



WATANIYA TELECOM
ANNUAL REPORT 2009

Wataniya.
We're just getting started.





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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A full-page photograph of a person standing on the peak of a rugged, grey rock mountain. The mountain's surface is characterized by prominent, parallel, light-colored rock strata. The person, wearing a light-colored jacket and dark pants, stands at the very tip of the peak. In the background, a vast mountain range stretches across the horizon under a blue sky with scattered white clouds. To the left, a calm lake reflects the sky, with a forested shoreline visible in the lower-left corner.

Striving to do better, achieving more...
And we're just getting started...

Dear Shareholders,

I am very pleased to offer this overview of Wataniya's performance in 2009. We have delivered strong results in the face of a challenging global economy and increasingly competitive markets, and have continued to drive innovation and exceptional service for all our customers.

This was a year that validated many of the strategic decisions we have taken, reinforcing the importance of our customer-centric approach and demonstrating the sustainable value of our investments in people and technology.

It was also a year of major milestones. We marked our tenth anniversary in Kuwait, and celebrated becoming the market leader in Tunisia. We saw the launch of operations in Palestine, and increased the strength of our connections with our customers across our markets, through sponsorship of the National Football team in Algeria and through a strong focus on tourism in the Maldives.

We have built our strategy at Wataniya upon three main pillars – innovative services, superior network quality and truly exceptional customer service. Each of these areas proved essential in pushing our business forward, bringing us closer to our customers and enabling us to maximize the value being realized across our diverse markets. As a result, we are now placed to continue to deliver value in 2010 and far into the future.

Healthy results and strong growth

Overall, Wataniya has continued to make significant operational and financial progress throughout 2009.

Wataniya delivered total revenue of KD 475.5 million for the year. Our full year consolidated net profit was KD 108.3 million, an increase on the KD 82.4 million for the same period in 2008. Our consolidated customer base increased to 15.2 million at the close of 2009, versus 10.9 million at the close of 2008, as more and more people chose Wataniya as their preferred service provider.

Kuwait continued to deliver the largest proportion of revenue, with 48 percent of the consolidated revenue, while Algeria saw the highest growth in customer numbers.

Innovative services, superior network quality and exceptional customer service

Central to our efforts in 2009 was our drive to reinvent our services across a new segmented strategic model. Extensive research was conducted so that we could better understand our customers and their needs, and reshape our product and service portfolio to better support them. We are already seeing stronger demand from our customers as a result of this initiative, in addition to higher customer satisfaction due to the more targeted nature of our segmented offerings.

We also looked to reinforce our leadership position and create new revenue streams through essential network upgrades. In particular, we see strong potential for growth in data and value-added services, and have invested in building the infrastructure necessary to recognise these opportunities.



In Kuwait, we have upgraded our HSUPA network to support higher speeds for our customers. We have also implemented a second carrier to manage the increasing volume of data traffic. In Tunisia, we increased capacity and network speed through the deployment of fiber optic technology across the network backbone. We also continued to improve coverage of indoor hot-spots in key urban areas.

Ongoing investment in customer service also played a key role. In Kuwait, we completed the acquisition of Fono, a leading mobile retailer with sales points across the country. Integrating Fono's traditions of quality after-sales service with our own unique approach to delivering outstanding customer experiences has added significant value to our brand. We have also executed a number of first-of-their-kind innovations in Tunisia and Algeria to reinforce our customer brand promise.

Building our role as part of a global group

Just as we continue to build on our position in established markets, we also reached out to new customers in new markets. One of the most important milestones of 2009 was the launch of Wataniya Mobile for the people of Palestine, providing them with the long-awaited choice of a new telecommunications provider.

To consolidate this launch, we have been able to quickly build a new distribution network throughout the West Bank, with six company-owned centers and more than 60 well-trained dealers and grocery store outlets, providing ease of access and availability of our products and services across both rural and urban areas. Combined with our focus on customer service, we are now well-positioned to provide the highest quality experience in our newest market.

Most importantly of all, just as our efforts in Palestine have benefited from the collective experience of Wataniya, we have also benefited from being part of the Qtel Group of companies. The Qtel Group is now the largest provider in the MENA region by number of operations, and uniquely well-equipped to offer the next generation of services and technology to all our customers.

Our collective endeavor and imagination are what define us as a company, and we will continue to build upon these strengths in 2010 and into the far future.

Abdullah Bin Mohammed Bin Saud Al Thani
Chairman

Improving our knowledge,
raising the standards...
And we're just getting started...



Dear Shareholders

2009 has been a dynamic year and a year of milestones. The year marked Wataniya's 10th anniversary of the start of operations in Kuwait and we are proud to celebrate a decade of growth and strong achievements. The pages of our history reveal a portfolio of leading-edge services and firsts to the market. We demonstrated superior network quality and the very best experience for our growing customer base – and we are just getting started.

Today, our consolidated results reflect a culmination of factors - the success of our customer focused approach, our employees' tireless work ethic and the strong support from our shareholders.

Wataniya delivered total revenue of KD 475.5 million for the year, representing a net profit of KD 108.3 million. The number of customers across all the regions increased from 10.9 million to 15.1 million. Kuwait continued to deliver the largest proportion of revenue, with 48% of the consolidated total. Nedjma in Algeria saw the greatest improvement in customer acquisition with a growth of 37% in the subscriber base.

Our success was made possible by focusing on our key objective, to deliver the best value to our customers. We began 2009 by reinventing our services with a segmented strategy in mind. Extensive market research provided valuable insight into the breadth of services in demand. This created an increase in demand from our subscribers. As a result, Wataniya successfully delivered on our value proposition with positive results.

In 2009 the Company experienced an exceedingly competitive landscape in Kuwait with the first full year of competition from a third operator coming into effect. Despite this, Wataniya achieved a 17% growth in subscriber base, delighting customers with several new tariff plans. Customer satisfaction and loyalty was clearly evident in the results.

The concept of value services crossed country borders. In Tunisia, after recognizing the importance of customer loyalty and satisfaction, Tunisiana launched Service+ which aims to help customers repair or replace handsets when problems arise. This introduction represents a service totally unique to this country. In the Maldives, joining the new world of social networking, we became the first operator to partner with Facebook.

During 2009, a number of key investments were made in our distribution network. In Kuwait, the acquisition of Al-Bahar United Ltd (trading as "Fono"), a pioneering



mobile retailer, increased our sales points and thus the Company's presence throughout the country.

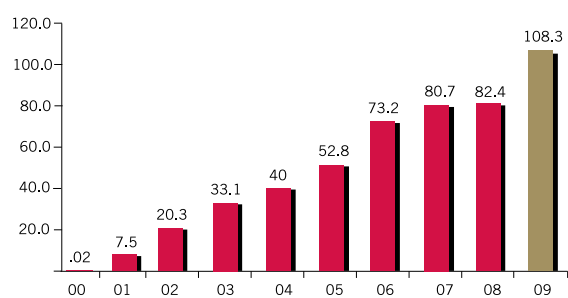
In Palestine, commercial services commenced in November 2009 and included a distribution network of six Company-owned centers and 60+ well-trained dealers throughout the West Bank.

Further, the Company continues to make investments in network deployment, capacity and quality improvement, opening the world of Wataniya Telecom to a range of new customers and new revenue sources. Our service in Kuwait saw an upgrade in the HSUPA network and the implementation of a second carrier to cater to an increased volume in data traffic. Tunisia had an increase in capacity and network speed through fiber optic deployment for more progressive coverage.

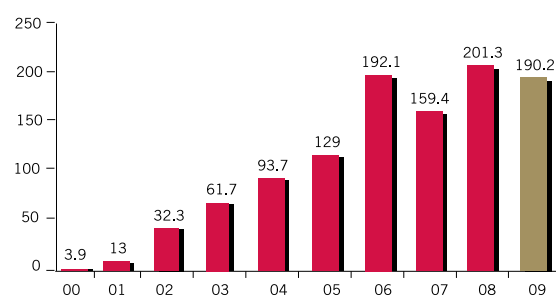
At Wataniya, our competitive advantage is only as good as the relationships we forge with our customers. With this, I gratefully acknowledge the support of our Shareholders and the Board of Directors. My appreciation also goes to the Executive Management, whose motivation and commitment represent a vital source to our success. Last, but not least, a big note of thanks to our dedicated employees at every level for their hard work, loyalty and innovation. They are our most valuable ambassadors and the reason why this Company is prepared for a future where we create so much more for our customers than just a world of network connections.

With our bold history and learning through experience, Wataniya is prepared, ready and willing to face the future with confidence.

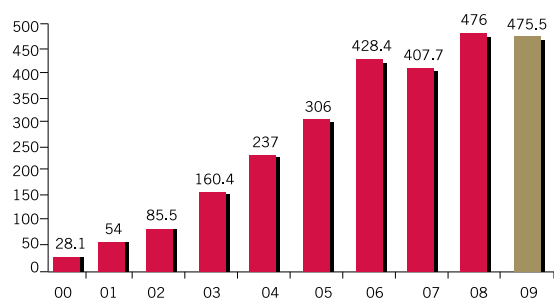
M.Scott Gegenheimer
General Manager & CEO



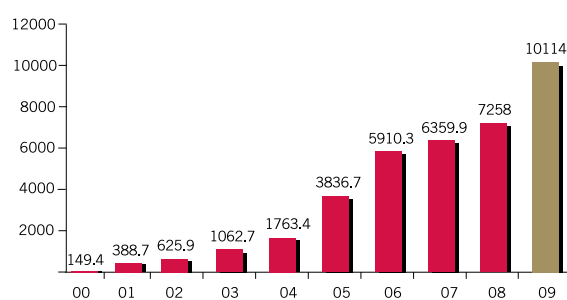
NET PROFIT (KD millions)



EBITDA (KD millions)



REVENUE (KD millions)



**PROPORTIONAL SUBSCRIBERS
(thousands)**

FINANCIAL HIGHLIGHTS FOR THE YEAR ENDED 31 DECEMBER 2009

		Year 2009	Year 2008
		KD Million	KD Million
KUWAIT Wataniya Telecom	Total Subscribers	1,537,715	1,313,733
	Revenue	200.9	226.6
	EBITDA	95.7	120.5
	% EBITDA	48%	53%
	Net Profit to WT	108.8	84.3
TUNISIA Tunisiana	Total Subscribers	5,210,926	4,256,573
	Revenue	102.3	99.2
	EBITDA	55.2	51.9
	% EBITDA	54%	52%
	Net Profit to WT	23.7	21.2
ALGERIA Nedjma	Total Subscribers	8,032,682	5,114,021
	Revenue	141.4	130.5
	EBITDA	46.5	37.6
	% EBITDA	33%	29%
	Net Profit to WT	(7.0)	(9.4)
SAUDI ARABIA Bravo	Total Subscribers	185,539	149,212
	Revenue	20.1	14.1
	EBITDA	(2.3)	(6.2)
	% EBITDA	-12%	-
	Net Profit to WT	(6.2)	(6.5)
MALDIVES Wataniya Telecom Maldives	Total Subscribers	101,713	101,639
	Revenue	7.7	5.6
	EBITDA	0.4	(0.1)
	% EBITDA	5%	-
	Net Profit to WT	(3.3)	(3.6)
PALESTINE Wataniya Telecom Palestine	Total Subscribers	110,835	
	Revenue	0.6	
	EBITDA	(5.8)	
	% EBITDA	-	
	Net Profit to WT	(4.2)	
Wataniya - Consolidated	Total Subscribers	15,179,410	10,935,178
	Revenue	475.5	476.0
	EBITDA	190.2	201.3
	% EBITDA	40%	42%
	Net Profit to WT	108.3	82.4

Offering more choice,
providing more empowerment...
And we're just getting started...





