of attaining population coverage of 90%, as well as on enhancing training programmes. This was reflected

in Saudi Arabia too, where training and software solutions dovetailed with a \$22m investment to enhance coverage and increase subscriptions. Kuwait upgraded to the intelligent network platform, facilitating improved high-speed data transfer, and worked hand-in-hand with the government in implementing the new 8-digit numbering plan.

In preparation for the entry of a new operator, Kuwait saw network quality, capacity and coverage emphasised, with a segmented approach to marketing and product development. We are confident that a solid foundation was created to help us maintain and enhance market share in the coming year.

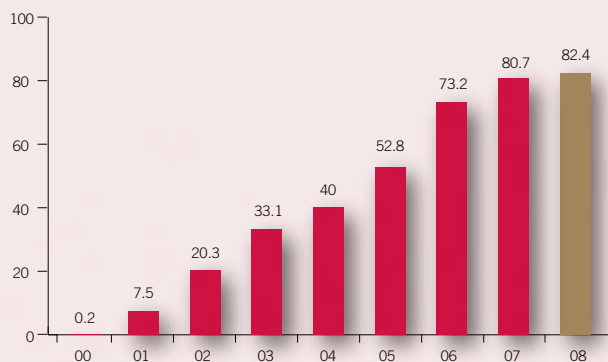
Today, we are closer to customers than ever before. Our success is tied to understanding the relationship between individual needs and the services we deliver. In changing times, the share of value we derive from our customers will grow in significance. As a result, we are today more committed than ever to enhancing our channels of customer communication, engaging our customers openly and honestly, and responding effectively to their requirements.

Wataniya Telecom is well positioned to meet the challenges and take advantage of the opportunities 2009 will bring. The region and the world as a whole is facing serious economic challenges but we believe that the telecommunication industry will fair better than most as the consumers' need to communicate has remained stable. We would like to thank our shareholders for their support last year and wish them all the best for 2009.

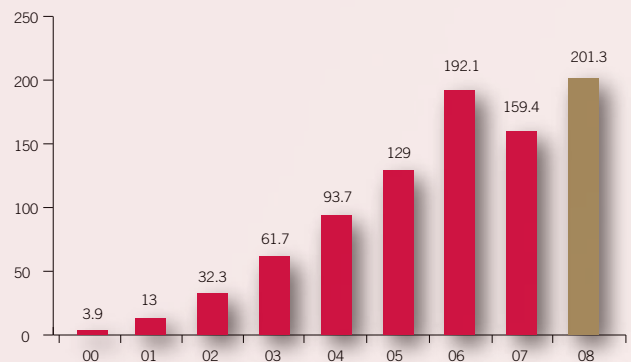
M.Scott Gegenheimer  
General Manager & CEO

# Financial Highlights

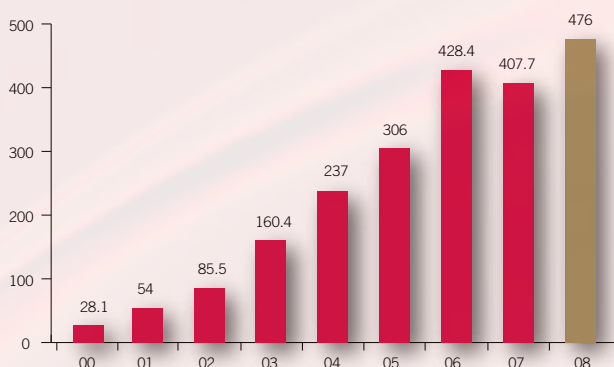
For the year ended 31 December 2008



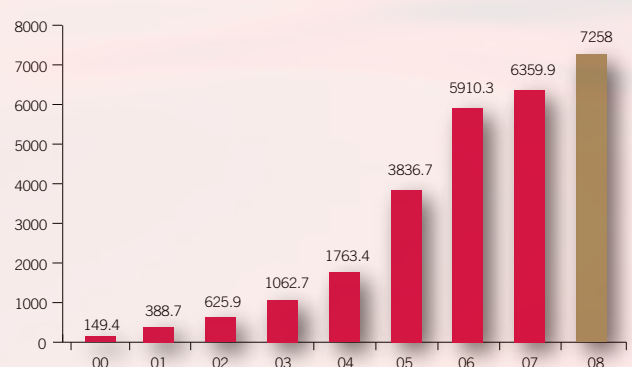
Net Profit (KD Millions)



EBITDA (KD Millions)



Revenue (KD Millions)



Proportional Subscribers  
(Thousands)



# Financial Highlights

For the year ended 31 December 2008

		Year 2008	Year 2007
		KD Million	KD Million
KUWAIT Wataniya Telecom	Total Subscribers	1,313,733	1,197,688
	Revenue	226.6	212.2
	EBITDA	120.5	106.1
	% EBITDA	53%	50%
	Net Profit to WT	84.3	87.7
TUNISIA Tunisiana	Total Subscribers	4,256,573	3,651,813
	Revenue	99.2	80.6
	EBITDA	51.9	40.2
	% EBITDA	52%	50%
	Net Profit to WT	21.2	12.9
ALGERIA Nedjma	Total Subscribers	5,114,021	4,487,706
	Revenue	130.5	101.7
	EBITDA	37.6	23.3
	% EBITDA	29%	23%
	Net Profit to WT	-9.4	-9.7
SAUDI ARABIA Bravo	Total Subscribers	149,212	91,841
	Revenue	14.1	8.5
	EBITDA	-6.2	-4.7
	% EBITDA	-	-
	Net Profit to WT	-6.5	-6.3
MALDIVES Wataniya Telecom Maldives	Total Subscribers	101,639	64,730
	Revenue	5.6	4.6
	EBITDA	-0.1	-0.2
	% EBITDA	-	-
	Net Profit to WT	-3.6	-3.9
Wataniya - Consolidated	Total Subscribers	10,935,178	9,493,778
	Revenue	476	407.7
	EBITDA	201.3	159.4
	% EBITDA	42%	40%
	Net Profit to WT	82.4	80.7

**Note:**

Tunisiana: 50% of financial results were consolidated.



TRANSFORMING GOALS INTO GROWTH



# Wataniya in Kuwait

Over the past nine years Wataniya has risen to be the second largest operator in one of the most competitive, demanding and fast-paced mobile markets in the region.

Serving forty-two percent of the country's mobile customers, Wataniya offers a wide range of pre-paid and post-paid mobile voice and data services to both individual and corporate customers, including WNet, a secure wireless and mobile internet service. Wataniya also offers a suite of business efficiency tools for corporate customers under the WPro brand. For pre-paid customers, Wataniya introduced "Call Collect" and "Please Call Me" services which give our customers more options for staying connected.

Wataniya has built its reputation on offering innovative services, maintaining excellent network quality and delivering outstanding customer experience. These three pillars remain the basis of Wataniya's strategy as it continues to consolidate its strong market position, despite the arrival in December 2008 of a third mobile operator.

## Ownership and Governance

The Qtel Group holds a fifty-one percent stake in Wataniya Telecom (NMTC) which is a listed stock in the Kuwait Stock exchange. NMTC is the legal entity owning shares in Wataniya Maldives, Bravo, Tunisiana, Nedjma and Wataniya Palestine.

## Achievements in 2008

2008 marked another successful year for Wataniya, delivering seven percent revenue growth against a backdrop of great change in the country's communications market.

During the year Wataniya, in partnership with the other Kuwaiti operators, successfully completed a countrywide new numbering program, moving from seven to eight digits. In line with the Company's commitment to service excellence, Wataniya offered

a free and unrivalled number conversion service during this process to all customers as well as a range of intelligent solutions to business customers, enabling them to update their corporate contact books and minimise disruption.

Throughout 2008, the Company has committed to ensuring that existing customers continue to receive a "Red Carpet" service, be it through the provision of rewards for our high value customers or as a result of overall improvements to the Company's retail presences which have raised customer satisfaction levels right across the board. At the same time, Wataniya has invested heavily in its network and infrastructure. As part of this programme the Company upgraded its nationwide HSDPA network, which now offers an enhanced 7.2Mbits per second service across Kuwait.

## The next stage in our journey

Wataniya enters 2009 confident in its position and highly regarded by customers. Data services remain a high-growth market segment in Kuwait and, as a result of the enhancements made this year to its HSDPA network, Wataniya is well positioned to continue to take market share in this area.

At the same time, Wataniya is not complacent as to the arrival of a third operator and will remain focused in 2009 on ensuring that it stands well placed to counter the challenge of increased competition. Over the coming twelve months the Company will continue to deliver on its commitment to service excellence, will continue to introduce new products, tariffs and bonus schemes which will enhance Wataniya's ability to retain existing high-value customers, as well as unveiling new promotions targeted at increasing market share and further extending the Company's reach in this exciting and rewarding mobile marketplace.

"We have continued to focus keenly in 2008 on each of the three pillars of our strategy: offering innovative services, maintaining exceptional network quality and delivering outstanding customer experience. This has enabled us to deliver yet another year of double digit EBITDA growth and our focus in 2009 will be no different. We enter 2009 well placed to retain our existing loyal customer base as well as to win over new customers through additional, innovative services: even in the face of enhanced competition."



TRANSFORMING VIRTUE INTO VISIBILITY



# Wataniya in Tunisia

From its launch in 2002 as Tunisia's first privately owned telecom company, Tunisiana has grown to become not only the country's number one mobile operator but also one of the country's most trusted and recognised brands. Delivered over a truly national network, each day Tunisiana provides a range of pre-paid and post-paid voice and data services to more than four million individual and business customers right across this North African nation.

## Ownership and Governance

Wataniya Telecom (NMTC) holds a fifty percent stake in the operations of Tunisiana.

## Achievements in 2008

The nature and shape of the Tunisian mobile market continues to change, and many of the achievements of 2008 underpin Tunisiana's ambition to drive the pace of this change in the year ahead. First of all, major projects took place to enhance both the scope of the Tunisiana network as well as its capacity and quality. Network densification projects were successfully completed in 2008 in areas of high traffic and in an innovative and cost effective partnership with rail operator SNCFT, the fiber network was extended to three new governorates. At the same time, a roll-out of the EDGE network has begun across the nation's major cities, paving the way for new and enhanced data services.

## The next stage in our journey

The investments Tunisiana has made this year in its network infrastructure should underpin and support the Company's strategic efforts in 2009 as it seeks to unlock the country's nascent data market. As the Tunisian economy grows ever more sophisticated, the

need to transmit more than just voice traffic over the network is increasing. Entering 2009 with a denser, more intelligent network than ever before means Tunisiana is well placed not just to benefit from this emerging demand but also to set the standard for the way data traffic is managed, monitored and used across the region. It also helps to keep Tunisiana on a firm competitive footing, well ahead of the arrival of new 3G and fixed line operator, scheduled for early 2010.

At the same time as enabling this new data demand, Tunisiana will also focus in 2009 on targeting those areas of the country – particularly rural areas outside of the major cities – where even traditional mobile usage remains comparatively low. With a national network infrastructure firmly in place, Tunisiana hopes to tap in to these pockets of opportunity by continuing to develop new offerings and by marketing its services more intensively in these rural communities. And the development and marketing of services is also expected to play a key role in Tunisiana's efforts to develop in 2009 its share of the important tourist market. Once again, the recently expanded sales network will have a key role to play here: ensuring that the Tunisiana brand remains highly visible and easily accessible to this mobile and demanding customer group.

