DIVE IN AND EXPLORE
OUR IDEAS, SUCCESS AND PASSION

WATANIYA TELECOM

ANNUAL REPORT 2010

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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DISCOVERING NEW HORIZONS
AND HONORING OLD PROMISES

CHAIRMAN'S MESSAGE

Dear Shareholders,

I am pleased to offer this overview of Wataniya Telecom's performance in 2010. This year has been another successful period for Wataniya Telecom, with continuous growth in customers, revenue and EBITDA. We have delivered strong results and continued to drive innovation and exceptional services for all our customers.

The strategic foundations we have built in recent years have enabled the company to successfully manage competition and enhance our customer-centric approach across our markets. We have also made major investments in technical infrastructure to ensure we are positioned for growth in the future.

All this has been accomplished through our prudent approach to investment – we have carefully evaluated every step, and looked to minimize risk and maximize returns for our shareholders. This prudence has been rewarded by strong support from the investment community – one of the highlights of the year was the successful IPO for Wataniya Palestine.

Continued Growth and Enhanced Profits

In 2010, Wataniya Telecom Group's revenue increased by 13.5 percent amounting to KD 539.4 million (USD 1.9 billion), compared with KD 475.5 million (USD 1.7 billion) for the same period in 2009. EBITDA for the year was KD 216.6 million (USD 771.5 million), compared to EBITDA of KD 187.6 million (USD 668.2 million) for the same period in 2009, representing growth of 15.5 percent. Our total customer base increased to 16.6 million at the end of 2010, representing growth of 9.5 percent compared to 2009.

The company achieved consolidated net profit of KD 78.0 million (USD 277.9 million) for the year 2010, compared to KD 108.3 million (USD 385.7 million) in the same period 2009. However, excluding the one-off gain in 2009 which resulted from the positive outcome of the MOC license fee legal case, net profit grew by KD 21.8 million (USD 77.7 million) or 38.8 percent.

In general, it was a highly successful performance in 2010. In our home market of Kuwait we continue to address the competitive pressures and we have increased our share of the market. In Algeria, Nedjma has increased its revenue to achieve its first annual net profit. In Tunisia, Tunisiana was able to grow its customer base by an impressive 13.8 percent. In Palestine, the business has developed well with more than 350,000 customers as well as successfully launching as a public shareholding company.

Focusing on Loyalty and Innovation

An important focus for Wataniya this year has been loyalty and how to reward it. For example, we have successfully launched our "Wataniya Rewards Program" in Kuwait to bring us closer to our customers. In Tunisia, a segmented approach to marketing focusing on rewards and tailored services has delivered an increase in customer numbers.

We have also driven ongoing network improvements across multiple markets. In Kuwait, we have introduced a third core data centre as well as upgrades to support the roll-out of high speed HSPA+ broadband services. In Algeria, Nedjma has begun the initial stages of an important network improvement program, to help prepare for potential 3G services in the future. In the Maldives, our 3G optimization program has continued its roll-out across key resorts.

We also focused on the most important part of our business, our people. Within each of our operations, we believe that the continuing development of local talent is critical.

The Future

We are looking to use our enhanced position to deliver better services and greater choice for all our customers. We are working with our partners in the Qtel Group to develop a number of innovative new services, including social networking, mobile entertainment and mobile money, which will have an important and positive impact on our revenue growth.

Looking back over the past year and ahead at our plans and strategies, I am confident in Wataniya's potential for growth. Opportunities continue to exist in new segments and new services. By harnessing the power of our brands, and by continuing to focus on offering exemplary service and rewarding loyalty, we will continue to progress in 2011 and into the future.

Abdullah Bin Mohammed Bin Saud Al Thani
Chairman


SATISFYING EXPECTATIONS WITH
INSPIRING INNOVATION

MANAGEMENT REPORT

Dear Shareholders,

2010 has been another successful year for Wataniya. We have created opportunities, met challenges and achieved great milestones in a dynamic market that is constantly evolving. Similar to the last decade, fiscal 2010 was a year of continued, solid and balanced growth for Wataniya from both a product and market leadership perspective. Wataniya's achievements this year were honored and recognized with three exceptional awards: The Service Hero Award for the best telecom operator in Kuwait, the title of SuperBrand of the year and the COMMS MEA Editors Award for outstanding performance.

Throughout this year we focused on activities to strengthen our market positioning and increase our customer base. We fueled our strategy of creating a wider range of products and services that cater specifically to distinct market segments. Within this strategy, we have developed and implemented unique services and efficient applications across the Wataniya platform that has enhanced our customers' lives with mobile communication experiences that go beyond the usual.

As a result of the above, Wataniya delivered total revenue of KD 539.4 million for 2010 and a net profit of KD 78 million. More customers joined the Wataniya family and now we have 16.6 million subscribers compared to last year's 15.2 million. Wataniya Kuwait saw an increase in its customer base by more than 240,000 and at 41% contributed the biggest portion of revenue to this year's consolidated total. In the coming years we will strive to do even better with a focus on market leadership.