About Wataniya Kuwait

Having demonstrated strong and consistent growth in the past ten years, Wataniya enters this new decade as the second largest operator in one of the most competitive, demanding and fast-paced mobile markets in the Gulf region. Serving a significant share of Kuwait's mobile customers, Wataniya has built its success on three strategic pillars: offering innovative services, providing excellent network quality and delivering outstanding customer service.

The Company offers a wide range of pre-paid and post-paid mobile voice and data services to both individual and corporate customers, as well as WNet, a secure wireless and mobile internet service for portable PCs. Wataniya also offers a suite of business efficiency tools for corporate customers under the WPro brand as well as a number of value added services such as "Call Collect," "Call Back Home" while roaming and "Please Call Me," each giving customers more options for staying connected.

Ownership

The Qtel Group holds a 52.5% 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.

Wataniya Kuwait's achievements

2009 brought great challenges for Wataniya in Kuwait: challenges which the Company has successfully overcome thanks to clear planning and continued focus on its core strategic aims. This year – the first full year of competition from a third operator and a year in which changes to inbound calling charges have altered consumer behaviour in Kuwait – Wataniya has still continued to grow both its customer base and its reputation for service excellence and diversity.

Acknowledging the emerging BlackBerry trend in the region, the most significant addition this year to Wataniya's service portfolio came in June when the Company succeeded in launching the BlackBerry

solution in-market. This innovation was enhanced in October when Wataniya became the first operator to unveil a pre-paid 'pay-as-you-go' BlackBerry package in Kuwait. However, while significant, BlackBerry was not 2009's only innovation. In April, Wataniya launched Maxpress: a second pre-paid bonus reward plan based on usage. November saw further momentum with the launch of Wink: a revolutionary new youth program that merges the best possible price plans with membership discounts at local merchants for some of the Company's most demanding and sophisticated youth customers.

Alongside the addition of these new services to Wataniya's portfolio, the Company also paid attention this year to reinforcing its existing products and their market position. One major initiative during 2009 was the introduction of a new set of unique WPro business tariffs, covering all levels of corporate needs from senior management with a focus on value, down to employees with a focus on control.

These new services continue to be supported by a 'best-in-class' network infrastructure. During the year Wataniya successfully completed a range of network upgrades and enhancements so that by the end of 2009, the network was able to support up to 14.4Mbps HSDPA data speeds and up to 2Mbps HSUPA data speeds anywhere in the country.

Wataniya Kuwait in the year ahead

The three strategic pillars of service innovation, network excellence and outstanding customer experience remain the cornerstone of Wataniya's plans as the Company moves forward into 2010 – its eleventh year of operations in Kuwait. In the year ahead, Wataniya will seek to consolidate and extend its strong market position, working hard to ensure and reward customer loyalty while continuing to enhance customer experience through targeted programs. At the same time, Wataniya remains focused on pursuing new revenue-generating opportunities where they exist, particularly in data and value-added services.

"This year, in the face of great challenge, our business has demonstrated great strength. Our network has become more sophisticated, helping us reinforce our reputation for excellence. Our service offering has also become more varied, strengthening customers' confidence in our ability to meet their ever-changing needs. It is this strength that will serve us well in 2010 as we look forward to pushing ahead with our strategic plans in what remains a decidedly dynamic and rewarding marketplace."



Rewarding loyalty, making friends
And we're just getting started...



About Tunisiana

Launched in 2002 as Tunisia's first privately owned telecom company, Tunisiana's arrival marked a significant change to the country's communications market. Since that time, Tunisiana has grown to become not only the country's number one mobile operator with more than 50 percent market share but also one of the country's most trusted and recognized brands. Each day, Tunisiana's network delivers 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

Wataniya Telecom (NMTC) holds a 50 percent stake in the operations of Tunisiana.

Tunisiana's achievements

With the arrival of a third 3G and fixed-line operator scheduled for early 2010, Tunisiana has paid close attention this year to not just maintaining but also bolstering its leading market position. Much of this attention was focused on enhancing Tunisiana's already high quality network, most notably in improving indoor hot-spot coverage in key urban centers. The company also successfully completed an upgrade to its core transmission layer, with the key cities of Tunis, Sousse and Sfax now connected by a state-of-the-art fiber-optic ring.

Recognizing the importance of customer loyalty and satisfaction, these network enhancements have been made alongside a number of service upgrades and new service roll-outs. During the year, Tunisiana launched "Service+": the first offering of its kind in Tunisia, aimed at helping customers repair or replace handsets when problems strike. At the same time, Tunisiana has continued to develop its all-important national distribution network making it easier for customers to access new services, products and offers. Two new service centers and a new "e-shop" were launched in 2009 and Tunisiana customers now have access to over 33,000 recharge points nationwide. And, by accessing

this expanded footprint, Tunisiana customers are able to take advantage of other innovative services introduced this year such as reverse billing, international top-ups and a USSD recharge platform.

Tunisiana in the year ahead

Tunisiana enters 2010 with a strong position and solid market share, a robust and sophisticated network infrastructure along with an ever-evolving range of innovative products and services. However, whilst the Company is well positioned to combat enhanced competition, it is not complacent. The focus for 2010 remains the same focus that has served Tunisiana well since its inception: its customers. The Company will continue to target those rural areas of Tunisia where mobile usage lags more urbanised centers, rolling out its services to these areas not only in a more intensive way but also in a way that is designed to meet the unique needs of these rural customers. The evolving data market also remains an area of focus for Tunisiana, where the Company's sophisticated network is able to meet the growing demand for data services not only from domestic customers but also from business visitors and tourists.

"The sole focus of our business – what we do, how we package it and how we deliver it – remains the customer. Our customers trust us to offer them innovative and high quality services, supported by a robust and reliable network. It is their hard-won satisfaction and loyalty that will continue to give us a unique advantage in 2010 as the competitive landscape changes in this most exciting and demanding market."

Communicating honestly, earning trust...

And we're just getting started...





About Nedjma

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

Ownership

Wataniya Telecom (NMTC) holds a 71 percent stake in the operations of Nedjma.

Nedjma's achievements

Nedjma has continued to make impressive progress this year, delivering yet another year of major customer growth. This progress owes much to Nedjma's brand recognition, innovative product offering and competitive network quality; all of which have resulted in a significant amount of customer acquisition this year. 2009 also saw Nedjma begin its sponsorship of the Algerian National Football Team. Football plays a significant role in Algerian society and this sponsorship has a large potential to attract key segments in the market, particularly the youth segment.


At a network level, Nedjma has succeeded this year in making infrastructure improvements in all parts of the country; many of which saw the Company follow through on initiatives started back in 2008. For example, a program started in 2008 to connect transmission sites in the deep south of the country – via VSAT to the main Nedjma network was successfully completed this year, reducing disruption and improving call quality. Similarly, in the north of the country, Nedjma commenced roll-out in 2008 of three SDH transmission rings in a bid to secure traffic across the 1,200 km region. In September 2009, these rings carried their first traffic, resulting in better availability of the Nedjma network and reduced reliance on leased lines.

Now complete, these network enhancements have supported the roll-out in 2009 of new services and offers for all types of customers, particularly 'high value' users. And, in a bid to further appeal to this target group, Nedjma has devoted particular attention this year to making the process easier for customers wishing to make the switch to Nedjma. New customers have been able to enjoy free text messages to share their new number with friends whilst, at the same time, being able to select a number which matches as closely as possible with their previous one.

Nedjma in the year ahead

The year ahead represents a real opportunity for Nedjma to continue to acquire new customers, particularly by leveraging its sponsorship participation in upcoming high-profile sporting events such as the World Cup in 2010. At the same time, growth in demand for broadband services remains one area for potential long-term growth for the Company as does the potential for new products linked to e-money, such as e-bill payments and money transfer. Ultimately it is the significant opportunity to grow its market share in Algeria where Nedjma sees considerable potential.

"Our key objectives at the start of this year were to increase our market share through a targeted segment switching strategy and to enhance the resilience and capacity of our networks; both of which have been decisively achieved. In 2010, we will seek to foster further growth, not only working to maintain our brand perception but also by continuing to attract high-end customers, providing them with the best quality of service and the tailored offers they need."

A close-up photograph of two hands shaking in a firm grip. The hands are positioned in the center of the frame, with the fingers interlaced. The person on the left is wearing a light-colored, long-sleeved shirt with a visible cuff. The person on the right is wearing a similar light-colored shirt. The background is a dark brown surface with a complex, repeating geometric pattern of interlocking stars and polygons, resembling a traditional Islamic or Arabesque design. The lighting is soft, highlighting the texture of the skin and the fabric of the shirts.

Focused on our customers,
committed to their needs...
And we're just getting started...



About Bravo

Bravo launched operations in 2005 as Saudi Arabia's first specialized push-to-talk ("PTT") provider, offering PTT and cellular communication services to the business and government sectors. Bravo's solutions are ideally suited to organizations which need to connect and manage large numbers of employees or related groups in a flexible, efficient and cost-effective way. Today, Bravo provides customers from across a diverse group of businesses and government institutions with mobile voice, messaging, fleet management, inventory management solutions and even data services across its iDEN-based nationwide wireless network.