“2008 marks a real milestone for Tunisiana. In six short years we have succeeded in rolling out a sophisticated network and in delivering a range of innovative services to more than four million people nationwide. As a result of these efforts we can now proudly claim to be not only the number one mobile operator in Tunisia, but also one of the nation's most trusted and recognised brands: a significant achievement and an excellent competitive advantage for us as we enter 2009.”





TRANSFORMING EFFICIENCY INTO EXCELLENCE



# Wataniya in Algeria

Branded as Nedjma, Wataniya Telecom Algeria commenced operations in 2004. Starting out life as Algeria's third mobile operator, today Nedjma commands second place and controls twenty-two percent of this highly competitive North African mobile market. As one of the most instantly recognisable brands in the country – Nedjma offers value-for-money mobile voice, data and multimedia services delivered across a nationwide EDGE-ready network.

## Ownership and Governance

Wataniya Telecom (NMTC) holds a seventy-one percent stake in the operations of Nedjma.

## Achievements in 2008

Nedjma continued to gain ground in 2008, delivering double-digit customer growth and increasing revenue year-on-year by over thirty percent. Much of this performance is attributable to the Company's continued positioning as the 'value-added' operator. During the year, Nedjma launched a number of attractive new offers and bonus tariffs which helped to attract market share in the face of fierce competition. As a result of these targeted offers, and in just seven months, Nedjma succeeded in doubling its post-paid customer base and delivering an ARPU increase in its post-paid segment of sixty-five percent.

At the same time as consolidating the value reputation of the Nedjma brand, management has also managed to unlock considerable value this year through cost savings within Nedjma's own operations. Through a comprehensive cost optimisation programme initiated in March, Nedjma not only succeeded in reducing operating expenditure this year by US\$13m but has also laid the foundation for a more

dynamic and efficient cost base, further enhancing its competitiveness in the market place.

Significantly, these cost savings were delivered against the backdrop of strict regulatory obligations connected with the Company's mandatory fourth year license test. Significant extensions have been made during the year to the network with eight hundred base stations added to the network in twelve months.

## The next stage in our journey

Even with the enhancements made during 2008, some further strategic network improvements are expected to reach completion in the year ahead. In particular, VSAT connections linking the southern regions of Algeria to Nedjma's network are expected to come on-line in early 2009. These connections should significantly improve coverage in an under-served, low penetrated region.

With so much infrastructure work complete, the real challenge for 2009 is to further entrench Nedjma's strong competitive position in the market. Addressing the high speed data internet market via enhanced EDGE and triple-play services is now a step closer, thanks to this year's network development programme. A number of initiatives are scheduled for 2009 that seek not only to win over high-spending customers from rival networks but also to increase per-customer spending within Nedjma's existing customer base, particularly amongst those pre-paid customers with multiple SIM-cards.

"We continue to offer a compelling value-based proposition to our customers which has done much to cement our strong position in this most competitive of mobile markets. With our nationwide network deployment complete, our focus for 2009 is to further grow market share by combining our expanded coverage with a commitment to high quality of service and competitive differentiated offers."





TRANSFORMING PASSION INTO PROGRESS



# Wataniya in the Kingdom of Saudi Arabia

Bravo launched operations in 2005 as Saudi Arabia's first specialised push-to-talk (PTT) provider, offering PTT and cellular communication services to the business and government sectors. Bravo's solutions are ideally suited to organisations which need to connect and manage a large number of employees or related groups in a flexible, efficient and cost-effective way. Today Bravo provides almost 150,000 customers from across 10,000 business and government institutions with mobile voice, messaging, GPS-based tracking and even data services across its iDEN-based nationwide wireless network.

## **Ownership and Governance**

Wataniya Telecom (NMTC) holds a fifty-six percent stake in the operations of Bravo.

## **Achievements in 2008**

Bravo continued to make very good progress in 2008, delivering forty percent year-on-year revenue growth as well as a ten percent year-on-year increase in ARPU. This performance owes much to the flexibility and adaptability of Bravo's technology platform which has formed the basis of a number of new vertical service launches this year. These

services range from exciting infotainment offerings to a new Wireless TELEX solution which is designed to operate in tandem with a customer's existing legacy private radio network and has already been adopted by a number of 'blue-chip' Saudi Arabian companies.

## **The next stage in our journey**

Bravo's strategy is to become the trusted partner in Saudi Arabia for business communication. The demand for PTT services in the country remains high as large organisations seek to maintain communication channels across their fleets while also keeping a close eye on costs. Through continued service development and a dedicated sales and account servicing programme, Bravo intends to capitalise on this opportunity through 2009 and beyond.

"We have grown our customer base by focusing on value-for-money and flexibility: the two key demands of our customer base. We have continued to improve the efficiency of our own organisation, focusing on corporate sales and on premier level of service for our key accounts. With demand for PTT services in Saudi Arabia continuing to grow, we enter 2009 ready to take advantage of this opportunity."





TRANSFORMING IDEAS INTO INNOVATION

# Wataniya in the Maldives

Wataniya commenced operations in the Maldives in August 2005 and today offers mobile and data services across all of the inhabited islands of this Indian Ocean nation. Supporting a vibrant economy centred on tourism, Wataniya offers a range of mobile services for the Maldives' many international visitors and the local inhabitants, delivered across the country's first ever 3G and HSDPA-ready network. Having focused first on connecting local population centres, the second phase of Wataniya's Maldives strategy is now underway, focusing on increasing network coverage and penetration in the country's rapidly growing resort sector.

## Ownership and Governance

Wataniya Telecom (NMTC) holds one hundred percent of the operations of Wataniya in the Maldives.

## Achievements in 2008

Wataniya in the Maldives has succeeded this year in delivering twenty-three percent revenue growth, in spite of a small permanent population and relatively high penetration rates. This success is due in no small part to the Company's continuing focus on innovative product and infrastructure design, evident in the 2008 roll-out of specially designed towers and base stations for the country's successful tourist industry.

Intelligent targeting of specific customer segments has also played a role in breaking down the barrier of high penetration, such as the extension of good value long distance rates to the many international workers in the country.

## The next stage in our journey

Tourism remains the backbone of the Maldives' economy. It continues to represent a major opportunity for the Company as it enters 2009, particularly in the resort sector where the number of resorts under construction continues to expand significantly. Wataniya is in a strong position to capture voice and data traffic in this sector from not only the resort operators but also the individual resort employees and guests. The Company has set up a dedicated business group to focus on resort site identification, product development and sales to ensure it capitalises effectively on the many avenues for growth in this segment.

"The Maldives is a small nation, but one which offers many avenues for growth. We have demonstrated our ability this year to drive revenue through innovative product and infrastructure development. This innovation and drive we hope to replicate next year as we focus our efforts on developing products and services to support all those who work in and visit the ever increasing number of resorts across this tropical island nation."





TRANSFORMING VISION INTO REALITY

# Wataniya in Palestine

Wataniya is the second licensed mobile operator in Palestine. Awarded its license to operate in 2006, the Company undertook extensive planning and preparatory initiatives ahead of being granted its frequency in late 2008. Wataniya, which has been rapidly rolling out its network, is now poised to become a significant player in the Palestinian mobile market as it prepares to launch commercial services as early as possible in 2009. Following launch, the Palestinian population of approximately 4 million, will be able to enjoy improved network quality, heightened reliability and increased service choice.

## Ownership and Governance

Wataniya Telecom (NMTC) holds fifty-seven percent stake in the operations of Wataniya in Palestine.

## Achievements in 2008

Wataniya passed a number of significant milestones in 2008. In August, the Ministry of Telecommunications and Information Technology granted Wataniya sufficient frequencies over which to launch its services. An agreement was also reached during the year with Ericsson to commence construction of the Company's network infrastructure. With these building blocks in place, 2008 has been a year of network building so that these services can be rolled out in the year ahead.

Also in 2008, Wataniya identified and selected more than sixty preferred dealers as well as two large retail distributors in preparation for service roll-out. This

mix of dealers and distributors will give Wataniya a market reach in Palestine that touches over 3,000 points of sale throughout the West Bank at launch. Wataniya has also concentrated effort on hiring and developing a key leadership team that spans all functional areas that includes skill assessment, leadership development and succession planning.

## The next stage in our journey

The Palestinian mobile market is unique, with its own set of challenges and requires a very specific set of services and solutions. For example, with such a large youth population – some fifty-five percent of the population is 15 years of age or younger – Wataniya intends to launch a range of products in Palestine targeted specifically at this customer segment. Wataniya Palestine is well positioned to successfully identify and meet these unique requirements, drawing on the experience and support of the wider Wataniya and Qtel group.

Wataniya also intends to compete in Palestine on network quality and reliability. In the first agreement of its kind in this field, in February 2009 Wataniya secured an US\$85m syndicated private sector loan which will be used to support the next phase of the Company's network build-out programme.

“Much has been achieved in 2008 to prepare the ground for our commercial launch later this year. We start 2009 with the first phase of our infrastructure programme complete and with plans for innovative service offerings and marketing programmes under development. Most encouraging of all, we enter 2009 with an \$85m vote of confidence in our strategy from leading players in both the Palestinian and international private sector.”





TRANSFORMING SCHEMES INTO SMILES

# Creating a Better World

Wataniya was founded on the belief that even small efforts can have significant and far-reaching impacts and creating a positive legacy is an obligation we take seriously. We believe that social responsibility is more than a marketing strategy – it has the power to save and change lives, build communities, and educate and uplift the morale.

Below are some examples of the initiatives we have taken this year across our markets:

## **Autism awareness**

In two thousand and eight Kuwait and Tunisia took up the mantle of autistic and handicapped children in their respective countries. Autism remains a misunderstood issue around the world, but has dramatically gained in awareness over the past two decades as the number of affected children has soared. Together with the Autism Centre in Kuwait, Wataniya launched a hard-hitting awareness and donations drive, ultimately raising over KD 32,000 for the organisation and heightening awareness of the disability. In Tunisia we worked together with local NGO's to support the same cause.

## **Driving the message home**

The use of mobile phones while driving is an important issue for us, particularly in Kuwait, where road accidents are a common occurrence - 10,000 accidents a month are recorded in Kuwait, in a country of only 3.2 million people. Wataniya Kuwait launched a campaign highlighting the inherent dangers of talking without the aid of a hands-free device, using the unforgettable and powerful image of a road accident involving two mobile phones. Car-sized mobile phones were built that were made to look like they had been in a serious accident and were then placed at high-traffic locations nationwide. The campaign was a major success and became a national talking point with newspapers, radio and television coverage of the issue. It was also awarded the Daily Press Cristal for great cause and public interest campaign and the Advertiser's Media Cristal for public awareness. This effort coincided with the new legislation, which made the use of hands-free kits mandatory while driving.

## **Art and culture**

We believe in celebrating the arts and building strong cultural identities in each country where we operate.

This year in the Maldives, Wataniya hosted the second consecutive Bodu Mass Parade in the capital city, Male. Held during the Al'dhaa Eid festivals, the event venerates many of the nation's ancient rites and traditions and embraces the rich heritage on the islands. Widely praised in both the media and by the people, the event continues to be a success.

In Palestine, the sponsorship of the 2008 Falistin Al Shabab Magazine literary awards gave many promising local writers and poets the recognition and support they deserve.

In Kuwait, Wataniya provided support for a number of local artists and exhibitions and sponsored both the Superbrands book and the Forbes event for Top Arab Brands in the Region, which are instrumental tools in building a culture of branding with businesses in the country.

Tunisian funded the 2008 "le festival du rire" or festival of laughter in favour of UNESI association for disabled children, and the international day of first aid organized by the Red Crescent.

In Algeria, we signed a landmark agreement with the Ministry of Physical Planning, Environment and Tourism to rekindle the tourism industry and provide many communities across the country with a much needed boost.

## **Level playing fields**

Sports are a powerful tool for uplifting national spirit and delivering positive role models to young people and remain a core area of sponsorship and development across all countries.

This year Wataniya sponsored the first ever international football match to take place in Palestine, which was attended by the president of FIFA.

Algeria followed the example with sponsorships of five first division football teams and a major deal signed with the league.

In Tunisia, Tunisiana provided a health caravan at the Butterfly Rally – the first womens' rally in the country and hosted "Le tournoi du coeur" golf tournament, proceeds from which went directly to the poor.

In Kuwait, we sponsored both the Olympic and Para-Olympic national teams, helping the country's leading athletes fulfil their lifelong dreams and building the pride and passion of the nation. The sponsorships continued with a GCC youth volleyball tournament, Asian basketball tournament and Ramadan football tournament, as well as support for the Athletics Federation and the Kuwait Sporting Club for Basketball and sponsorship of two leading national football clubs: Al Arabi and Al Qadsiya.

## **Future focus**

Moving forward, we will continue to place emphasis on supporting society's most needy through the sponsorship of charitable events and support for organizations.

A greater emphasis will also be placed on the environment, to find ways where we can reduce energy consumption and waste, enhance the use of digital media rather than print, and the use of recycled products.

Our dedication to finding new and better ways to build community spirit, celebrate diversity and light up lives will remain a cornerstone of Wataniya, wherever we do business.





WATANIYA TELECOM

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



WATANIYA TELECOM

CONSOLIDATED FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITORS' REPORT FOR THE  
YEAR ENDED 31 DECEMBER 2008



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### The Shareholders National Mobile Telecommunications Company K.S.C.

#### Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of National Mobile Telecommunications Company K.S.C. ("the Parent Company") and subsidiaries (together referred to as "the Group"), which comprise the consolidated balance sheet as at 31 December 2008, and the related consolidated statements of income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

#### Management's responsibility for the consolidated financial statements.

The Parent Company's management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error: selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatements. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2008, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.



### Report on other legal and regulatory requirements

Furthermore, in our opinion, proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's board of directors relating to these consolidated financial statements, are in accordance therewith. We further report that we have obtained all the information and explanations that we required for the purpose of our audit and the consolidated financial statements incorporate all information that is required by the Commercial Companies Law of 1960, as amended, and by the Parent Company's articles of association, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Commercial Companies Law of 1960, as amended, nor of the articles of association have occurred during the year ended 31 December 2008 that might have had a material effect on the business of the Parent Company or on its financial position.

Jassim Ahmad Al-Fahad  
License No. 53-A  
Al-Fahad & Co.  
Deloitte & Touche

Waleed A. Al Osaimi  
License No. 68-A  
Ernst & Young  
Al-Aiban, Al-Osaimi and Partners

Kuwait  
11 February 2009



**NATIONAL MOBILE TELECOMMUNICATIONS COMPANY K.S.C. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEET**  
**As at 31 December 2008**

	Notes	2008 KD 000's	2007 KD 000's
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and bank balances	6	113,352	79,469
Trade and other receivables	7	92,182	79,694
Inventories		6,474	4,796
Due from liquidator	8	-	29,377
<b>Total current assets</b>		<u>212,008</u>	<u>193,336</u>
<b>Non-current assets</b>			
Available for sale investments	9	21,153	25,003
Property and equipment	10	380,810	329,801
Intangible assets	5, 11, 12	256,637	181,330
Deferred tax relating to subsidiaries	13	30,513	25,330
<b>Total non-current assets</b>		<u>689,113</u>	<u>561,464</u>
<b>Total assets</b>		<u>901,121</u>	<u>754,800</u>
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>			
Short term debt	14	1,119	12,079
Trade and other payables	15	282,992	215,198
Current portion of long term debt	16	17,124	36,516
<b>Total current liabilities</b>		<u>301,235</u>	<u>263,793</u>
<b>Non-current liabilities</b>			
Provision for staff indemnity		3,378	2,795
Long term debt	16	138,080	158,456
Other non-current liability	17	43,416	-
<b>Total non-current liabilities</b>		<u>184,874</u>	<u>161,251</u>
<b>Total liabilities</b>		<u>486,109</u>	<u>425,044</u>
<b>Capital and reserves</b>			
Share capital	18	50,403	45,821
Treasury shares	18	(3,598)	(3,598)
Reserves	18	323,206	263,363
<b>Equity attributable to equity holders of the Parent Company</b>		<u>370,011</u>	<u>305,586</u>
Non-controlling interests		45,001	24,170
<b>Total equity</b>		<u>415,012</u>	<u>329,756</u>
<b>Total liabilities and equity</b>		<u>901,121</u>	<u>754,800</u>

Abdullah Bin Mohammed Bin Saud Al Thani  
Chairman



The accompanying notes set out on pages 30 to 60 form an integral part of these consolidated financial statements.

**NATIONAL MOBILE TELECOMMUNICATIONS COMPANY K.S.C. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF INCOME**  
**For the year ended 31 December 2008**



**WATANIYA TELECOM**

		2008	2007
	Notes	KD 000's	KD 000's
Revenue		475,970	407,569
Cost of revenue		(229,534)	(204,488)
		<u>246,436</u>	<u>203,081</u>
Network construction revenue	11	5,879	18,637
Network construction costs	11	(5,879)	(18,637)
		<u>-</u>	<u>-</u>
Gross profit		246,436	203,081
Amortisation of intangible assets	11	(17,611)	(15,415)
Selling and distribution costs		(37,869)	(35,023)
Administrative expenses		(81,014)	(70,641)
Other operating expenses		(12,887)	(9,505)
Share of loss of associate		-	(983)
Dividend income		270	1,191
Interest income		5,278	3,182
(Loss) / gain on sale of available for sale investments		(582)	11,786
Impairment in value of available for sale investments		(3,375)	-
Realised gain on investments at fair value through profit or loss		280	186
Finance costs		(15,079)	(18,142)
<b>Profit before deferred tax , contribution to Kuwait</b>			
<b>Foundation for the Advancement of Sciences ("KFAS"),</b>			
<b>National Labour Support Tax ("NLST"), Zakat and</b>			
<b>Directors' remuneration</b>		83,847	69,717
Taxation relating to subsidiaries		(7,937)	5,247
Provision for contribution to KFAS		(867)	(841)
Provision for NLST		(2,163)	(2,107)
Provision for Zakat		(865)	(52)
Directors' remuneration		(400)	(400)
<b>Profit for the year</b>	21	<u>71,615</u>	<u>71,564</u>
Profit attributable to equity holders of the Parent Company		82,429	80,749
Loss attributable to non-controlling interests		(10,814)	(9,185)
		<u>71,615</u>	<u>71,564</u>
<b>Basic and diluted earnings per share attributable to</b>			
<b>equity holders of the Parent Company (fils)</b>	22	<u>164.48</u>	<u>161.36</u>

The accompanying notes set out on pages 30 to 60 form an integral part of these consolidated financial statements.



**NATIONAL MOBILE TELECOMMUNICATIONS COMPANY K.S.C. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**For the year ended 31 December 2008**

Attributable to equity holders of the Parent Company

	Share capital	Treasury shares	Share premium	Statutory reserve	General reserve	Gain on sale of treasury shares	Fair value reserve	Foreign currency translation reserve	Retained earnings	Sub Total	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	KD 000's	KD 000's	KD 000's	KD 000's
<b>Balance at 1 January 2007</b>	45,821	(9,796)	66,634	23,785	23,785	803	2,200	(511)	115,068	267,789	61,614	329,403
Net gain on available for sale investments	-	-	-	-	-	-	8,935	-	-	8,935	-	8,935
Transfer to statement of income on sale of available for sale investments	-	-	-	-	-	-	(11,786)	-	-	(11,786)	-	(11,786)
Net exchange differences	-	-	-	-	-	-	-	(2,294)	-	(2,294)	-	(2,294)
Net expense recognised directly in equity	-	-	-	-	-	-	(2,851)	(2,294)	-	(5,145)	-	(5,145)
Profit for the year	-	-	-	-	-	-	-	-	80,749	80,749	(9,185)	71,564
Total recognised (expense) / income for the year	-	-	-	-	-	-	(2,851)	(2,294)	80,749	75,604	(9,185)	66,419
Dividends paid (Note 18)	-	-	-	-	-	-	-	-	(50,116)	(50,116)	-	(50,116)
Sale of treasury shares	-	6,198	-	-	-	6,111	-	-	-	12,309	-	12,309
Transfer to reserves	-	-	-	8,415	8,415	-	-	-	(16,830)	-	-	-
Changes in non-controlling interests due to disposal of subsidiaries	-	-	-	-	-	-	-	-	-	-	(28,259)	(28,259)
<b>Balance at 1 January 2008</b>	45,821	(3,598)	66,634	32,200	32,200	6,914	(651)	(2,805)	128,871	305,586	24,170	329,756
Net loss on available for sale investments	-	-	-	-	-	-	(4,763)	-	-	(4,763)	-	(4,763)
Transfer to statement of income on sale of available for sale investments	-	-	-	-	-	-	(582)	-	-	(582)	-	(582)
Transfer to statement of income on impairment of available for sale investments	-	-	-	-	-	-	3,375	-	-	3,375	-	3,375
Net exchange differences	-	-	-	-	-	-	-	6,746	-	6,746	-	6,746
Net (expense) / income recognised directly in equity	-	-	-	-	-	-	(1,970)	6,746	-	4,776	-	4,776
Profit for the year	-	-	-	-	-	-	-	-	82,429	82,429	(10,814)	71,615
Total recognised (expense) / income and for the year	-	-	-	-	-	-	(1,970)	6,746	82,429	87,205	(10,814)	76,391
Dividends paid (Note 18)	-	-	-	-	-	-	-	-	(22,780)	(22,780)	-	(22,780)
Issue of bonus shares (Note 18)	4,582	-	-	-	-	-	-	-	(4,582)	-	-	-
Transfer to general reserve	-	-	-	-	8,672	-	-	-	(8,672)	-	-	-
Changes in non-controlling interests due to increase in share capital of subsidiaries	-	-	-	-	-	-	-	-	-	-	31,645	31,645
<b>Balance at 31 December 2008</b>	50,403	(3,598)	66,634	32,200	40,872	6,914	(2,621)	3,941	175,266	370,011	45,001	415,012

The accompanying notes set out on pages 30 to 60 form an integral part of these consolidated financial statements.