Ownership

Wataniya Telecom (NMTC) holds a 55.6 percent stake in the operations of Bravo.

Bravo's achievements

Bravo made solid progress in 2009, delivering year-on-year revenue growth and further growing its customer base. This progress has largely been driven by Bravo's continued focus on service enhancement, such as the launch of advanced new billing methods as well as the implementation of a new Fleet Management solution. 2009 also saw Bravo launch its "Business Family" service concept, a compelling tool which allows Bravo customers to network not just with their own employees but also with their suppliers, contractors and clients.

Bravo in the year ahead

Today, Bravo stands proud as a trusted name for specialized communications solutions in Saudi Arabia and remains fully committed to its aim of becoming the PTT provider of choice for the country's government and business sectors. By continuing to focus on tailoring and enhancing its vertical offerings, particularly within the corporate arena, Bravo will seek to make further strategic progress in the year ahead.

"We have continued to make advances this year, further adding to our customer base by focusing hard on customer service and satisfaction. Demand for our flexible, integrated services has remained robust and we have introduced new services to further entrench our position in this growing market. In the year ahead we will continue to stick close to our core principles, ensuring that the simplicity, cost-effectiveness and high-quality of our offering remain unparalleled in Saudi Arabia."

A man with dark hair, seen from the back, is looking through a gold-colored telescope. He is wearing a light-colored, long-sleeved button-down shirt. He stands on a sandy beach looking out at a vast, turquoise ocean under a bright blue sky with scattered white clouds. A large palm tree with green fronds is in the upper left corner of the frame.

Expanding our ambitions,
reaching new horizons...

And we're just getting started...



About Wataniya in the Maldives

Since commencing operations in the Maldives in 2005, Wataniya is today able to offer mobile and data services across all of the inhabited islands of this Indian Ocean nation. Supporting a vibrant economy centered on tourism, Wataniya offers a range of mobile services for the Maldives' numerous international visitors and local inhabitants, delivered across the country's first ever 3G and HSDPA-ready network. Wataniya Maldives continues to execute its long-term strategy, focusing on increasing network coverage, penetration and the availability of data services, particularly in the country's growing resort sector.

Ownership

Wataniya Telecom (NMTC) holds 100 percent of the operations of Wataniya in the Maldives.

Wataniya Maldives' achievements


In the second half of 2008, Wataniya Maldives stepped up plans to take advantage of growth opportunities in the Maldives' tourism industry, setting up a dedicated "Resort Solutions Team" to speed up the acquisition of transmission sites in key resort areas. In 2009, this team has succeeded in doubling the number of resort site agreements held by the Company; so much so that, by the end of 2009, the number of 'on-air' resort sites had increased by more than 50 percent year-on-year.

At the same time, the Company remained committed to increasing the availability of 3G data connectivity in the Maldives, enhancing 3G coverage in the capital, Male, and rolling out 3G coverage to two new resorts during the year. These roll-outs have allowed other innovations to take place, such as this year's landmark agreement with Facebook which – for the first time – allows visitors to the Maldives the chance to keep close to their Facebook friends through SMS. In 2009, even with tourist arrivals down, Wataniya was still able to grow its roaming revenue year-on-year in this unique market; a significant achievement.

Wataniya Maldives' in the year ahead

The Maldives and tourism go hand-in-hand and it is the tourism sector that continues to represent a major growth opportunity for Wataniya in 2010. There remains significant potential to grow the number of 'on-air' resort-based transmission sites this year, as well as potential to pursue growth through the continued expansion of the 3G network and by making further enhancements to Wataniya Maldives' already robust microwave network backbone.

"We have continued to grow our business this year, even when faced with lower tourism brought about by shake-ups in the global economy. We have done this by remaining true to our strategy: focusing hard on extending not only the number of tourist centers our network can reach, but also by ensuring that our visiting customers enjoy services just as sophisticated as those they demand back home. It is this strategy that will continue to drive us forward in 2010."



Delivering the expected,
delighting with the unexpected...
And we're just getting started...



About Wataniya Palestine

Wataniya is the second licensed mobile operator in Palestine. Awarded its license to operate in 2006 through a competitive process, operations were successfully launched in the West Bank in November 2009 after final grant of necessary radio spectrum in Q3 2009. Wataniya is now poised to become a significant player in the Palestinian mobile market, offering a population of approximately 4 million people the opportunity to enjoy service based on network quality, reliability and choice.

Ownership

Wataniya Telecom (NMTC) holds a 57 percent stake in the operations of Wataniya in Palestine.

Wataniya Palestine's achievements

November's launch of commercial services in the West Bank not only marks Wataniya's most notable achievement of 2009, but also represents a crowning moment in its development so far. As a result of this successful launch, Wataniya now offers the people of Palestine a full range of pre-paid, post-paid and hybrid-payment services as well as a robust set of roaming products, including the Qtel Group's flagship SmartRoamer offering.

While maintaining the quality and reliability of these services is an important daily focus for Wataniya, ensuring their accessibility is also crucial. To that end, in 2009, Wataniya established a distribution network to support its West Bank operations spanning six company-owned centers in Ramallah, Tulkarem, Jenin, Nablus, Hebron and Bethlehem. Linked to a live network of over 60 trained dealers and over 3,000 grocery store points of sale, Wataniya is today able to ensure that both urban and rural Palestinians have easy access to its products and services.

As a result of this broad network, Wataniya not only directly employs over 300 talented professionals in Palestine, but has also supported the creation of a further 3,000 jobs in the wider Palestinian economy.

Wataniya Palestine in the year ahead

The Palestinian communications market offers strong long-term prospects for growth which should, in turn, support the wider growth of Palestine's fledgling economy. In 2010, Wataniya intends to remain focused on building and supporting a high quality network. At the same time, the Company hopes to make further progress towards increasing its population coverage in both urban and rural areas, as well as its in-car coverage on major roads and highways and its in-building coverage in major urban centers.

"One thing is certain: we will look back on 2009 as a landmark year for our operations in Palestine. Our commercial service launch in November followed twelve months of intensive network building, service development and marketing preparations to ensure a successful start to our operations. In the year ahead we will remain focused on building a high quality network in support of our commitment to offer the people of Palestine simple, high quality and cost-effective communications services."

Adding more value, spreading more joy

And we're just getting started...



In the year 1999, when Wataniya was first founded, our goals were to earn the respect and trust of our customers, and enrich the communities we live in.

Ten years later, we continue reaching out to our customers. Wataniya firmly believes that it has never been more important to focus on our obligations. For this reason, and with our pronounced responsibility of being a conscientious member of society, we continue to support the wellbeing of society through fulfilling positive targets, investing in local neighborhoods and inspiring individuals to take action for a better world.

We hope that those we serve will continue to enjoy the fruits of our social responsibility strategies for many years to come.

The following developments are a selection of the initiatives we have taken this year, across our markets:

World Diabetes Day

2009 marked Wataniya supporting the World Diabetes Day in Kuwait. As a devotee to this global campaign that highlights how type 2 diabetes affects some 285 million people worldwide and will affect approximately 333 million people in the future, Wataniya promoted preliminary actions by encouraging those at risk to maintain a healthy weight and take regular exercise. Banners and flyers were placed in Wataniya outlets and branded pins were distributed with the Al-Rai newspaper, allowing everyone to show their support.

A greener future

It's never been more important that we protect our environment for future generations. For this reason, Wataniya worked in partnership with the NPO and the MADA association in Tunisia to finance a tree plantation program that will help the fight against erosion and desertification.

Keeping our eye on the ball

Sports play a pivotal role in the makeup of society – especially when dedicated people rise to the challenge. Through creating local partnerships we will endeavor to change lives and continue to make a difference to the communities in which we serve.

For Wataniya, football is a positive method to score real success in bringing together communities. In Algeria, we are proud to sponsor the national football team and its top seven players, as well as many of the nation's top football teams and the National League. Meanwhile in the Maldives, the main football league will now be known as the 'Wataniya Dhivehi' league.

The Tunisian team CSS-EST-CA are also sponsored by us, and in Kuwait, Wataniya has renewed its sponsorship for Al Qadsiya and Al Arabi football clubs, and sponsored the Super Cup for Soccer in 2009. All proceeds from ticket sales were dedicated to fund the Bayt Abdullah Children's Hospital, a charitable organization caring for children with terminal cancer.

Going the extra mile

In Palestine, we organized the first ever children's marathon in Ramallah, and also assisted The Faisal Hussein Foundation with the children's walkathon 2009. Here, the proceeds enabled the renovation of a school in occupied East Jerusalem.

Wataniya Tunisia is also proud to support the Arab champion league of disabled athletes and enjoys a partnership with the Volleyball Federation.

The gift of giving

The spirit of Ramadan was celebrated in 2009 with our Iftar Saem program in Kuwait, with Wataniya hosting a daily Iftar for fasting Muslims in Kuwait, providing 15,000 meals for the poor. For the second consecutive year, we distributed 10,000 Quran CDs in all our outlets in Kuwait.

Helping people to help themselves

Wataniya helps thousands of people to built brighter, stable futures for themselves and their families, strengthening communities in the process.

2009 marked the sponsorship of the "Negdar" Entrepreneur Project in Kuwait. The project encourages young Kuwaitis to start their own Business by providing them with the guidance they need.

Our support also went to disabled children at the Tournai du Coeur Centre of Sidi Thabet in Tunisia to enjoy a more comfortable and fulfilling life. In addition, we have partnered with the Tunisian Solidarity Union to help repair centers damaged by floods.

Culture and the arts

Art and Culture preserve a nation's heritage, help us understand our history and bring people together. At Wataniya, our aim is to maintain and enrich the cultural identities of every country we serve.

Wataniya is working with the Municipality of Ramallah in Palestine to build the first ever outdoor amphitheatre in the West Bank, which will serve to host local and international talent. The new center will create a venue for cultural exchange among Palestinian people and cultures throughout the world in music, dance, film and arts.

Riwaq Biennially is an architectural renovation of significant historical buildings. This year's Biennially refurbished buildings in over 50 villages across the West Bank in Palestine. Wataniya also sponsors the first-ever Children's Circus School, where children can learn acrobatic and interactive skills.