**NATIONAL MOBILE TELECOMMUNICATIONS COMPANY K.S.C. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**For the year ended 31 December 2008**



**WATANIYA TELECOM**

		2008	2007
	Notes	KD 000's	KD 000's
<b>OPERATING ACTIVITIES</b>			
Profit for the year		71,615	71,564
Adjustments for:			
Share of loss of associate		-	983
Interest income		(5,278)	(3,182)
Impairment in value of available for sale investments		3,375	-
Realised gain on investments at fair value through profit or loss		(280)	(186)
Allowance for doubtful receivables, net		(1,452)	3,626
Taxation relating to subsidiaries		7,937	(5,247)
Dividend income		(270)	(1,191)
Depreciation and amortisation	10, 11	78,213	68,046
Gain on disposal of property and equipment		(398)	-
Finance costs		15,079	18,142
Provision for NLST		2,163	2,107
Provision for staff indemnity, net		583	530
		<u>171,287</u>	<u>155,192</u>
Increase in trade and other receivables		(11,036)	(14,972)
Decrease in investments held for trading		280	-
Decrease in due from liquidator		29,377	-
(Increase) / decrease in inventories		(1,678)	209
Increase in trade and other payables		52,429	49,084
<b>Net cash generated from operating activities</b>		<u>240,659</u>	<u>189,513</u>
<b>INVESTING ACTIVITIES</b>			
Increase in term deposits	6	(8,756)	(4,872)
(Increase) / decrease in available for sale investments		(1,495)	23,786
Dividend received		270	1,191
Acquisition of subsidiary		-	(1,624)
Purchases of property and equipment	10	(112,537)	(94,314)
Proceeds from disposal of property and equipment		893	530
Purchases of intangible assets	11	(43,881)	(20,353)
Disposal of intangible assets		3	-
Interest received		5,278	3,182
<b>Net cash used in investing activities</b>		<u>(160,225)</u>	<u>(92,474)</u>
<b>FINANCING ACTIVITIES</b>			
Dividends paid		(22,780)	(50,116)
Finance costs paid		(15,079)	(18,142)
(Decrease) / increase in short term debt		(10,960)	3,438
Decrease in long-term debt		(39,475)	(31,041)
Proceeds from sale of treasury shares		-	12,309
Movement in non-controlling interests		31,645	4,809
<b>Net cash used in financing activities</b>		<u>(56,649)</u>	<u>(78,743)</u>
<b>Effect of foreign currency translation</b>		1,342	13,004
<b>Cash and cash equivalents classified as due from liquidator</b>		-	(12,566)
<b>Net increase in cash and cash equivalents</b>		<u>25,127</u>	<u>18,734</u>
Cash and cash equivalents at beginning of the year		61,940	43,206
<b>Cash and cash equivalents at end of the year</b>	6	<u>87,067</u>	<u>61,940</u>

The accompanying notes set out on pages 30 to 60 form an integral part of these consolidated financial statements.



**NATIONAL MOBILE TELECOMMUNICATIONS COMPANY K.S.C. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the year ended 31 December 2008**

**1. INCORPORATION AND ACTIVITIES**

National Mobile Telecommunications Company K.S.C. (“the Parent Company”) is a Kuwaiti Shareholding Company incorporated by Amiri Decree on 10 October 1997. The Parent Company and its subsidiaries (together referred to as “the Group”) are engaged in the provision of mobile telephone and services in Kuwait under a licence from the Ministry of Communications, Kuwait and also elsewhere through subsidiaries and joint venture in the Middle East and North Africa (MENA) and Maldives region. The Parent Company is also permitted to invest surplus funds in shares and other securities and acquire interests in related businesses in Kuwait and similar businesses abroad. Its shares were listed on the Kuwait Stock Exchange in July 1999 and commercial operations began in December 1999.

On 15 March 2007, Qtel International Investment L.L.C., a wholly owned subsidiary of Qatar Telecommunication Company Q.S.C. (“QTEL”), a Qatari Shareholding Company listed on the Qatar Stock Exchange acquired 51% of the shares of the Parent Company. As a result the Parent Company is now a subsidiary of QTEL.

The address of the Parent Company's registered office is Wataniya Telecom Tower, Sharq Area, Plot 1/A, Ahmed Al-Jaber Street, Kuwait City, Kuwait.

These consolidated financial statements were approved for issue by the Board of Directors of the Parent Company on 11 February 2009 and are subject to the approval of the Annual General Assembly of the shareholders.

**2. ADOPTION OF NEW AND REVISED STANDARDS**

**Interpretations effective in the current period**

In the current year, the Group has adopted IFRIC 12 “Service concession arrangements” which is effective for annual reporting periods beginning on or after 1 January 2008.

The impact of the adoption of IFRIC 12 has been to change the accounting treatment of service concession arrangements as disclosed in note 5. The impact of the adoption of IFRIC 12 is not significant to the Group's profit reported in previous years.

Two other Interpretations issued by the International Financial Reporting Interpretations Committee are effective for the current year. These are: IFRIC 11 “IFRS 2 – Group and Treasury Share Transactions”, and IFRIC 14 “IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction”. The adoption of these Interpretations has not led to any changes in the Group's accounting policies.

**Business combinations**

The Group has elected to adopt the following Standards in advance of their effective dates:

- IFRS 3 Business Combinations (as revised in 2008); and
- IAS 27 Consolidated and Separate Financial Statements (as revised in 2008).

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in the consolidated statement of income as incurred.

Where appropriate, the cost of acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments. All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant IFRSs. Changes in the fair value of contingent consideration classified as equity are not recognised.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 (revised 2008) are recognised at their fair value at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with “IFRS 5 Non-current Assets Held for Sale and Discontinued Operations”, which are measured at fair value less costs to sell.



## **2. ADOPTION OF NEW AND REVISED STANDARDS (CONTINUED)**

### **Business combinations (Continued)**

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group receives complete information about facts and circumstances that existed as of the acquisition date – and is subject to a maximum of one year.

### **IAS 27 (revised 2008)**

IAS 27 (revised 2008) has been applied prospectively in accordance with the relevant transitional provisions.

The revised Standard has resulted in a change in accounting policy regarding increases or decreases in the Group's ownership interests in its subsidiaries. In prior years, in the absence of specific requirements in IFRSs, increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised where appropriate. The impact of decreases in interests in existing subsidiaries that did not involve loss of control (being the difference between the consideration received and the carrying amount of the share of net assets disposed of) was recognised in the consolidated statement of income. Under IAS 27 (revised 2008), these treatments are no longer acceptable. All increases or decreases in such interests are dealt with in equity, with no impact on goodwill or the consolidated statement of income. Also in prior years, losses applicable to the non-controlling interests in a consolidated subsidiary in excess of the non-controlling interest in the subsidiary's equity were allocated against the majority interest except to the extent that the non-controlling interests has a binding obligation and is able to make an additional investment to cover the losses. Under IAS 27 (revised 2008), profit is attributed to the owners of the parent and to the non-controlling interests in the ratio of their respective shareholdings even if this results in the non-controlling interests having a deficit balance.

### **Goodwill**

Goodwill arising on the acquisition of a subsidiary is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously-held equity interest (if any) in the entity over the net fair value of the identifiable net assets recognised.

If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously-held equity interest (if any), the excess is recognised immediately in the consolidated statement of income as a bargain purchase gain.

Goodwill is not amortised, but is reviewed for impairment at least annually. Any impairment loss is recognised immediately in 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.

The impact of the adoption of the above standards has been to allocate KD 4,031 thousand of share of losses to non-controlling interests which would otherwise have been absorbed by the Parent Company.

### **Standards and Interpretations in issue not yet adopted**

At the date of authorisation of these consolidated financial statements, the following Standards and Interpretations were in issue but not yet effective:



**NATIONAL MOBILE TELECOMMUNICATIONS COMPANY K.S.C. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the year ended 31 December 2008**

**2. ADOPTION OF NEW AND REVISED STANDARDS (CONTINUED)**

**IAS 1(Revised) *Presentation of Financial Statements***

The revised Standard was issued in September 2007 and becomes effective for financial years beginning on or after 1 January 2009. The Standard separates owner and non-owner changes in equity. The statement of changes in equity will include only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, the Standard introduces the statement of comprehensive income: it presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Group is still evaluating whether it will have one or two statements.

**IAS 16 (Revised) *Property, Plant and Equipment***

The revised Standard is effective for annual periods beginning on or after 1 January 2009. Items of property, plant and equipment held for rental that are routinely sold in the ordinary course of business after rental, are to be transferred to inventory when rental ceases and they are held for sale.

**IAS 23 (Revised) *Borrowing Costs***

The revised Standard is effective for annual periods beginning on or after 1 January 2009. The definition of 'borrowing costs' is revised to consolidate the two types of items that are considered components of borrowing costs into one - the interest expense calculated using the effective interest rate method calculated in accordance with IAS 39.

**IAS 31 (Revised) *Investments in Joint Ventures***

The revised Standard is effective for annual periods beginning on or after 1 January 2009. If a joint venture is accounted for at fair value, in accordance with IAS 39, only the requirements of IAS 31 to disclose the commitments of the venturer and the joint venture, as well as summary financial information about the assets, liabilities, income and expense will apply.

**IAS 32 (Revised) *Financial Instruments Presentation* and *IAS 1 Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation***

These amendments to IAS 32 and IAS 1 were issued in February 2008 and become effective for financial years beginning on or after 1 January 2009. The revisions provide a limited scope exception for puttable instruments to be classified as equity if they fulfill a number of specified features.

**IAS 36 (Revised) *Impairment of Assets***

The revised Standard is effective for annual periods beginning on or after 1 January 2009. When discounted cash flows are used to estimate 'fair value less cost to sell' additional disclosure is required about the discount rate, consistent with disclosures required when the discounted cash flows are used to estimate 'value in use'.

**IAS 38 (Revised) *Intangible Assets***

The revised Standard is effective for annual periods beginning on or after 1 January 2009. Expenditure on advertising and promotional activities is recognised as an expense when the Group either has the right to access the goods or has received the service.

**IAS 39 (Revised) *Financial Instruments : Recognition and Measurement***

The revised Standard is effective for annual periods beginning on or after 1 January 2009. Changes in circumstances relating to derivatives are not reclassifications and therefore may be either removed from, or included in, the 'fair value through profit or loss' classification after initial recognition. Removed the reference in IAS 39 to a 'segment' when determining whether an instrument qualifies as a hedge. Require the use of the revised effective interest rate when remeasuring a debt instrument on the cessation of fair value hedge accounting.



## 2. ADOPTION OF NEW AND REVISED STANDARDS (CONTINUED)

### **IFRS 8 *Operating Segments***

The IASB issued IFRS 8 in November 2006 and is effective for annual periods beginning on or after 1 January 2009. IFRS 8 replaces IAS 14 Segment Reporting (IAS 14) upon its effective date. The Group early adopted this amendment as of 1 January 2008. The Group concludes that the operating segments determined in accordance with IFRS 8 are the same as the business segments previously identified under IAS 14.

### **IFRIC 16 *Hedges of a Net Investment in a Foreign Operation***

IFRIC 16 was issued in July 2008 and becomes effective for financial years beginning on or after 1 October 2008. The interpretation is to be applied prospectively. IFRIC 16 provides guidance on the accounting for a hedge of a net investment. As such it provides guidance on identifying the foreign currency risks that qualify for hedge accounting in the hedge of a net investment, where within the group the hedging instruments can be held in the hedge of a net investment and how an entity should determine the amount of foreign currency gain or loss, relating to both the net investment and the hedging instrument, to be recycled on disposal of the net investment.

Management anticipates that the adoption of these Standards and Interpretations in future periods will have no material financial impact on the consolidated financial statements of the Group in the period of initial application.

## 3. SIGNIFICANT ACCOUNTING POLICIES

### **Basis of preparation**

These consolidated financial statements have been prepared on the historical cost basis, except for the measurement at fair value of "investments at fair value through profit or loss" and "available for sale investments". The accounting policies have been applied consistently by the Group and are consistent with those used in the previous year, except for changes resulting from the adoption of IFRIC 12. These financial statements are presented in Kuwaiti Dinars ("KD"), which is the Parent Company's functional and presentation currency, rounded off to the nearest thousand. The principal accounting policies are stated below.

### **Statement of compliance**

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and the Commercial Companies Law of 1960, as amended.

### **Basis of consolidation**

The consolidated financial statements include the financial statements of the Parent Company and its subsidiaries (Note 19). Subsidiaries are those enterprises controlled by the Parent Company. Control exists when the Parent Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of the subsidiaries are included in the consolidated financial statements on a line by line basis from the date that control effectively commences until the date that control effectively ceases. Inter-company balances and transactions, including inter-company profits and unrealised profits and losses are eliminated on consolidation. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by the Group.

Non-controlling interests in the net assets (excluding goodwill) of consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the non-controlling interest's share of changes in equity since the date of the combination. Losses applicable to the non-controlling interests in excess of the non-controlling interest's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the non-controlling interests has a binding obligation and is able to make an additional investment to cover the losses.



**NATIONAL MOBILE TELECOMMUNICATIONS COMPANY K.S.C. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the year ended 31 December 2008**

**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Financial assets**

A financial asset is any asset that is: (a) cash; (b) an equity instrument of another entity; (c) a contractual right: (i) to receive cash or another financial asset from another entity; or (ii) to exchange financial assets or financial liabilities with another entity under conditions that are potentially favorable to the entity; or (d) a contract that will or may be settled in the entity's own equity instruments and is: (i) a non-derivative for which the entity is or may be obliged to receive a variable number of the entity's own equity instruments; or (ii) a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments. For this purpose the entity's own equity instruments do not include instruments that are themselves contracts for the future receipt or delivery of the entity's own equity instruments.

Investments are recognised and derecognised on the trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned.

*Cash and cash equivalents*

Cash and cash equivalents in the consolidated statement of cash flows include cash, bank balances and short-term deposits with an original maturity of three months or less.

*Financial assets at fair value through profit or loss ("FVTPL")*

Financial assets are classified as at FVTPL when the financial assets are held for trading.

A financial asset is classified as held for trading if:

- i) it has been acquired principally for the purpose of selling in the near future; or
- ii) it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking.

Financial assets at FVTPL are stated at fair value, with any resultant gain or loss recognised in the consolidated statement of income. The net gain or loss recognised in the consolidated statement of income incorporates any dividend or interest earned on the financial asset. Fair value is determined in the manner described in note 29.

*Available for sale financial assets ("AFS")*

These are financial assets that are principally acquired to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rate or equity prices. Available for sale financial assets are initially measured at fair value of the consideration given plus transaction costs. After initial recognition, available for sale investments are remeasured at fair value and resulting unrealised gains and losses are reported as a separate component of equity until the investment is sold or otherwise disposed of, or the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the consolidated statement of income for the period.

*Trade and other receivables (including due from liquidator)*

Trade and other receivables (including due from liquidator) are initially measured at fair value, and are subsequently measured at amortised cost using the effective interest rate method, less any impairment. Appropriate allowances for estimated irrecoverable amounts are recognised in the consolidated statement of income when there is objective evidence that the asset is impaired.

*Derecognition of financial asset*

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay.



### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### *Impairment of financial assets*

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For unlisted shares classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. When trade and other receivables are considered uncollectible, these are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the consolidated statement of income.

In respect of AFS equity securities, impairment losses previously recognised through consolidated statement of income are not reversed through consolidated statement of income. Any increase in fair value subsequent to an impairment loss is recognised directly in equity.

#### **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.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the consolidated balance sheet 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.

#### **Financial liabilities**

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Group.

All financial liabilities are initially recognised at fair value less directly attributable transaction costs. After initial recognition the financial liabilities are subsequently measured at amortised cost using the effective interest method. "Trade and other payables", "Short term debt", "Long term debt" and "Other non-current liability" are classified as financial liabilities.

#### **Derecognition of financial liabilities**

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they have expired.

#### **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 stocks. Purchase cost includes the purchase price, import duties, transportation, handling and other direct costs. Net realisable value represents the estimated selling price less all estimated selling costs.



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**3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Property and equipment**

Property and equipment are 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. Depreciation is calculated based on the estimated useful lives of the applicable assets (note 10) on a straight-line basis commencing when the assets are ready for their intended use. The estimated useful lives, residual values and depreciation methods are reviewed at each year end, with the effect of any changes in estimate accounted for on prospective basis. Maintenance and repairs, replacements and improvements of minor importance are expensed as incurred. Significant improvements and replacements of assets are capitalised. Gains and losses on retirement or disposal of assets are included in the consolidated statement of income in the period in which they occur.

**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 GSM license fees paid by the subsidiaries and the joint venture. Intangibles with definite life are carried at cost less accumulated amortisation and any accumulated impairment losses. The GSM license fee is being amortised on a straight-line basis over its life. The estimated useful life 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.

**Service concession arrangements**

The Group accounts for service concession arrangements where it is an operator in accordance with IFRIC 12 "Service concession arrangements". Infrastructure within the scope of this Interpretation is not recognised as property and equipment of the Group as the contractual service arrangement does not convey the right to control the use of the public service infrastructure to the Group. Accordingly, the Group recognises such assets as "concession intangible assets". The Group recognises these intangible assets at cost in accordance with IAS 38. These intangible assets are amortised over the period in which it is expected to be available for use by the Group. The Group recognises contract revenue and costs in accordance with IAS 11, Construction Contracts. The costs of each activity, namely construction, operation and maintenance are recognised as expenses by reference to the stage of completion of the related activity. Contract revenue, if any, i.e. the fair value of the amount due from the grantor for the activity undertaken, is recognised at the same time. The amount due from the grantor meets the definition of a receivable in IAS 39 Financial Instruments: Recognition and Measurement. The receivable is measured initially at fair value. It is subsequently measured at amortised cost. The Group accounts for revenue and costs relating to operation services in accordance with IAS 18 as described in the accounting policy for revenue recognition. Borrowing costs attributable to the arrangement are recognised as an expense in the period in which they are incurred.

**Interest in joint venture**

Joint venture arrangements that involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities. The Group reports its interests in jointly controlled entities using proportionate consolidation, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. The Group's share of the assets, liabilities, income, and expenses of jointly controlled entities are combined with the equivalent items in the consolidated financial statements on a line-by-line basis.

Unrealised gains or losses on transactions with the joint venture are eliminated to the extent of the Group's share in the joint venture.

**Taxation**

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



### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### *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 income 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 by the balance sheet date.

#### *Deferred tax*

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements of the relevant subsidiaries and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the balance sheet 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 balance sheet 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 balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the 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.

#### **Kuwait Foundation for the Advancement of Sciences**

The Group is legally required to contribute to the Kuwait Foundation for the Advancement of Sciences ("KFAS"). The Group's contributions to KFAS is recognised as an expense in the period during which the Group's contribution is legally required.

#### **National Labour Support Tax**

The Group is legally required to contribute to the National Labour Support Tax ("NLST"). The Group's contribution to NLST is recognised as an expense in the period during which the Group's contribution is legally required.

#### **Zakat**

The Group is legally required to contribute to the Zakat. The Group's contribution to Zakat is recognised as an expense in the period during which the Group's contribution is legally required.

#### **Finance costs**

Finance costs are calculated on an accrual basis and are recognised in the consolidated statement of income in which they are incurred.

#### **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



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### **3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **Provision for staff indemnity (Continued)**

on the basis of employment contracts, where such contracts provide extra benefits. The provision, which is unfunded, is determined as the liability that would arise as a result of the involuntary termination of staff at the balance sheet date, on the basis that this computation is a reliable approximation of the present value of this obligation.

With respect to its national employees, the Group makes contributions to Public Authority 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.

#### **Treasury shares**

Treasury shares consist of the Parent Company's own shares that have been issued, subsequently reacquired by the Parent Company and not yet reissued or cancelled. The 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 equity account. When the treasury shares are reissued, gains are credited to a separate account in shareholders' equity, which is not distributable. Any realized 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 realized 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.

#### **Revenue recognition**

Revenue comprises amounts charged to customers in respect of subscription charges, airtime usage, messaging, the provision of other mobile telecommunication services, including data services, revenue from sale of equipment including mobile phones, pagers and accessories.

Subscription charges are recognized as revenue on a time proportion basis. Revenue from airtime usage and messaging is recognized on actual usage and revenue related to unused prepaid credit is accounted for as deferred revenue. Deferred revenue related to unused prepaid credit is recognised as revenue when utilised by the customer or upon termination of the customer relationship.

Revenue from sale of mobile phones, pagers and accessories are recognised on delivery of goods.

Revenue from data services is recognised when the Group has performed the related service.

Interest income is recognised on a time basis by reference to the principal outstanding and the effective interest rate applicable, which is the rate that exactly discounts estimates future cash receipts through the expected life of the financial asset to that assets carrying amount. Dividend and other income are recognised when the right to receive payment is established.

#### **Foreign currencies**

Foreign currency transactions are recorded at the rate of exchange ruling at the date of transactions. Monetary assets and liabilities denominated in foreign currencies outstanding at the year-end are re-translated into Kuwaiti Dinars at the rates of exchange ruling at the balance sheet date. Any resultant gains or losses are taken to the consolidated statement of income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Translation difference on non-monetary investments at fair value through profit or loss are reported as part of the fair value gain or loss in the consolidated statement of income whilst those for available for sale non-monetary assets are included in the cumulative changes in fair value in equity, unless it is part of an effective hedging strategy, using exchange rates when the fair value was determined. Translation differences arising on consolidation of the subsidiaries are taken to foreign currency translation reserve in equity.



### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Impairment of tangible and intangible assets

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the consolidated statement of income.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the consolidated statement of income.

### 4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, 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 "investments at fair value through profit or loss" or "available for sale". The Group follows the guidance of IAS 39 on classifying its investments.

The Group classifies investments as "held for trading" if they are acquired primarily for the purpose of short term profit making. All other investments are classified as "available for sale". As at 31 December 2008, the Group did not classify any investments as held for trading (2007: Nil).

##### *Impairment of investments*

The Group treats the investments 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 judgment. In addition, the Group also evaluates among other factors, normal volatility in the share price for quoted investments and the future cash flows and the discount factors for unquoted investments.



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**4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)**

**Key sources of estimation uncertainty**

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet 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*

If the market for a financial asset is not active or not available, the Group establishes fair value by using valuation techniques which include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models refined to reflect the issuer's specific circumstances. This valuation requires the Group to make estimates about expected future cash flows and discount rates that are subject to uncertainty.

**5. ADOPTION OF IFRIC 12 AND RE-CLASSIFICATIONS**

As explained in note 2, the Group has adopted IFRIC 12 "Service concession arrangements" in 2008 for the accounting of revenues, construction costs, property and equipment and intangible assets under the Build, Operate and Transfer ("the BOT") agreement of Public Telecommunication Company Ltd. ("PTC") with Saudi Telecom Company ("STC") (Note 12). Though IFRIC 12 has been adopted retrospectively, the impact of the adoption of IFRIC 12 is not significant to the Group's profit for previous years.

All the network assets under the BOT arrangement, previously included in property and equipment have been re-classified to "concession intangible assets" and are included under "intangible assets". The expenditure on additions to the network has been included in "construction costs" in the consolidated statement of income. The fair value of transfers of network assets to "concession intangible assets" has been included in "construction revenue" in the consolidated statement of income. In the opinion of management, since PTC does not receive any consideration from STC for the network additions, the fair value of transfers of network assets to "concession intangible assets" equals the "construction costs".

Accordingly, the respective accounts of property and equipment, intangible assets, construction revenue and construction costs have been reclassified.