We have continued our cultural activity for 2009 by supporting the Algerian Tourism Ministry through the development of a national tourism promotion film, starring the iconic footballer Zinedine Zidane.

In the Maldives, Wataniya created a popular reality show in conjunction with TV Maldives. Wataniya Mas Race (Mas meaning fish in Dhivehi) featured various teams competing with each other for the largest fishing catch. The show was on television weekly throughout Ramadan.

Wataniya left a positive mark on cultural celebrations in Tunisia, through sponsoring the International Film Festival, 24-hours of non-stop theatre in Kef, and a spiritual music festival to mark Ramadan, to name but a few of the initiatives.

Their future, our responsibility

We believe social responsibility is the key to being an innovative, forward-thinking company. Moving forward, we will continue to ensure the interests of society and that social and environmental concerns are voluntarily met. It is fundamentally a matter of trust.

A business is nothing without its people, and the beneficiaries of our initiatives are not strangers – they are the customers, colleagues and neighbors of Wataniya.

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



WATANIYA TELECOM

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

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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 statement of financial position as at 31 December 2009, and the related consolidated statements of income, comprehensive 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.

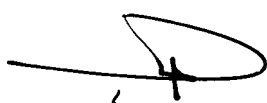
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2009, 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 that 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 count 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 Parent Company's articles of association have occurred during the year ended 31 December 2009 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
1 March 2010

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2009

	Notes	2009 KD 000's	2008 KD 000's
ASSETS			
Current assets			
Cash and bank balances	5	135,260	113,352
Trade and other receivables	6	86,453	84,764
Inventories		7,488	6,474
		<u>229,201</u>	<u>204,590</u>
Non-current assets			
Available for sale financial assets	7	15,678	21,153
Property and equipment	8	413,139	380,810
Intangible assets	9 & 10	205,417	256,637
Deferred tax relating to subsidiaries	11	24,990	30,513
		<u>659,224</u>	<u>689,113</u>
Total assets		<u>888,425</u>	<u>893,703</u>
LIABILITIES AND EQUITY			
Current liabilities			
Short term debt		-	1,119
Trade and other payables	12	241,792	275,574
Current portion of long term debts	13	16,815	17,124
		<u>258,607</u>	<u>293,817</u>
Non-current liabilities			
Provision for staff indemnity		1,523	3,378
Long term debts	13	128,863	138,080
Other non-current liability		14,338	43,416
		<u>144,724</u>	<u>184,874</u>
Total liabilities		<u>403,331</u>	<u>478,691</u>
Equity			
Share capital	14	50,403	50,403
Treasury shares	14	(3,598)	(3,598)
Reserves	14	158,038	147,940
Retained earnings		247,104	175,266
Equity attributable to equity holders of the Parent Company		<u>451,947</u>	<u>370,011</u>
Non-controlling interests		33,147	45,001
Total equity		<u>485,094</u>	<u>415,012</u>
Total liabilities and equity		<u>888,425</u>	<u>893,703</u>

Abdullah Bin Mohammed Bin Saud Al Thani
Chairman



The accompanying notes set out on pages 31 to 65 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 2009



WATANIYA TELECOM

	Notes	2009 KD 000's	2008 KD 000's
Revenue		475,421	475,970
Cost of revenue		(198,814)	(221,317)
		<u>276,607</u>	<u>254,653</u>
Network construction revenue	9	4,891	5,879
Network construction costs	9	(4,891)	(5,879)
		<u>-</u>	<u>-</u>
Gross profit		276,607	254,653
Amortisation of intangible assets	9	(21,402)	(17,611)
Selling and distribution costs		(48,990)	(37,869)
Administrative expenses		(108,051)	(89,231)
Other operating income / (expenses)	12	46,342	(12,887)
Dividend income		28	270
Interest income		1,946	5,278
Gain / (loss) on sale of available for sale financial assets		264	(582)
Impairment loss on financial assets	6 & 10	(9,997)	(3,375)
Impairment loss on goodwill	15	(4,201)	-
Realised gain on financial assets at fair value through profit or loss		-	280
Finance costs		(12,029)	(15,079)
Profit before taxation, contribution to Kuwait Foundation for the Advancement of Sciences ("KFAS"), National Labour Support Tax ("NLST"), Zakat and Directors' remuneration		120,517	83,847
Taxation relating to subsidiaries		(17,598)	(7,937)
Provision for contribution to KFAS		(1,139)	(867)
Provision for NLST		(2,907)	(2,163)
Provision for Zakat		(1,163)	(865)
Directors' remuneration		(450)	(400)
Profit for the year	18	<u>97,260</u>	<u>71,615</u>
Attributable to:			
Equity holders of the Parent Company		108,291	82,429
Non-controlling interests		(11,031)	(10,814)
		<u>97,260</u>	<u>71,615</u>
Basic and diluted earnings per share attributable to equity holders of the Parent Company (fils)	19	<u>216.08</u>	<u>164.48</u>

The accompanying notes set out on pages 31 to 65 form an integral part of these consolidated financial statements.

NATIONAL MOBILE TELECOMMUNICATIONS COMPANY K.S.C. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2009

	Notes	2009 KD 000's	2008 KD 000's
Profit for the year		<u>97,260</u>	<u>71,615</u>
Other comprehensive income			
Change in fair value of available for sale financial assets		(5,572)	(5,927)
Net (gain) / loss transferred to consolidated statement of income on sale of available for sale financial assets		(264)	582
Transferred to consolidated statement of income due to impairment in value of available for sale financial assets		8,997	3,375
Net foreign exchange (loss) / gain on translation of foreign operations		<u>(5,281)</u>	<u>11,029</u>
Other comprehensive (loss) / income for the year		<u>(2,120)</u>	<u>9,059</u>
Total comprehensive income for the year		<u>95,140</u>	<u>80,674</u>
Attributable to:			
Equity holders of the Parent Company		106,994	87,205
Non-controlling interests		<u>(11,854)</u>	<u>(6,531)</u>
		<u>95,140</u>	<u>80,674</u>

The accompanying notes set out on pages 31 to 65 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 2009



WATANIYA TELECOM

	Reserves								Total	Retained earnings	Attributable to equity holders of the Parent Company	Non-controlling interests	Total equity
	Share capital	Treasury shares	Share premium	Statutory reserve	General reserve	Gain on sale of treasury shares	Fair value reserve	Foreign currency translation reserve					
	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	KD 000's
Balance at 1 January 2008	45,821	(3,598)	66,634	32,200	32,200	6,914	(651)	(2,805)	134,492	128,871	305,586	24,170	329,756
Profit for the year	-	-	-	-	-	-	-	-	-	82,429	82,429	(10,814)	71,615
Other comprehensive income for the year	-	-	-	-	-	-	(1,970)	6,746	4,776	-	4,776	4,283	9,059
Total comprehensive income for the year	-	-	-	-	-	-	(1,970)	6,746	4,776	82,429	87,205	(6,531)	80,674
Issue of bonus shares (See note 14)	4,582	-	-	-	-	-	-	-	-	(4,582)	-	-	-
Dividends (See note 14)	-	-	-	-	-	-	-	-	-	(22,780)	(22,780)	-	(22,780)
Transfer to general reserve	-	-	-	-	8,672	-	-	-	8,672	(8,672)	-	-	-
Changes in non-controlling interests due to increase in share capital of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	27,362	27,362
Balance at 1 January 2009	50,403	(3,598)	66,634	32,200	40,872	6,914	(2,621)	3,941	147,940	175,266	370,011	45,001	415,012
Profit for the year	-	-	-	-	-	-	-	-	-	108,291	108,291	(11,031)	97,260
Other comprehensive income for the year	-	-	-	-	-	-	3,161	(4,458)	(1,297)	-	(1,297)	(823)	(2,120)
Total comprehensive income for the year	-	-	-	-	-	-	3,161	(4,458)	(1,297)	108,291	106,994	(11,854)	95,140
Dividends (See note 14)	-	-	-	-	-	-	-	-	-	(25,058)	(25,058)	-	(25,058)
Transfer to general reserve	-	-	-	-	11,395	-	-	-	11,395	(11,395)	-	-	-
Balance at 31 December 2009	50,403	(3,598)	66,634	32,200	52,267	6,914	540	(517)	158,038	247,104	451,947	33,147	485,094

The accompanying notes set out on pages 31 to 65 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 2009

	Notes	2009 KD 000's	2008 KD 000's
OPERATING ACTIVITIES			
Profit for the year		97,260	71,615
Adjustments for:			
Depreciation and amortisation	8 & 9	83,176	78,213
Dividend income		(28)	(270)
Interest income		(1,946)	(5,278)
(Gain) / loss on sale of available for sale financial assets		(264)	582
Impairment loss on financial assets		9,997	3,375
Impairment loss on goodwill		4,201	-
Realised gain on financial assets at fair value through profit or loss		-	(280)
Provision for doubtful receivables		4,485	4,946
Taxation relating to subsidiaries		17,598	7,937
Gain on disposal of property and equipment		-	(398)
Finance costs		12,029	15,079
Provision for NLST		3,107	2,163
Provision for staff indemnity		1,263	961
		<u>230,878</u>	<u>178,645</u>
Increase in trade and other receivables		(6,863)	(10,016)
Decrease in held for trading financial assets		-	280
Decrease in due from liquidator		-	29,377
Increase in inventories		(718)	(1,678)
(Decrease) / increase in trade and other payables		(49,046)	45,011
Staff indemnity paid		(3,165)	(378)
Net cash generated by operating activities		<u>171,086</u>	<u>241,241</u>
INVESTING ACTIVITIES			
Decrease / (increase) in term deposits	5	25,373	(8,756)
Increase in available for sale financial assets		(97)	(2,077)
Dividend received		28	270
Acquisition of a subsidiary	21	(1,639)	-
Purchases of property and equipment	8	(105,376)	(112,537)
Proceeds from disposal of property and equipment		520	893
Purchases of intangible assets	9	(6,567)	(43,881)
Proceeds from disposal of intangible assets		1,256	3
Interest received		1,943	5,278
Net cash used in investing activities		<u>(84,559)</u>	<u>(160,807)</u>
FINANCING ACTIVITIES			
Dividends paid		(24,387)	(22,780)
Finance costs paid		(12,029)	(15,079)
Decrease in short term debt		(1,119)	(10,960)
Decrease in long term debts		(9,526)	(39,475)
Movement in non-controlling interests		-	27,362
Net cash used in financing activities		<u>(47,061)</u>	<u>(60,932)</u>
Effect of foreign currency translation		<u>7,815</u>	<u>5,625</u>
Net increase in cash and cash equivalents		<u>47,281</u>	<u>25,127</u>
Cash and cash equivalents at beginning of the year		87,067	61,940
Cash and cash equivalents at end of the year	5	<u>134,348</u>	<u>87,067</u>
NON CASH ACTIVITY			
INVESTING ACTIVITY			
Acquisition of Palestinian mobile license		-	43,416

The accompanying notes set out on pages 31 to 65 form an integral part of these consolidated financial statements.

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. The Parent Company is a subsidiary of Qatar Telecommunication Company Q.S.C. ("QTEL"), a Qatari Shareholding Company listed on the Qatar Stock Exchange.

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 1 March 2010 and are subject to the approval of the Annual General Assembly of the shareholders.

2. ADOPTION OF NEW AND REVISED STANDARDS

Standards affecting amounts reported in the current period

The accounting policies adopted by the Group are consistent with those used in the previous year except as follows:

The Group has adopted the following Standards, Interpretations, revisions and amendments to International Financial Reporting Standards ("IFRS") issued by International Accounting Standards Board which are relevant to and effective for the Group's consolidated financial statements beginning on or after 1 January 2009.

IFRS 8 Operating Segments

IFRS 8 is a disclosure Standard that has resulted in a redesignation of the Group's reportable segments (See note 22). This new standard which replaced IAS 14 "Segment reporting" requires a management approach for segment reporting under which segment information is presented on the same basis as that used for internal reporting purposes. However, the revised standard has had no impact on the reported results or financial position of the Group as the Group was previously also reporting segments consistent with the internal reporting being provided to the chief operating decision maker.

IFRS 7 Financial Instruments: Disclosures

The amendments to IFRS 7 expand the disclosures required in respect of fair value measurements and liquidity risk (See note 27). The Group has elected not to provide comparative information for these expanded disclosures in the current year in accordance with the transitional reliefs offered in these amendments.

IAS 1 (revised 2007) Presentation of Financial Statements

The revised Standard has introduced a number of terminology changes (including revised titles for the consolidated financial statements) and has resulted in a number of changes in presentation and disclosure. The revised standard requires all non-owner changes in equity (i.e. comprehensive income) to be presented separately in a consolidated statement of comprehensive income. The Group has elected to present the consolidated statement of income and consolidated statement of comprehensive income separately. However, the revised Standard has had no impact on the reported results or financial position of the Group.

IAS 23 (Revised 2007) Borrowing costs

The revised Standard has eliminated the previously available option to expense all borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset when incurred. Instead the Group will now have to capitalise borrowing costs incurred on qualifying assets. However, the revised Standard has had no impact on the previously or currently reported results or financial position of the Group as the transitional provisions of this Standard permit an entity to continue expensing borrowing costs relating to qualifying assets for which the commencement date for capitalisation is before the effective date.

2. ADOPTION OF NEW AND REVISED STANDARDS (CONTINUED)**Standards affecting amounts reported in the current period (Continued)****IFRIC 13 Customer Loyalty Programmes**

This Interpretation applies to customer loyalty award credits that (a) an entity grants to its customers as part of a sales transaction and (b) subject to meeting any further qualifying conditions, the customers can redeem in the future for free or services. Such award credits should be accounted as a separately identifiable component of the sales transaction in which they are granted ("the initial sale"). The fair value of the consideration received or receivable in respect of the initial sale shall be allocated between the award credits and the other components of the sale. However, the revised Interpretation has had no significant impact on the reported results or financial position of the Group.

Improvements to IFRSs

In addition to the changes affecting amounts reported in the consolidated financial statements described above, the improvements have led to a number of changes in the detail of the Group's accounting policies, some of which are changes in terminology only, and some of which are substantive but have had no material effect on amounts reported. The majority of these amendments are effective from 1 January 2009.

Standards and Interpretations in issue not yet effective

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

• IAS 1 (Revised) Presentation of Financial Statements	Effective for annual periods beginning on or after 1 January 2010
• IAS 7 (Revised) Statement of Cash Flows	Effective for annual periods beginning on or after 1 January 2010
• IAS 17 (Revised) Leases	Effective for annual periods beginning on or after 1 January 2010
• IAS 28 (Revised) Investment in Associates	Effective for annual periods beginning on or after 1 July 2009
• IAS 31 (Revised) Interests in Joint Ventures	Effective for annual periods beginning on or after 1 July 2009
• IAS 32 (Revised) Financial Instruments Presentation	Effective for annual periods beginning on or after 1 February 2010
• IAS 36 (Revised) Impairment of Assets	Effective for annual periods beginning on or after 1 January 2010
• IAS 38 (Revised) Intangible Assets	Effective for annual periods beginning on or after 1 July 2009
• IAS 39 (Revised) Financial Instruments: Recognition and Measurement	Effective for annual periods beginning on or after 1 July 2009
• IFRS 1 (Revised) First-time Adoption of International Financial Reporting Standards	Effective for annual periods beginning on or after 1 January 2010
• IFRS 2 (Revised) Share-based Payments	Effective for annual periods beginning on or after 1 January 2010
• IFRS 5 (Revised) Non-current Assets Held for Sale and Discontinued Operations	Effective for annual periods beginning on or after 1 July 2009
• IFRS 8 Operating Segments	Effective for annual periods beginning on or after 1 January 2010
• IFRS 9 Financial Instrument: Classification and Measurement	Effective for annual periods beginning on or after 1 January 2013



2. ADOPTION OF NEW AND REVISED STANDARDS (CONTINUED)

Standards and Interpretations in issue not yet adopted (continued)

- | | |
|--|--|
| • IFRIC 17 Distribution of non cash assets to owners | Effective for annual periods beginning on or after 1 July 2009 |
| • IFRIC 18 Transfers of Assets from Customers | Effective for annual periods beginning on or after 1 July 2009 |
| • IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments | Effective for annual periods beginning on or after 1 July 2010 |

Management anticipate that the adoption of these Standards and Interpretations, where applicable, and once they become effective in future periods will not have a material financial impact on the consolidated financial statements of the Group in the period of initial application, except for the adoption of IFRS 9 Financial Instruments.

IFRS 9 was issued in November 2009 and replaces those parts of IAS 39 relating to the classification and measurement of financial assets. The IASB aims to replace IAS 39 in its entirety by the end of 2010. IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets; amortised cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The adoption of IFRS 9 is mandatory from 1 January 2013. The Group is currently considering the implications of the Standard, the impact on the Group and the timing of its adoption by the Group.

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 "available for sale financial assets". The accounting policies have been applied consistently by the Group and are consistent with those used in the previous year except for the adoption of the new and revised standards as discussed in note 2. These consolidated 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

These consolidated financial statements include the financial statements of the Parent Company and its subsidiaries (See note 16). 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. These 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation (Continued)

Profits and losses are attributed to the owners of the Parent Company 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.

A change in the ownership interest of a subsidiary, without a change of control, is accounted for as an equity transaction.

Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The cost of the acquisition is measured at the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination the acquire measure the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. 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.

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.

Where a business combination is achieved in stages, the Group's previously-held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in the consolidated statement of income. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in equity are reclassified to the consolidated statement of income, where such treatment would be appropriate if that interest is disposed off.

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.



3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combination (Continued)

Goodwill (Continued)

Goodwill is not amortised, but is reviewed for impairment at least annually. Goodwill impairment is determined by assessing the recoverable amount of cash-generating unit to which goodwill relates. The recoverable value is the value in use of the cash-generating unit, which is the net present value of estimated future cash flows expected from such cash-generating unit. If the recoverable amount of cash generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit prorated on the basis of the carrying amount of each asset in the unit. Any impairment loss recognised for goodwill is not reversed in a subsequent period. Any impairment loss is recognised immediately in the consolidated statement of income 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.

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; (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.

The Group determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

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.

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 financial assets are remeasured at fair value and any resulting unrealised gains or losses are recognised directly in the consolidated statement of comprehensive income and included in the fair value reserve until the investment is sold or otherwise disposed off, or the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in the consolidated statement of comprehensive income is included in the consolidated statement of income for the period.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets (Continued)

Trade and other receivables

Trade and other receivables 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.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each statement of financial position 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 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 the consolidated statement of income. Any increase in the fair value subsequent to an impairment loss is recognised directly in the consolidated statement of comprehensive income and included in the fair value reserve.

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.



3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 (See note 8) 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 and Goodwill which arose on the acquisition of subsidiaries. Intangible assets 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.

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 consolidated statement of income 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.

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

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Service concession arrangements (Continue)

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 the 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, unless the Group has a contractual right to receive an intangible asset (a right to charge user of the public service). If the Group has a contractual right to receive an intangible asset, borrowing costs attributable to the arrangement are capitalized during the construction phase of the arrangement in accordance with IAS 23 Borrowing Costs.

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.

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 statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

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 and revenue from sale of equipment including mobile phones and accessories.



3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (Continue)

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 estimated future cash receipts through the expected life of the financial asset to that assets carrying amount. Dividend income is recognised when the right to receive payment is established.

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.

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 consolidated statement of financial position 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 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 consolidated statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the consolidated statement of financial position 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**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 the period 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 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 consolidated statement of financial position 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.

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 KD at the rates of exchange ruling at the consolidated statement of financial position 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 that for available for sale non-monetary assets is included in the fair value reserve in the consolidated statement of comprehensive income, 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 the consolidated statement of comprehensive income.

Impairment of tangible and intangible assets

At each consolidated statement of financial position 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of tangible and intangible assets (Continued)

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.

Offsetting

Financial assets and liabilities are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

Contingencies

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

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

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 «financial assets at fair value through profit or loss» or «available for sale». The Group follows the guidance of IAS 39 on classifying its investments.

The Group classifies investments as “financial assets at fair value through profit or loss” 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 2009, the Group did not classify any investments as financial assets at fair value through profit or loss (2008: Nil).

Impairment of investments

The Group treats the available for sale financial assets as impaired when there has been a significant or prolonged decline in the fair value below its cost. The determination of what is “significant” or “prolonged” requires 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.

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

Impairment of Goodwill

Determining whether Goodwill is impaired requires an estimation of the value in use of the cash-generating units to which Goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. During the current year the Group has fully written off the Goodwill (See note 15).