The effect of the reclassification on prior year's consolidated financial statements is summarised as below:

	2007 As previously reported	2007 As reclassified
	KD	KD
Property and equipment	363,683	329,801
Intangible assets	147,448	181,330
Construction revenue	-	18,637
Construction costs	-	(18,637)
Cost of revenue	205,649	204,488
Amortisation of intangible assets	14,254	15,415
Depreciation of property and equipment	53,792	52,631

## 6. CASH AND BANK BALANCES

	2008	2007
	KD 000's	KD 000's
Cash and bank balances	60,103	26,079
Deposits	53,249	53,390
Cash and bank balances in the consolidated balance sheet	113,352	79,469
Deposits with original maturity over three months	(26,285)	(17,529)
Cash and cash equivalents in the consolidated statement of cash flows	87,067	61,940

The effective interest rate on interest earning time deposits ranged from 1% to 6% (2007: 1% to 7.5%) per annum. Cash and bank balances include KD 775 thousand (2007: KD 1,153 thousand) held as part of a managed portfolio.

## 7. TRADE AND OTHER RECEIVABLES

	2008	2007
	KD 000's	KD 000's
Trade and billing receivables	42,014	38,902
Unbilled revenue	2,368	8,344
Prepayments	15,821	15,828
Interest receivable	3,465	3,293
Other receivables	34,619	20,884
	98,287	87,251
Less: allowance for doubtful debts	(6,105)	(7,557)
	92,182	79,694

Other receivables include KD 11,144 thousand advances paid to equipment suppliers (2007: KD 8,710 thousand).

Movement in the allowance for doubtful debts:

	2008	2007
	KD 000's	KD 000's
Balance at beginning of the year	7,557	4,037
Charged for the year	1,392	4,873
Amounts written off as uncollectible	(2)	(106)
Amounts recovered during the year	(2,842)	(1,247)
Balance at end of the year	6,105	7,557



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**8. DUE FROM LIQUIDATOR**

During the year, the Parent Company received full settlement of the amount due from liquidator along with the related interest.

**9. AVAILABLE FOR SALE INVESTMENTS**

Available for sale investments include the following:

	2008	2007
	KD 000's	KD 000's
Listed equity securities	3,227	6,049
Unlisted equity securities	13,772	13,383
Unlisted debt securities	4,154	5,571
	<u>21,153</u>	<u>25,003</u>

At 31 December 2008, certain investments amounting to KD 11,844 thousand (2007: KD 11,755 thousand) are carried at cost due to the non-availability of quoted market prices or other reliable measures of its fair value.

In the opinion of the management, based on the currently available information, there is no evidence of impairment in the value of unquoted investments carried at cost.

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**WATANIYA TELECOM**

**10. PROPERTY AND EQUIPMENT**

	<b>Network equipment</b>	<b>Network infrastructure</b>	<b>Office &amp; computer equipment</b>	<b>Furniture &amp; fixtures</b>	<b>Capital work-in progress</b>	<b>Total</b>
	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's
<b>Cost</b>						
As at 1 January 2007	375,909	40,236	18,570	12,922	11,706	459,343
Transfers	10,148	(3,751)	44	(35)	(6,406)	-
Additions	72,067	3,571	5,846	5,879	6,951	94,314
Disposals relating to discontinued operations	(87,954)	(17,749)	(214)	(799)	(8,748)	(115,464)
Disposals	(244)	(396)	(21)	(188)	-	(849)
Acquisition through business combination	26,209	-	1,136	389	4,655	32,389
Currency translation effects	(8,532)	(73)	(1,029)	(480)	19	(10,095)
As at 1 January 2008	387,603	21,838	24,332	17,688	8,177	459,638
Transfers	3,862	321	81	2	(4,266)	-
Additions	87,862	2,408	7,165	1,864	13,238	112,537
Disposals	(628)	(283)	(96)	(497)	(30)	(1,534)
Currency translation effects	(738)	(61)	235	93	(31)	(502)
As at 31 December 2008	477,961	24,223	31,717	19,150	17,088	570,139
<b>Accumulated depreciation</b>						
As at 1 January 2007	112,489	6,543	6,743	5,322	-	131,097
Transfers	345	(304)	(5)	(36)	-	-
Charge for the year	44,154	1,620	4,135	2,294	428	52,631
Disposals relating to discontinued operations	(50,319)	(2,141)	(107)	(964)	-	(53,531)
Related to disposals	(121)	(71)	(7)	(120)	-	(319)
Currency translation effects	-	(43)	(9)	11	-	(41)
As at 1 January 2008	106,548	5,604	10,750	6,507	428	129,837
Transfers	428	-	-	-	(428)	-
Charge for the year	50,848	1,537	5,451	2,766	-	60,602
Related to disposals	(458)	(69)	(97)	(415)	-	(1,039)
Currency translation effects	(203)	(6)	104	34	-	(71)
As at 31 December 2008	157,163	7,066	16,208	8,892	-	189,329
<b>Carrying amount</b>						
As at 31 December 2008	320,798	17,157	15,509	10,258	17,088	380,810
As at 31 December 2007	281,055	16,234	13,582	11,181	7,749	329,801
<b>Annual depreciation rates</b>	12.5%-16.67%	5%	33.33%	12.5%		

The property and equipment of the subsidiaries WTA, WTM and the joint venture Tunisiana amounting to KD 268,771 thousand (2007: KD 230,980 thousand) are under registered mortgage to secure bank loans (Note 16).



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**11. INTANGIBLE ASSETS**

	Goodwill	Concession intangible assets	Other intangible assets	Total
	KD 000's	KD 000's	KD 000's	KD 000's
<b>Cost</b>				
As at 1 January 2007	-	21,175	208,288	229,463
Additions	-	18,637	1,716	20,353
Disposal	-	-	(5,385)	(5,385)
Acquisition through business combinations	3,288	-	-	3,288
Currency translation effects and adjustments	(165)	-	(6,816)	(6,981)
As at 1 January 2008	3,123	39,812	197,803	240,738
Additions	-	5,879	81,418	87,297
Disposal	-	(3)	-	(3)
Currency translation effects and adjustments	-	399	5,830	6,229
As at 31 December 2008	3,123	46,087	285,051	334,261
<b>Accumulated amortisation</b>				
As at 1 January 2007	-	4,769	45,934	50,703
Charge for the year	-	1,161	14,254	15,415
Disposal	-	-	(5,046)	(5,046)
Currency translation effects	-	-	(1,664)	(1,664)
As at 1 January 2008	-	5,930	53,478	59,408
Charge for the year	-	3,006	14,605	17,611
Currency translation effects	-	60	545	605
As at 31 December 2008	-	8,996	68,628	77,624
<b>Carrying amount</b>				
As at 31 December 2008	3,123	37,091	216,423	256,637
As at 31 December 2007	3,123	33,882	144,325	181,330
Amortization rate	-	Over the period of the BOT agreement up to 2020	6.67% to 8.33%	

The additions to other intangible assets for the current year include KD 81,286 thousand (2007: nil) in respect of the cost of a license obtained by WPT based in Palestine from the Ministry of Telecommunications and Information Technology (the "MITT"), Palestine for a period of fifteen years effective from August 6, 2008 (the "effective date"). The total cost of the license is KD 98,235 thousand (US\$ 354,000 thousand). On the effective date, the subsidiary paid KD 38,850 thousand (US\$ 140,000 thousand) and the remaining balance of KD 59,385 thousand (US\$ 214,000 thousand) is agreed to be paid in two instalments of KD 22,200 thousand (US\$ 80,000 thousand) and KD 37,185 thousand (US\$ 134,000 thousand) after 3 and 5 years respectively from the effective date. The cost of license is arrived at by considering the payment of KD 38,850 thousand made on the effective date and the present value of deferred payments amounting to KD 42,436 thousand and cumulative interest on the deferred payments of KD 1,419 thousand (discounted at the rate of 8%). The present value of deferred payments is recorded under non-current liabilities.



## **12. BUILD-OPERATE-TRANSFER AGREEMENT**

On 9th January 2002, PTC has signed a Build-Operate-Transfer ("BOT") agreement with STC to offer digital radio network services based on IDEN technology ("the Project") to the public sector and the corporate sector in the Kingdom of Saudi Arabia ("KSA"). The services offered include call services, data services, control & monitoring services and other optional services. The key features of the BOT agreement are as described below:

- a) The BOT agreement is for a concession period of 15 years from 2005 to 2020 subject to termination as discussed in (d) below and renewal in accordance with the terms of the agreement.
- b) PTC will be responsible for the Project (including the completion of each Project Phase), building and maintaining the network during the term of the BOT agreement. PTC is liable to pay performance penalties to STC in the event of any failure by STC to comply with specified Network Performance Requirements.
- c) The prices to be charged from users by PTC are subject to regulation by STC.
- d) At the end of the agreement period, PTC shall transfer the network to STC at fair market value based on an independent valuation. The network shall be transferred in a condition that enables it to be used for at least the next 5 years.
- e) PTC shall pay STC revenue fees, site rental payments, equipment commission fees and link licence fees during the term of the BOT agreement. The fees can be revised by STC if the telecommunications market in KSA is deregulated such that STC is obliged to provide services, rights, access or licenses of a comparable type or nature to third parties. In such event the revised payments shall reflect the market rate for services, rights, access or licenses of a comparable type and nature (and in assessing such market rate the amounts previously paid by PTC shall not be taken into account).
- f) The agreement may be terminated by STC if PTC fails to perform its obligations or if PTC is declared bankrupt or insolvent or goes into liquidation (except for the purposes of amalgamation or reconstruction approved in advance by STC). The agreement may be terminated by PTC if STC fails to perform its obligations or if STC is dissolved or goes into liquidation.
- g) The agreement may be modified in writing signed by the duly authorised representatives of STC and PTC.

Following the adoption of IFRIC 12, as disclosed in note 5, the Group has re-classified all assets relating to the Project from "Property and equipment" to "intangible assets" and shown separately as "concession intangible assets" (Notes 10 and 11). Each item of the concession intangible asset is amortised over the period from the date of its addition to 2020 (as the BOT agreement expires in 2020).

In the opinion of management, PTC does not have any contractual obligations to fulfil as a condition of its licence

- (i) to maintain the infrastructure to a specified level of serviceability, or
- (ii) to restore the infrastructure to a specified condition before it is handed over to the STC at the end of the BOT arrangement. The future network enhancements will be able to sustain the network on transferring to STC as mentioned in (d) above.

## **13. DEFERRED TAX RELATING TO SUBSIDIARIES**

The deferred tax asset of KD 30,513 thousand as at 31 December 2008 (31 December 2007: KD 25,330 thousand) is recognised on account of accumulated tax losses incurred by the subsidiary WTA and the joint venture Tunisiana, which are expected to be deductible against taxable profits in the foreseeable future.



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**14. SHORT TERM DEBT**

Short term debt comprises loans due to local banks of subsidiaries namely WTA, WTM, PTC and the joint venture Tunisiana and are repayable within one year from the date of borrowing. These loans are denominated in Algerian Dinars (DZ), US Dollars and Tunisian Dinars (TND) and bear an average interest rate ranging from LIBOR plus 2% to 8.5% (2007: LIBOR plus 1.25% to 8.5%) per annum and are unsecured.

**15. TRADE AND OTHER PAYABLES**

	2008	2007
	KD 000's	KD 000's
Trade payables	17,553	16,018
Due to equipment suppliers and contractors	39,057	36,950
Accruals	171,220	131,799
Other payables	55,162	30,431
	<u>282,992</u>	<u>215,198</u>

During 2003, the Ministry of Communication, Kuwait ("MOC") filed a case against the Parent Company seeking the appointment of an expert to determine the claim of network license fees on its subscriber base, under the Ministry decision No. 168/1997. The case was dismissed by the court of first instance and subsequently refused by the court of Appeal. MOC has filed a cessation motion against the verdict.

The Parent Company, based on management's best estimate, has recognized an accrual of KD 58,402 thousand at 31 December 2008 (2007: KD 48,813 thousand) towards the amount required to settle the present claim for network license fees to MOC.