Key sources of estimation uncertainty

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

Fair value of unquoted equity investments

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.

The determination of the cash flows and discount factors for unquoted equity investments requires significant estimation.

Impairment of financial assets

The Group's management reviews periodically items classified as receivables to assess whether a provision for impairment should be recorded in the consolidated statement of income. Management estimates the amount and timing of future cash flows when determining the level of provisions required. Such estimates are necessarily based on assumptions about several factors involving varying degrees of judgement and uncertainty.

Impairment of tangible and intangible assets and useful lives

The Group's management tests annually whether tangible and intangible assets have suffered impairment in accordance with the accounting policies stated in note 3. The recoverable amount of an asset is determined based on value-in-use method. This method uses estimated cash flow projections over the estimated useful life of the asset discounted using market rates.

The Group's management determines the useful lives and the related depreciation and amortisation charge. The depreciation and amortisation charge for the year will change significantly if actual life is different from the estimated useful life of the asset.

During the year, the Group has revised the useful life of civil works (included in network infrastructure) for one of its subsidiaries and increased the useful life from 7 years to 15 years. This increase in useful life has been based on management's best estimates and has been accounted as changes in an accounting estimate. The effect of the revision has been to increase the profit for the year ended 31 December 2009 by KD 2,163 thousand.

Impairment of inventories

Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence.



5. CASH AND BANK BALANCES

	2009	2008
	KD 000's	KD 000's
Cash and bank balances	49,714	60,103
Deposits	85,546	53,249
Cash and bank balances in the consolidated statement of financial position	135,260	113,352
Deposits with original maturity over three months	(912)	(26,285)
Cash and cash equivalents in the consolidated statement of cash flows	134,348	87,067

The effective interest rate on interest earning time deposits ranged from 0.19% to 3.25% (2008: 1% to 6%) per annum. Cash and bank balances include KD 149 thousand (2008: KD 775 thousand) held as part of a managed portfolio.

6. TRADE AND OTHER RECEIVABLES

	2009	2008
	KD 000's	KD 000's
Trade and billing receivables	64,535	45,568
Unbilled revenue	3,001	2,368
Advances and prepayments	19,911	29,597
Interest receivable	4,037	3,465
Other receivables	9,008	13,425
	100,492	94,423
Less: allowance for doubtful debts	(14,039)	(9,659)
	86,453	84,764

Advances and prepayments include KD 4,434 thousand (2008: KD 11,144 thousand) advances paid to equipment suppliers.

6. TRADE AND OTHER RECEIVABLES (CONTINUED)

Movement in the allowance for doubtful debts:

	2009	2008
	KD 000's	KD 000's
Balance at beginning of the year	9,659	7,557
Acquisition of a subsidiary (See note 21)	29	-
Charged for the year	4,485	4,946
Impairment losses recognised on other receivables	1,000	-
Amounts written off as uncollectible	(1,134)	(2)
Amounts recovered during the year	-	(2,842)
Balance at end of the year	14,039	9,659

During the year, the Group recorded an impairment loss of KD 1,000 thousand (2008: nil) on other receivables that are no longer recoverable.

7. AVAILABLE FOR SALE FINANCIAL ASSETS

Available for sale financial assets include the following:

	2009	2008
	KD 000's	KD 000's
Listed equity securities	4,220	3,227
Unlisted equity securities	7,304	13,772
Unlisted debt securities	4,154	4,154
	15,678	21,153

At 31 December 2009, certain unlisted equity investments amounting to KD 21 thousand (2008: KD 11,844 thousand) are carried at cost due to the non-availability of quoted market prices or other reliable measures of their fair value.

During the year, the Group has recorded an impairment loss of KD 8,997 thousand (2008: KD 3,375 thousand) on certain quoted and unquoted equity securities. In the opinion of the management, based on the currently available information, there is no evidence of further impairment in the value of available for sale financial assets.



8. PROPERTY AND EQUIPMENT

	Network equipment	Network infrastructure	Office & computer equipment	Furniture & fixtures	Capital work-in progress	Total
	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's
Cost						
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 1 January 2009	477,961	24,223	31,717	19,150	17,088	570,139
Transfers	11,534	3,889	3,540	1,113	(20,076)	-
Additions	64,849	4,446	9,519	1,591	24,971	105,376
Acquisition of a subsidiary (See note 21)	-	-	354	129	-	483
Disposals	(2,266)	(396)	-	(383)	-	(3,045)
Currency translation effects	(15,552)	118	(1,127)	(476)	(410)	(17,447)
As at 31 December 2009	536,526	32,280	44,003	21,124	21,573	655,506
Accumulated depreciation						
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 1 January 2009	157,163	7,066	16,208	8,892	-	189,329
Charge for the year	50,867	1,384	6,278	3,245	-	61,774
Acquisition of a subsidiary (See note 21)	-	-	247	83	-	330
Related to disposals	(2,022)	(169)	-	(334)	-	(2,525)
Currency translation effects	(5,945)	23	(393)	(226)	-	(6,541)
As at 31 December 2009	200,063	8,304	22,340	11,660	-	242,367
Carrying amount						
As at 31 December 2009	336,463	23,976	21,663	9,464	21,573	413,139
As at 31 December 2008	320,798	17,157	15,509	10,258	17,088	380,810
Annual depreciation rates	12.5%-16.67%	5% - 15%	33.33%	12.5%		

During the year, the Group has revised the useful life of civil works (included in network infrastructure) for one of its subsidiaries and increased the useful life from 7 years to 15 years. The increase in useful life has been based on management's best estimates and has been accounted as changes in an accounting estimate. The effect of the revision has been to increase the profit for the year ended 31 December 2009 by KD 2,163 thousand.

The property and equipment of the subsidiaries WTA, WTM and the joint venture Tunisiana amounting to KD 272,435 thousand (2008: KD 268,771 thousand) are under registered mortgage to secure certain bank loans (See note 13).

9. INTANGIBLE ASSETS

	Goodwill	Concession intangible assets	Other intangible assets	Total
	KD 000's	KD 000's	KD 000's	KD 000's
Cost				
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	-	399	5,830	6,229
As at 1 January 2009	3,123	46,087	285,051	334,261
Additions	-	4,891	1,676	6,567
Acquisition of a subsidiary (See note 21)	1,078	-	690	1,768
Disposal	-	(2,157)	-	(2,157)
Adjustment (See note below)	-	-	(30,872)	(30,872)
Impairment loss (See note 15)	(4,201)	-	-	(4,201)
Currency translation effects	-	1,120	(5,265)	(4,145)
As at 31 December 2009	-	49,941	251,280	301,221
Accumulated amortisation				
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 1 January 2009	-	8,996	68,628	77,624
Charge for the year	-	5,975	15,427	21,402
Disposal	-	(901)	-	(901)
Currency translation effects	-	223	(2,544)	(2,321)
As at 31 December 2009	-	14,293	81,511	95,804
Carrying amount				
As at 31 December 2009	-	35,648	169,769	205,417
As at 31 December 2008	3,123	37,091	216,423	256,637
Amortization rate	-	Over the period of the BOT agreement up to 2020	6.67% to 8.33%	

The adjustment represents the reversal of WPT's license cost relating to the right to use the frequencies in Gaza, Palestine. In the previous year, the Group recognised license costs relating to the right to use the frequencies in both Gaza and West Bank under intangible assets and the related liability under other non-current liability. The license was conditional upon the Ministry of Telecommunications and Information Technology, Palestine, fulfilling its obligations to enable WPT to launch commercial operations in West Bank and Gaza. However, WPT was not granted access to launch services in Gaza until further notice. Hence the Group has derecognised the license cost relating to the right to use the frequencies in Gaza, Palestine (based on the split of assumed subscribers and revenue for West Bank and Gaza) from intangible assets and the corresponding liability from other non-current liability.

10. BUILD-OPERATE-TRANSFER AGREEMENT

On 9 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.

The assets under BOT agreement are shown separately as “concession intangible assets” (See note 9). 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 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.

11. DEFERRED TAX RELATING TO SUBSIDIARIES

The deferred tax asset of KD 24,990 thousand as at 31 December 2009 (31 December 2008: KD 30,513 thousand) is recognised on account of accumulated tax losses incurred by the subsidiary WTA and the joint venture Tunisiana, which is expected to be deductible against taxable profits in the foreseeable future.

12. TRADE AND OTHER PAYABLES

	2009	2008
	KD 000's	KD 000's
Trade payables	21,276	17,553
Due to equipment suppliers and contractors	49,658	39,057
Accruals	110,299	171,220
Other payables	60,559	47,744
	<u>241,792</u>	<u>275,574</u>

During the year, the Parent Company won a ruling in the court of cassation against the Ministry of Communications, Kuwait ("MOC") regarding network license fees. This judgement is not subject to any further appeals. As a result, the Parent Company reversed previously recorded accruals, net of related expenses, amounting to KD 52,093 thousand to the consolidated statement of income under 'Other operating income / (expenses)'.

The foreign currency exposure relating to trade and other payables balances amounted to the equivalent of KD 2,058 thousand as at 31 December 2009 (31 December 2008: KD 7,890 thousand).

13. LONG TERM DEBTS

	Current		Non-current	
	2009	2008	2009	2008
	KD 000's	KD 000's	KD 000's	KD 000's
Due to local banks	6,279	5,145	53,982	53,941
Due to foreign banks	10,536	11,979	74,881	84,139
	<u>16,815</u>	<u>17,124</u>	<u>128,863</u>	<u>138,080</u>

The details of long term debts are as follows:

Description	2009	2008
	KD 000's	KD 000's
(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 (2008: Algerian Repo rate plus 0.80% to 2.65% 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.	101,614	113,470
(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. (2008: 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.	23,402	35,074
(iii) The loans bear interest rates of 6 months LIBOR plus 3.5% (2008: 6 months LIBOR plus 3.5%) per annum. The repayment term is over a period of 5 years in instalments starting from November 2008.	5,143	6,660
(iv) The loans bear annual interest rate ranging from LIBOR plus 5.31% to 6.34% per annum and are repayable in semi annual instalments commencing 15 January 2011 and ending 15 January 2016.	15,519	-
	<u>145,678</u>	<u>155,204</u>

The long term debts are secured by pledges on the respective subsidiaries and joint venture's assets and their shares (See note 8).



14. EQUITY

Share capital

The Annual General Assembly of the Parent Company held on 26 March 2009 approved cash dividend of 50 fils per share for the year ended 31 December 2008 (2007: 50 fils per share and 45,821 thousand bonus shares of 100 fils each in the ratio of 1 share for every 10 share) to the Parent Company's equity shareholders on the register as at 26 March 2009.

The authorised, issued and fully paid up share capital as at 31 December 2009 consists of 504,033 thousand shares of 100 fils each (31 December 2008: 504,033 thousand shares of 100 fils each).

Treasury shares

	2009	2008
Number of shares (000's)	2,871	2,871
Percentage of issued shares	0.57%	0.57%
Cost (KD 000's)	3,598	3,598
Market value (KD 000's)	4,421	5,397

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 exceeded 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 to the general reserve.

Proposed dividends

The Board of Directors proposed a cash dividend of 50 fils per share (2008: 50 fils per share) for the year ended 31 December 2009. This proposal is subject to the approval of the shareholders' in the Annual General Assembly and has not been accounted in these consolidated financial statements.

15. IMPAIRMENT LOSS ON GOODWILL

The Parent Company recorded an impairment loss of KD 4,201 thousand (2008: nil) against the Goodwill relating to two of its subsidiaries based on the Parent Company's management's assessment of the performance of these subsidiaries.

16. SUBSIDIARIES

The subsidiaries of the Parent Company are as follows:

Name of subsidiary	Country of operation	Voting capital held 31.12.2009	Voting capital held 31.12.2008
Wataniya Telecom Algerie S.P.A. (WTA)	Algeria	71%	71%
Wataniya International FZ – L.L.C. (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%
Al-Bahar United Company WL.L.	Kuwait	100%	-

17. 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 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:

	2009	2008
	KD 000’s	KD 000’s
Current assets	35,128	28,489
Non-current assets	90,900	96,215
Current liabilities	52,634	42,217
Non-current liabilities	11,660	23,267
	Year ended 31.12.09	Year ended 31.12.08
	KD 000’s	KD 000’s
Income	102,330	99,204
Expenses	78,591	77,972

18. PROFIT FOR THE YEAR

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

	2009	2008
	KD 000's	KD 000's
Staff costs:		
Cost of revenue	3,120	2,182
Selling and distribution costs	3,237	1,676
Administrative expenses	30,440	29,599
	<u>36,797</u>	<u>33,457</u>
Depreciation:		
Cost of revenue	52,251	52,385
Administrative expenses	9,523	8,217
	<u>61,774</u>	<u>60,602</u>
Amortisation		
Cost of revenue	<u>21,402</u>	<u>17,611</u>

19. 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:

	2009	2008
Profit for the year attributable to equity holders of the Parent Company (KD 000's)	<u>108,291</u>	<u>82,429</u>
Number of shares outstanding		
Weighted average number of paid up shares (thousands)	504,033	504,033
Weighted average number of treasury shares (thousands)	<u>(2,871)</u>	<u>(2,871)</u>
Weighted average number of outstanding shares (thousands)	<u>501,162</u>	<u>501,162</u>
Basic and diluted earnings per share attributable to equity holders of the Parent Company (fils)	<u>216.08</u>	<u>164.48</u>

20. RELATED PARTY TRANSACTIONS

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

	2009	2008
	KD 000's	KD 000's
a) Balances included in the consolidated statement of financial position		
Receivable from Qtel Investment Holding B.S.C.	-	1,491
Payables to QTEL	620	2,149
Payable to Qtel International L.L.C.	12,989	14,408
b) Transactions included in the consolidated statement of income		
Management fees payable to Qtel international L.L.C.	12,414	14,098
Other expenses paid to QTEL	1,353	302
c) Compensation of key management personnel:		
Short term benefits	1,382	1,297
Termination benefits	343	300
	1,725	1,597

21. ACQUISITION OF A SUBSIDIARY

	Principal activity	Effective date of acquisition	Proportion of shares acquired	Cost of acquisition KD 000's
Al-Bahar United Company W.L.L. (trading as "FONO")	Retail sales of mobile handsets	22 January 2009	100%	1,675



21. ACQUISITION OF A SUBSIDIARY (CONTINUED)

Analysis of assets and liabilities acquired

Net assets acquired	Fair value on acquisition
	KD 000's
Assets	
Cash and bank balances	36
Trade and other receivables	308
Inventories	296
Property and equipment	153
Intangible asset	690
	<u>1,483</u>
Liabilities	
Trade and other payables	839
Provision for staff indemnity	47
	<u>886</u>
Net assets acquired	<u>597</u>
Purchase consideration	1,675
Goodwill	<u>1,078</u>
During the year, the Parent Company has impaired the Goodwill (See note 15).	
	<u>KD 000's</u>
Net cash outflow on acquisition of a subsidiary	
Total purchase consideration	1,675
Less: cash and bank balances acquired	<u>(36)</u>
Net cash outflow	<u>1,639</u>

Fair value of acquiree's identifiable assets and liabilities

The fair value assigned to the acquiree's identifiable assets and liabilities was determined provisionally at the acquisition date. The purchase price allocation was carried out by management at the year end and the final fair values are not different from the provisional fair values.

Impact of the acquisition on the results of the Group

Included in the Group results for the year is a profit of KD 330 thousand attributable to the results of Al-Bahar United Company W.L.L. for the period from 22 January 2009 to 31 December 2009. If the acquisition had taken place on 1 January 2009, profit of the Group would have been lower by KD 23 thousand.

22. SEGMENTAL INFORMATION

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. In contrast, the predecessor Standard (IAS 14 “Segment Reporting”) required an entity to identify two sets of segments (business and geographical), using a risks and rewards approach, with the entity’s ‘system of internal financial reporting to key management personnel’ serving only as the starting point for the identification of such segments. However, there has been no change to the Group’s reportable segments following the adoption of IFRS 8 as the Group’s reporting segments under IAS 14 were consistent with the internal reporting being provided to the chief operating decision maker. All of the segment revenue reported below is from external customers.

The accounting policies of the reportable segments are the same as the Group’s accounting policies described in note 3. Segment profit represents the profit earned by each segment without investment revenue, finance costs and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

For the purposes of monitoring segment performance and allocating resources between segments:

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



22. SEGMENTAL INFORMATION (CONTINUED)

	Inside	Outside Kuwait						Total
	Kuwait							
		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
31 December 2009								
Segment revenues	203,313	102,330	141,443	-	7,653	20,092	590	475,421
Construction revenue	-	-	-	-	-	4,891	-	4,891
Segment results	112,348	38,447	7,933	231	(2,587)	(9,146)	(6,920)	140,306
Profit / (loss)	104,948	23,739	(9,825)	231	(3,389)	(11,102)	(7,342)	97,260
Segment assets	244,552	124,128	317,848	602	25,610	53,160	81,857	847,757
Investments and other assets	15,678	1,900	23,090	-	-	-	-	40,668
Total assets	260,230	126,028	340,938	602	25,610	53,160	81,857	888,425
Segment liabilities	76,787	40,892	71,516	12,438	2,920	26,034	25,543	256,130
Debt and other obligations	919	23,402	101,614	-	5,143	416	15,707	147,201
Total liabilities	77,706	64,294	173,130	12,438	8,063	26,450	41,250	403,331
Other information								
Impairment loss on financial assets	9,997	-	-	-	-	-	-	9,997
Purchases of property and equipment	31,735	11,615	40,569	-	2,394	2,669	16,394	105,376
Purchases of intangible assets	102	1,574	-	-	-	4,891	-	6,567
Depreciation of property and equipment	20,518	10,704	27,093	56	2,339	473	591	61,774
Amortisation of intangible assets	694	5,366	8,198	-	529	6,024	591	21,402
Impairment loss on goodwill	1,078	-	-	-	-	3,123	-	4,201
Provision for staff indemnity	1,093	-	-	-	-	170	-	1,263

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22. SEGMENTAL INFORMATION (CONTINUED)

	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
31 December 2008								
Segment revenues	226,597	99,204	130,530	-	5,588	14,051	-	475,970
Construction revenue	-	-	-	-	-	5,879	-	5,879
Segment results	83,344	36,468	(6,420)	(1,552)	(2,915)	(9,420)	(2,450)	97,055
Profit / (loss)	83,598	21,232	(13,188)	(1,472)	(3,477)	(11,648)	(3,880)	71,615
Segment assets	224,776	122,659	324,553	552	23,733	53,686	92,078	842,037
Investments and other assets	21,153	2,045	28,468	-	-	-	-	51,666
Total assets	245,929	124,704	353,021	552	23,733	53,686	92,078	893,703
Segment liabilities	145,459	30,410	69,261	7,962	3,036	15,199	4,247	275,574
Debt and other obligations	2,951	35,074	113,470	-	6,427	579	44,616	203,117
Total liabilities	148,410	65,484	182,731	7,962	9,463	15,778	48,863	478,691
Other information								
Impairment loss on financial assets	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	791	-	-	-	-	119	51	961

23. 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 for the period covering January 2006 to May 2006 is around Tunisian Dinar 70.2 million equivalent to KD 14.9 million without penalties (2008: Tunisian Dinar 70.2 million equivalent to KD 15.3 million).

In May 2007, Tunisiana received the first judgement related to the inspection for the period covering January 2006 to May 2006. The judgement determined the tax claim to be a total amount of Tunisian Dinar 15.255 million (equivalent to KD 3.25 million) (2008: Tunisian Dinar 15.255 million equivalent to KD 3.33 million).

On June 29, 2007 and October 8, 2007 Tunisiana has filed an appeal against the judgement. The judgement of the court of appeal received in 2009 has confirmed the first judgement.

Accordingly, Tunisiana has made a total provision of Tunisian Dinar 15.255 million (equivalent to KD 3.25 million) (2008: Tunisian Dinar 15.255 million equivalent to KD 3.33 million) with regards to this claim. On the basis of the information available at the consolidated statement of financial position date, management believes that the provision is adequate.

24. COMMITMENTS AND CONTINGENT LIABILITIES

	2009	2008
	KD 000's	KD 000's
a) Capital commitments		
For the acquisition of property and equipment	74,796	53,532
For the acquisition of Palestinian mobile license	40,458	-
	<u>115,254</u>	<u>53,532</u>

b) Operating lease commitments

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:

	2009	2008
	KD 000's	KD 000's
Not later than one year	4,583	3,759
Later than one year but not later than five years	19,055	23,557
	<u>23,638</u>	<u>27,316</u>
c) Contingent liabilities		
Letters of guarantee	2,685	2,436

25. 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 foreign currency exchange risk, interest rate risk and equity price risk), credit risk and liquidity risk.