The foreign currency exposure relating to trade and other payables balances amounted to the equivalent of KD 7,890 thousand as at 31 December 2008 (31 December 2007: KD 10,158 thousand).

The Group has sound financial risk management policies in place to ensure that all payables are paid within the credit time frame.



## 16. LONG TERM DEBT

	Current		Non-current	
	2008	2007	2008	2007
	KD 000's	KD 000's	KD 000's	KD 000's
Due to local banks	5,145	5,354	10,289	16,063
Due to foreign banks	11,979	31,162	127,791	142,393
	<u>17,124</u>	<u>36,516</u>	<u>138,080</u>	<u>158,456</u>

The details of long term debt are as follows:

### Description

(i) The loans bear interest rates of Algerian Repo rate plus 0.80% to 2.65% per annum and LIBOR plus 3.25% to 3.45% per annum. The repayment term is over a period of 5 years in instalments starting from March 2008.

2008	2007
KD 000's	KD 000's

113,470	139,375
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(ii) The loans bear interest rates of EURIBOR plus 1.15% to 6.39% per annum and Tunisia money market rate plus 1% per annum. The repayment term is over a period of 4 years in instalments starting from March 2008.

35,074	47,849
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(iii) The loans bear interest rates of 6 months LIBOR plus 3.5% per annum. The repayment term is over a period of 5 years in instalments starting from November 2008.

6,660	7,413
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(iv) The loans bear interest rates of LIBOR plus 3% to 4% and the repayment terms are not specified.

-	335
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<u>155,204</u>	<u>194,972</u>
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The long term debt is secured by pledges on the respective subsidiaries and joint venture's assets and their shares.



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**17. OTHER NON-CURRENT LIABILITY**

This represents amounts payable to the MITT, Palestine towards the acquisition of telecommunication license (Note 11).

**18. EQUITY**

**Share capital**

The Annual General Assembly meeting held on 17 March 2008 approved cash dividend of 50% (50 fils per share) for the year ended 31 December 2007 to the Parent Company's equity shareholders on the register as of 17 March 2008.

The Annual General Assembly meeting held on 17 March 2008 also approved the issue of 45,821 thousand bonus shares of 100 fils each in the ratio of 1 share for every 10 shares to Parent Company's equity shareholders on the register as of 17 March 2008.

Consequently, the authorised, issued and fully paid up share capital as at 31 December 2008 consists of 504,033 thousand shares of 100 fils each (31 December 2007: 458,212 thousand shares of 100 fils each).

**Treasury shares**

At 31 December 2008, the Parent Company held 2,871 thousand (2007: 2,610 thousand) of its own shares equivalent to 0.57% (2007: 0.57%) of the total issued share capital.

These shares were acquired for KD 3,598 thousand (2007: KD 3,598 thousand) and their fair value at 31 December 2008 was KD 5,397 thousand (2007: KD 6,890 thousand). Reserves equivalent to the cost of the Parent Company's own shares held are not available for distribution.

**Statutory reserve**

As required by the Kuwait Commercial Companies Law and the Parent Company's Articles of Association, 10% of profit for the year before KFAS, NLST, Zakat and Directors' remuneration is to be transferred to the 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 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 Parent Company has discontinued further transfers to the statutory reserve as it has reached 50% of the authorised, issued and fully paid up share capital.

**General reserve**

In accordance with the Parent Company's Articles of Association, 10% of profit for the year before KFAS, NLST, Zakat and Directors' remuneration is required to be transferred to the general reserve until the shareholders decide to discontinue the transfer on distributions from the general reserve.

**Proposed dividends**

The Board of Directors propose a cash dividend of 50 fils per share (2007: 50 fils per share) and bonus shares of nil (2007: 10%) of paid up share capital for the year ended 31 December 2008. This proposal is subject to the approval of the shareholders' General Assembly.



## 19. SUBSIDIARIES

The subsidiaries of the Parent Company are as follows:

Name of subsidiary	Country of operation	Voting capital held 31.12.2008	Voting capital held 31.12.2007
Wataniya Telecom Algeria S.P.A. (WTA)	Algeria	71%	71%
Wataniya International FZ – LLC (WTI)	U.A.E	100%	100%
Wataniya Telecom Maldives (WTM)			
(subsidiary of WTI)	Maldives	100%	100%
WARF Telecom International Private Limited (WARF)			
(subsidiary of WTM)	Maldives	65%	65%
Public Telecommunication Company Ltd. (PTC)			
(subsidiary of WTI)	Saudi Arabia	55.61%	55.61%
Wataniya Palestine Mobile Telecom Limited (WPT)			
(subsidiary of WTI)	Palestine	57%	57%

## 20. JOINT VENTURE

The Group has a 50% equity shareholding with equivalent voting power in Orascom Telecom Tunisie (“Tunisiana”), a joint venture established in Tunisia. Under the terms of a shareholders’ agreement dated 15 October 2002, the Parent Company is entitled to nominate four of the directors on the board of Orascom Telecom Tunisie (“Tunisiana”) out of eight, and pursuant to the shareholders’ agreement, the right to nominate a jointly appointed ninth Director (who is also the Chairman) will be rotated between the shareholders every three years. Therefore the Parent Company’s management decided to proportionately consolidate the financial results of Tunisiana in these consolidated financial statements.

The following amounts are included in the consolidated financial statements as a result of the proportionate consolidation of Tunisiana:

	2008	2007
	KD 000's	KD 000's
Current assets	35,907	25,237
Non-current assets	96,215	101,176
Current liabilities	49,634	37,056
Non-current liabilities	23,267	35,727
	Year ended	Year ended
	31.12.08	31.12.07
	KD 000's	KD 000's
Income	99,204	80,606
Expenses	77,972	67,676

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**21. PROFIT FOR THE YEAR**

Staff costs and depreciation charges are included in the consolidated statement of income under the following categories:

	2008	2007
	KD 000's	KD 000's
<b>Staff costs:</b>		
Cost of revenue	2,182	2,188
Administrative expenses	29,599	26,300
Selling and distribution costs	1,676	1,482
	<u>33,457</u>	<u>29,970</u>
<b>Depreciation:</b>		
Cost of revenue	60,602	52,083
Administrative expenses	-	371
Selling and distribution costs	-	177
	<u>60,602</u>	<u>52,631</u>

**22. BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY**

Basic and diluted earnings per share attributable to equity holders of the Parent Company is calculated as follows:

	2008	2007
Profit for the period attributable to equity holders of the Parent Company (KD 000's)	<u>82,429</u>	<u>80,749</u>
Number of shares outstanding		
Weighted average number of paid up shares (thousands)	504,033	504,033
Weighted average number of treasury shares (thousands)	(2,871)	(3,614)
Weighted average number of outstanding shares (thousands)	<u>501,162</u>	<u>500,419</u>
<b>Basic and diluted earnings per share attributable to equity holders of the Parent Company (fils)</b>	<u>164.48</u>	<u>161.36</u>

Basic and diluted earnings per share reported were 177.50 fils for the year ended 31 December 2007, before retroactive adjustments to the number of shares following the bonus issue (Note 18).





## **23. RELATED PARTY TRANSACTIONS**

Related parties represent associated companies, major shareholders, directors and key management personnel of the Group, 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 Parent Company and its subsidiaries which are related parties with the Parent Company have been eliminated on consolidation and are not disclosed in this note. Transactions with related parties are as follows:

	Parent	Total 2008	Total 2007
	KD 000's	KD 000's	KD 000's
<b>Consolidated balance sheet</b>			
a) Receivable from Qtel Investment Holding B.S.C.	1,491	1,491	1,491
b) Payables to QTEL	1,845	2,149	1,847
<b>Consolidated statement of income</b>			
a) Management fees payable to Qtel International L.L.C.	8,580	14,098	-
b) Other expenses	302		302
c) Key management compensation:			
Short term benefits	678	678	760
Termination benefits	919	919	1,414
	<u>1,597</u>	<u>1,597</u>	<u>2,174</u>

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**24. SEGMENTAL INFORMATION**

The Group operates in a single business segment, telecommunications and related services. The Parent Company's operations are entirely in the State of Kuwait and its joint venture and subsidiaries operate in Tunisia, Algeria, United Arab Emirates (U.A.E.), Maldives, Saudi Arabia and Palestine. This forms the basis of the geographical segments.

	Inside Kuwait	Outside Kuwait						Total
		Tunisia	Algeria	U.A.E.	Maldives	Saudi Arabia	Palestine	
	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's
<b>31 December 2008</b>								
Segment revenues	226,597	99,204	130,530	-	5,588	19,930	-	481,849
Segment results	83,344	36,468	(6,420)	(1,552)	(2,915)	(9,420)	(2,450)	97,055
Profit / (loss)	84,315	21,232	(9,363)	(1,472)	(3,594)	(6,477)	(2,212)	82,429
Segment assets	224,776	130,077	324,553	552	23,733	53,686	92,078	849,455
Investments and other assets	21,153	2,045	28,468	-	-	-	-	51,666
Total assets	245,929	132,122	353,021	552	23,733	53,686	92,078	901,121
Segment liabilities	145,459	37,828	69,261	7,962	3,036	15,199	4,247	282,99
Debt and other obligations	2,951	35,074	113,470	-	6,427	579	44,616	203,117
Total liabilities	148,410	72,902	182,731	7,962	9,463	15,778	48,863	486,109
Other information								
Impairment in value of available for sale								
investments	3,375	-	-	-	-	-	-	3,375
Purchases of property and equipment	24,949	13,445	66,082	77	2,066	194	5,724	112,537
Purchases of intangible assets	-	133	-	-	-	5,878	81,286	87,297
Depreciation of property and								
equipment	16,917	10,541	30,530	139	2,251	180	44	60,602
Amortisation of intangible assets	-	5,136	8,968	-	470	3,037	-	17,611
Provision for staff indemnity	412	-	-	-	-	119	51	582

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**WATANIYA TELECOM**

	Inside Kuwait	Outside Kuwait						Total
	KD 000's	Tunisia KD 000's	Algeria KD 000's	U.A.E. KD 000's	Maldives KD 000's	Saudi Arabia KD 000's	Palestine KD 000's	KD 000's
<b>31 December 2007</b>								
Segment revenues	212,154	80,606	101,707	-	4,620	27,119	-	426,206
Segment results	73,265	15,559	(4,666)	1,024	(3,018)	(8,803)	(1,847)	71,514
Profit / (loss)	87,658	12,930	(9,652)	1,143	(3,963)	(6,311)	(1,056)	80,749
Segment assets	224,230	125,180	282,896	6,672	22,624	42,046	819	704,467
Investments and other assets	25,003	1,233	24,097	-	-	-	-	50,333
Total assets	249,233	126,413	306,993	6,672	22,624	42,046	819	754,800
Segment liabilities	118,582	24,934	61,483	97	407	9,207	488	215,198
Debt and other obligations	2,537	47,849	139,376	-	8,534	11,204	346	209,846
Total liabilities	121,119	72,783	200,859	97	8,941	20,411	834	425,044
Other information								
Purchases of property and equipment	27,864	11,180	48,602	-	1,174	5,138	356	94,314
Purchases of intangible assets	-	-	-	-	1,716	18,637	-	20,353
Depreciation of property and equipment	13,966	9,145	25,028	158	2,339	1,973	22	52,631
Amortisation of intangible assets	-	5,209	8,528	-	495	1,183	-	15,415
Provision for staff indemnity	440	-	-	-	-	55	35	530



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**25. TAX CLAIM**

The joint venture Tunisiana has received a tax claim relating to the new tax issued in 2007 for the electronic recharge sales. The total amount claimed by the Tunisian Tax Authority is around Tunisian Dinar 70.2 million equivalent to KD 15.3 million without penalties (2007: Tunisian Dinar 13.5 million equivalent to KD 3 million).