25.1 Market risk

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

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

25.1.1 Foreign currency exchange risk

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

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

	2009	2008
	KD 000's	KD 000's
	Equivalent	Equivalent
	short	short
US Dollar	(90,713)	(82,205)
Euro	(44,927)	(57,233)

Foreign currency sensitivity analysis

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

The following table details the Group's sensitivity to a 10% increase in the KD against US Dollar and Euro. 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.

	2009	2008
	KD 000's	KD 000's
Impact on consolidated statement of income		
US Dollar	9,071	8,221
Euro	4,493	5,723

25.1.2 Interest rate risk management

The Group is exposed to interest rate risk as it borrows funds at floating interest rates and places deposits with banks.

Interest rate sensitivity analysis

The Group's exposures to interest rates on deposits and long term debts are detailed in notes 5 and 13 to these consolidated financial statements.



25. FINANCIAL INSTRUMENTS and risk management (CONTINUED)

Market risk (Continued)

25.1.2 Interest rate risk management (Continued)

The following table illustrates the sensitivity of the profit for the year to a reasonably possible change in interest rates of + 1% (2008: + 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 consolidated statement of financial position date. All other variables are held constant.

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

	2009	2008
	KD 000's	KD 000's
Impact on consolidated statement of income		
KD	1,132	1,508
US Dollar	(940)	(746)
Euro	(466)	(629)
Tunisian Dinar	(103)	(578)
Algerian Dinar	(1)	(103)

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

25.1.3 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 listed 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 financial assets 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 available for sale financial assets) at the year end due to an assumed 15% change in market indices, with all other variables held constant, is as follows:

		2009	2008
	% change in	Effect on	Effect on
Market index	equity price	equity	equity
		KD 000's	KD 000's
Kuwait stock exchange	±15	±1,218	±729

25.2 Credit risk management

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

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

25. FINANCIAL INSTRUMENTS and risk management (CONTINUED)**25.2 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	
	2009	2008
	KD 000's	KD 000's
Bank balances	135,071	113,305
Trade and other receivables	66,542	55,167
	<u>201,613</u>	<u>168,472</u>

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

	Carrying amount	
	2009	2008
	KD 000's	KD 000's
Kuwait	121,469	96,384
Tunisia	30,442	33,422
Algeria	25,538	20,996
United Arab Emirates	481	469
Maldives	4,296	2,826
Saudi Arabia	12,633	9,690
Palestine	6,754	4,685
	<u>201,613</u>	<u>168,472</u>

Credit quality of financial assets

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

The average credit period is 30 days. No interest is charged on the overdue trade 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 365 days are provided for based on estimated irrecoverable amounts determined by reference to past default experience.

As of 31 December 2009, trade receivables of KD 25,404 thousand (2008: KD 23,005 thousand) were fully performing.

Included in the Group's trade receivables balance are debtors with a carrying amount of KD 25,092 thousand (2008: KD 12,904 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.

Aging of past due but not impaired		
	2009	2008
	KD 000's	KD 000's
31 – 60 days	7,343	2,068
61 – 90 days	4,528	1,588
91 – 120 days	5,193	1,283
More than 120 days	8,028	7,965
Total	<u>25,092</u>	<u>12,904</u>



25. FINANCIAL INSTRUMENTS and risk management (CONTINUED)

25.3 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 2007

Financial liabilities	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	%
Trade and other payables	239,905	-	-	-	239,905	
Long term debts	17,485	26,971	66,721	75,642	186,819	7.97%
Other non-current liability	-	-	20,686	-	20,686	-
	<u>257,390</u>	<u>26,971</u>	<u>87,407</u>	<u>75,642</u>	<u>447,410</u>	
Commitments						
Acquisition of property and equipment	74,796	-	-	-	74,796	
Acquisition of Palestinian mobile license	-	-	-	40,458	40,458	
Operating leases	4,583	4,583	14,472	-	23,638	
	<u>79,379</u>	<u>4,583</u>	<u>14,472</u>	<u>40,458</u>	<u>138,89</u>	

25. FINANCIAL INSTRUMENTS and risk management (CONTINUED)

25.3 Liquidity risk management (Continued)

At 31 December 2008

Financial liabilities	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total	average effective interest rate
	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	275,148	-	-	-	275,148	-
Long term debts	17,750	18,688	152,258	-	188,696	7.31
Other non-current liability	-	-	21,428	35,892	57,320	-
	<u>294,042</u>	<u>18,688</u>	<u>173,686</u>	<u>35,892</u>	<u>522,308</u>	
Commitments liability						
Acquisition of property and equipment	53,532	-	-	-	53,532	
Operating lease	3,759	3,759	19,798	-	27,316	
	<u>57,291</u>	<u>3,759</u>	<u>19,798</u>	<u>-</u>	<u>80,848</u>	

26. OPERATIONAL RISK

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

27. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

The fair value of financial instruments traded in active markets (such as trading and available for sale securities) is based on quoted market prices at the consolidated statement of financial position 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 consolidated statement of financial position date.

27. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

27.2 Fair value measurements recognised in the consolidated statement of financial position

The Group has adopted the amendments to IFRS 7 relating to improving disclosures about Financial Instruments effective from 1 January 2009 (See note 2). These amendments require the Group to present certain information about financial instruments measured at fair value in the consolidated statement of financial position. In the first year of application comparative information need not be presented. Accordingly the disclosure for the fair value hierarchy is only presented for the 31 December 2009 year end.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

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

	2009			
	Level 1	Level 2	Level 3	Total
	KD 000's	KD 000's	KD 000's	KD 000's
Available for sale financial assets				
Listed equity securities	4,220	-	-	4,220
Unlisted equity securities	-	-	7,283	7,283
Unlisted debt securities	-	-	4,154	4,154
	<u>4,220</u>	<u>-</u>	<u>11,437</u>	<u>15,657</u>

There were no transfers between Level 1 and 2 during the year.

Valuation techniques and assumptions for the purpose of measuring fair value

Listed securities

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

Unlisted securities

Unlisted securities are measured at fair value estimated using various models, which includes some assumptions that are not supportable by observable market prices or rates.

27. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

27.3 Reconciliation of Level 3 fair value measurements of financial assets

	Available for sale		
	Unlisted equity securities 2009	Unlisted debt securities 2009	Total 2009
	KD 000's	KD 000's	KD 000's
Opening balance	1,908	4,154	6,062
Transfers into Level 3 (i)	11,823		11,823
Total gains or losses			
- in consolidated statement of income	(5,906)	-	(5,906)
- in consolidated statement of other comprehensive income	(29)	-	(29)
Sales	(513)	-	(513)
Closing balance	7,283	4,154	11,437

(i) Transfers into Level 3-these represent available for sale financial assets previously held at cost now measured at fair value.

Gains or losses recognized in the consolidated statement of income for the year included realised gain / (loss) on sale of available for sale financial assets and impairment loss on financial assets.

Changing inputs to the level 3 valuations to reasonably possible alternative assumptions would not change significantly amounts recognised in the consolidated statement of income, total assets, total liabilities or total equity.

There are no transfers out of level 3 during the year.

28. 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 2008.

The capital structure of the Group consists of equity comprising issued share capital, reserves and retained earnings as disclosed in note 14.

The Group is not subject to any externally imposed capital requirements.



28. CAPITAL RISK MANAGEMENT (CONTINUED)

Gearing ratio

The gearing ratio at year end was as follows:

	2009	2008
	KD 000's	KD 000's
Debts (i)	145,678	156,323
Cash and bank balances	(135,260)	(113,352)
Net debts	10,418	42,971
Equity (ii)	451,947	370,011
Net debts to equity ratio	2.3%	11.6%

Debts are defined as short term debt and long term debts, as detailed in note 13.

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

29. FINANCIAL STATEMENTS OF PTC

As at the date of approval of these consolidated financial statements, the financial statements of PTC for the year ended 31 December 2008 and 31 December 2009 have not yet been issued as these financial statements are still under discussions between the shareholders. However the management of the Parent Company is fully committed to the future operations of PTC and strongly believe that the disagreements with other shareholders will be amicably resolved. The total assets and total revenue of PTC contributes around 6% (2008: 6%) and 4% (2008: 3%) respectively of the Group's total assets and total revenue.

30. COMPARATIVE FIGURES

Certain prior year amounts have been re-classified to conform to the current year's presentation with no effect on the reported profits or equity as follows :

Consolidated statement of income

Transfer of depreciation from cost of revenue to administrative expenses - KD 8,217 thousand.

Consolidated statement of financial position

Effect of offsetting income tax advance (included in trade and other receivables) against provision for income tax (included in trade and other payables) - KD 7,418 thousand.

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**

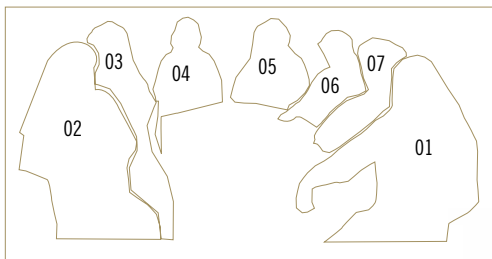
03 Fahad Othman Al-Saed, **Member of the Board**

04 Mahmoud Al Kandari, **Member of the Board**

05 Waleed Abdulla Al-Roudhan, **Member of the Board**

06 Dr. Nasser Mohammed Marafih, **Member of the Board**

07 Ali Shareef Al-Emadi, **Member of the Board**





EXECUTIVE MANAGEMENT

01 Scott Gegenheimer, **General Manager & CEO**

02 Fuad A.D.A Al-Ablani, **Deputy General Manager**

03 Hisham Siblini, **Chief Technical Officer**

04 Majdi Y.M. Ghannam, **HR & Admin Services Director**

05 Mahmud Abdelhalim Awad, **Sales Director**

06 Juha Petri Korhonen, **Marketing Director**

07 Khaled Al-Rumayhi, **Customer Care Director**

08 Balbinder Ranbir Singh Panesar, **Finance Director**

09 Zeyad A.A Al-Omar, **Regulatory Affairs Director**