In May 2007, Tunisiana received the first judgement related to the inspection for the period covering January 2006 to May 2006. The judgement confirmed the tax claim for a total amount of Tunisian Dinar 15.255 million (equivalent to KD 3.33 million) (2007: Tunisian Dinar 4 million equivalent to KD 898 thousand).

On June 29, 2007 and October 8, 2007 Tunisiana has filed an appeal against the judgement.

Tunisiana has made a total provision of Tunisian Dinar 15,255 million (equivalent to KD 3.33 million) (2007: Tunisian Dinar 7 million equivalent to KD 1.57 million) with regards to this claim. On the basis of the information available at the balance sheet date, management believes that the provision is adequate.

**26. COMMITMENTS AND CONTINGENT LIABILITIES**

	2008	2007
	KD 000's	KD 000's
<b>Capital commitments</b>		
For the acquisition of property and equipment	53,532	46,804
For the acquisition of Palestinian mobile license	-	38,986
<b>Contingent liabilities</b>		
Under letters of guarantee	2,436	5,302
<b>Operating lease commitments</b>		

The Group has a number of operating leases over properties for the erection of communication towers, office facilities and warehouses. Minimum operating lease commitments under these leases are as follows:

	2008	2007
	KD 000's	KD 000's
Not later than one year	3,759	3,752
Later than one year but not later than five years	23,557	16,191
	<u>27,316</u>	<u>19,943</u>

**27. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

**Strategy in using financial instruments**

The Group's Finance function provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including currency risk and fair value interest rate risk), credit risk, liquidity risk and cash flow interest rate risk.



## **27. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)**

### **27.1 Market risk**

Market risk is the risk that changes in market prices, such as foreign 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 and interest rates.

#### **27.1.1 Foreign currency risk**

Foreign currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates.

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

	2008	2007
	KD 000's	KD 000's
	Equivalent	Equivalent
	short	short
Euro	(11,307)	(16,436)
US Dollar	(6,737)	(7,505)

#### **Foreign currency sensitivity analysis**

The Group is maintaining exposure mainly to the Euro and US Dollar.

The following table details the Group's sensitivity to a 10% increase in the KD against Euro, US Dollar and others. A 10 % decrease in the KD against these currencies would have the opposite effect. A positive number indicates increase in profit and a negative number indicates decrease in profit.

	2008	2007
	KD 000's	KD 000's
Impact on consolidated statement of income		
Euro	1,131	1,644
US Dollar	674	751

#### **27.1.2 Interest rate risk management**

The Group is exposed to interest rate risk as it borrows funds at floating interest rates.

#### **Interest rate sensitivity analysis**

The Group's exposures to interest rates on assets and liabilities are detailed in the liquidity risk management section of this note.

The following table illustrates the sensitivity of the profit for the year to a reasonably possible change in interest rates of + 1% (2007: + 1%) with effect from the beginning of the year. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on the Group's financial instruments held at each balance sheet date. All other variables are held constant.

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**27. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)**

**27.1.2 Interest rate risk management (Continued)**

A positive number below indicates an increase in profit and negative number indicates decrease in profit.

	2008	2007
	KD 000's	KD 000's
Impact on consolidated statement of income		
US Dollar	(746)	(1,091)
Euro	(629)	(648)
Tunisian Dinar	(578)	(211)
Algerian Dinar	(103)	-
Saudi Arabian Riyal	-	(105)

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

**27.1.3 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 equity investments. The Group manages the risk through diversification of investments in terms of industry concentration. The effect of equity price risk on profits of the Group is not significant as it has no investments classified as investments at fair value through profit or loss. The effect on equity (as a result of a change in the fair value of equity investments held as investments available for sale) at the year end due to an assumed 15% change in market indices, with all other variables held constant, is as follows:

		2008	2007
	% change in equity price	Effect on equity	Effect on equity
		KD 000's	KD 000's
Kuwait stock exchange	+15	729	1,191
	-15	(729)	(1,191)

**27.2 Credit risk management**

Credit risk refers to the risk that 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 and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the management annually.

Trade 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 accounts receivable.

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





## **27. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)**

### **27.2 Credit risk management (Continued)**

#### *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	
	2008	2007
	KD 000's	KD 000's
Bank balances	113,305	79,469
Trade and other receivables	60,349	53,524
Due from liquidator	-	29,377
Available for sale investments	4,154	5,571
	<u>177,808</u>	<u>167,941</u>

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

	Carrying amount	
	2008	2007
	KD 000's	KD 000's
Kuwait	105,720	116,046
Tunisia	33,422	23,615
Algeria	20,996	13,477
United Arab Emirates	469	7,172
Maldives	2,826	1,248
Saudi Arabia	9,690	5,926
Palestine	4,685	457
	<u>177,808</u>	<u>167,941</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 external credit ratings (if available) or to historical information about counterparty default rates:

The average credit period is 30 days. No interest is charged on the overdue trade receivables. The Group has provided fully for all receivables over 365 days because historical experience is such that receivables that are past due beyond 365 days are generally not recoverable. Trade receivables between 30 days and 364 days are provided for based on estimated irrecoverable amounts determined by reference to past default experience.

As of 31 December 2008, trade receivables of KD 23,005 thousand (2007: KD 20,404 thousand) were fully performing.

Included in the Group's trade receivables balance are debtors with a carrying amount of KD 12,904 thousand (2007: KD 10,941 thousand) which are past due at the reporting date for which the Group has not provided 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.

The Group has fully provided for all impaired trade receivables.

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**27. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)**

**27.2 Credit risk management (Continued)**

<u>Aging of past due but not impaired</u>	<u>2008</u>	<u>2007</u>
	KD 000's	KD 000's
31 – 60 days	2,068	2,124
61 – 90 days	1,588	1,547
91 – 120 days	1,283	1,062
More than 120 days	7,965	6,208
Total	<u>12,904</u>	<u>10,941</u>

**27.3 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.

The following tables detail the Group's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities.

**At 31 December 2008**

<b>Financial liabilities</b>	<b>Less than 1 year</b>	<b>Between 1 and 2 years</b>	<b>Between 2 and 5 years</b>	<b>Over 5 years</b>	<b>Total</b>	<b>Weighted average effective interest rate</b>
	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	%
Short term debt	1,144	-	-	-	1,144	4.43
Trade and other payables	282,992	-	-	-	282,992	-
Long term debt	17,750	18,688	152,258	-	188,696	7.31
Other non-current liability	-	-	21,428	35,892	57,320	-
	<u>301,886</u>	<u>18,688</u>	<u>173,686</u>	<u>35,892</u>	<u>530,152</u>	
<b>Commitments</b>						
Acquisition of property and equipment	53,532	-	-	-	53,532	
Operating lease	3,759	-	23,557	-	27,316	
	<u>57,291</u>	<u>-</u>	<u>23,557</u>	<u>-</u>	<u>80,848</u>	



## **27. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)**

### **27.3 Liquidity risk management (Continued)**

**At 31 December 2007**

<b>Financial liabilities</b>	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	%
Short term debt	12,615	-	-	-	12,615	8.88
Trade and other payables	215,198	-	-	-	215,198	-
Long term debt	38,119	57,950	102,988	43,721	242,778	8.78
	<u>265,932</u>	<u>57,950</u>	<u>102,988</u>	<u>43,721</u>	<u>470,591</u>	
<b>Commitments</b>						
Acquisition of property and equipment	46,804	-	-	-	46,804	
Acquisition of Palestinian mobile license	38,986	-	-	-	38,986	
Operating lease	3,752	16,191	-	-	19,943	
	<u>89,542</u>	<u>16,191</u>	<u>-</u>	<u>-</u>	<u>105,733</u>	

## **28. 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 management ensures compliance with policies and procedures and monitors operational risk as part of overall risk management.

## **29. FAIR VALUE OF FINANCIAL INSTRUMENTS**

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 balance sheet 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 balance sheet date.

As at the consolidated balance sheet date, the fair value of all of the Group's financial assets and financial liabilities approximate their carrying value in the consolidated balance sheet except for certain available for sale investments carried at cost (Note 9).



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### **30. CAPITAL RISK MANAGEMENT**

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from 2007.

The capital structure of the Group consists of equity comprising issued capital, reserves and retained earnings as disclosed in note 18.

#### *Gearing ratio*

The gearing ratio at year end was as follows:

	2008	2007
	KD 000's	KD 000's
Debt (i)	156,323	207,051
Cash and bank balances	(113,352)	(79,469)
Net debt	42,971	127,582
Equity (ii)	370,011	305,586
Net debt to equity ratio	12%	42%

(i) Debt is defined as short term debts and long-term debt, as detailed in notes 14 and 16.

(ii) Equity includes all capital and reserves of the Group excluding non-controlling interests.

### **31. EVENTS AFTER THE BALANCE SHEET DATE**

- On 22 January 2009, the Parent Company has signed a Share Purchase Agreement with Al-Bahar United Company W.L.L. (trading as "FONO") for a purchase consideration of KD 1,633,500. The notarization at Ministry of Justice is in progress to formalise the share transfer. FONO is a distributor of handsets and seller of airtime and related services with 13 outlets located in selected areas in Kuwait.
- Subsequent to the balance sheet date, WPT has obtained USD 85 million of syndicated finance to invest in its network infrastructure.

### **32. COMPARATIVE FIGURES**

Certain comparative figures have been reclassified (Note 5) to conform to the current period presentation.







# Board of Directors

01 Sheikh Abdullah Bin Mohammed Bin Saud Al-Thani, Chairman of the Board

02 Sheikh Mohammed Bin Suhaim Al Thani, Vice Chairman

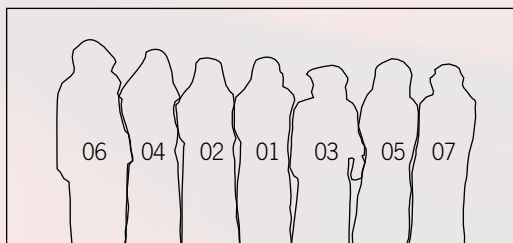
03 Fahad Othman Al-Saed, Member of the Board

04 Waleed Abdulla Al-Roudhan, Member of the Board

05 Ali Shareef Al-Emadi, Member of the Board

06 Mahmoud Al Kandari, Member of the Board

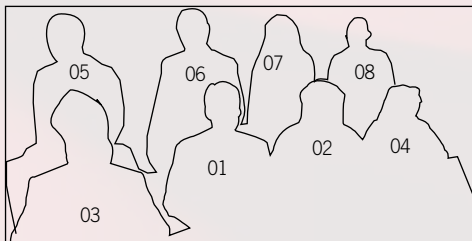
07 Dr. Nasser Mohammed Marafih, Member of the Board





# Executive Management

- 01 Scott Gegenheimer, General Manager & CEO
- 02 Fuad A.D.A Al-Ablani, Deputy General Manage
- 03 Balbinder Ranbir Singh Panesar, Finance Director
- 04 Khaled Al-Rumayhi, Customer Care Director
- 05 Francesco Ricotta, Chief Technical Officer
- 06 Juha Korhonen, Acting Marketing Director
- 07 Zeyad A.A Al-Omar, HR & Admin Services Director
- 08 Mahmud Awad, Sales Director





# Contact Directory

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\* For calls from outside the Arab world please replace the international code 970 with the code 972.