Service and Product Developments

Our experience and research have taught us that consumers desire more variety, value and services that complement their lifestyles. At the same time, our business customers are requiring complex solutions to help them manage productivity. The Kuwait market saw several developments such as the launch of the Wataniya Rewards program and the introduction of additional WPro business services called SOHO and SME for the currently underserved and growing small and medium-sized enterprises. The strong presence of Wataniya in Kuwait was further enhanced with a refreshed brand identity. Through this exercise we improved our systems, refined our image and fine-tuned our strategy and business perspective for which we received praise and appreciation from our customers. Keeping in line with the growing expectations of our customer base we introduced highly effective work-management applications in Saudi Arabia's vibrant business market. In Algeria, we not only introduced a loyalty program but we were the first to bring a range of leading social networking applications directly to the mobile phone.

Network Improvements

As more and more people are choosing Wataniya this has resulted in an ever-increasing demand on our network. Therefore Wataniya is constantly investing in ongoing network developments, such as the introduction of a third core data center as well as upgrades to support the roll out of high speed HSPA+ broadband services across Kuwait. In Tunisia, more than 60% of traffic has now been successfully migrated to a new network core and 550 kilometers of optical fiber have been rolled out. In Palestine, improvements to the customer care infrastructure as well as new technologies were implemented. In the Maldives, further work was successfully undertaken to integrate more resorts and islands onto the Wataniya network.

Corporate Social Responsibility

An integral part of Wataniya's business strategy is corporate social responsibility. We employ and advocate responsible business practices and programs, which build lasting trust with our key stakeholders - customers, partners, employees, and shareholders.

As part of this, Wataniya Kuwait initiated an E-Waste Recycling program that will properly dispose of obsolete and damaged mobile phones without harming the environment. Wataniya Kuwait also adopted several other key social campaigns over the year. One of the most prominent initiatives was the awareness campaign for Multiple Sclerosis. We were the first to take up this noble cause and through this campaign Wataniya aimed to help people suffering from this life altering disability. Many other sports and community enriching events were also sponsored throughout 2010 that demonstrated our commitment towards ensuring the welfare of customers and citizens alike.

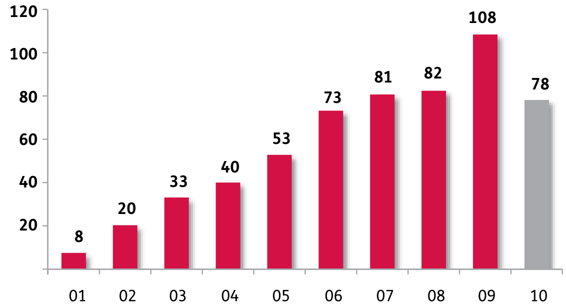
The Future

We look forward to another year when we will surely face new challenges and seek new solutions in this rapidly-changing world. We will focus our strategy on enhancing Customer Experience by creating surprising and memorable interactions. We will continue to be responsible brand leaders by introducing new trends and technology that challenge the status quo and are aligned with the needs and expectations of our customers. We will play our part in bringing the latest innovations and exceptional services to all our customers and will continue to do that in ways that reflect Wataniya's values.

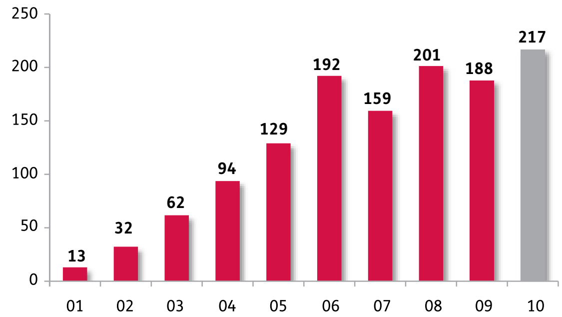
Finally, we would like to thank our customers, partners, employees, and shareholders for their continued confidence and support. We hope to make the next 10 years equally successful and inspiring.

Scott Gegenheimer
General Manager & CEO

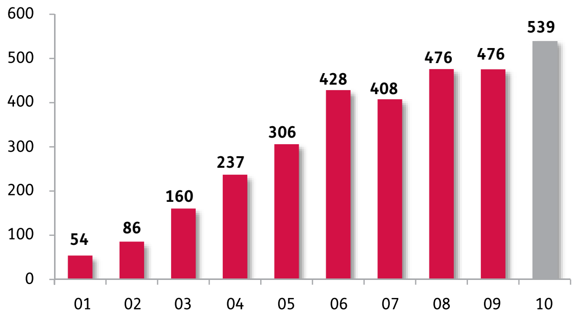
FINANCIAL HIGHLIGHTS
FOR THE YEAR ENDED 31 DECEMBER 2010



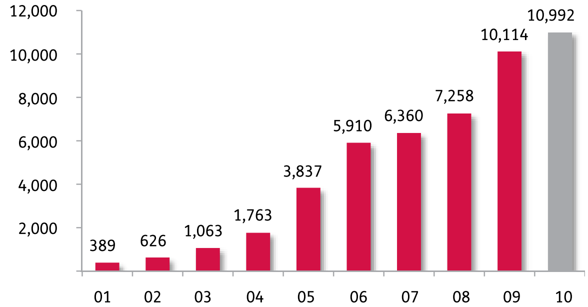
Net Profit (KD Millions)



EBITDA (KD Millions)



Revenue (KD Millions)



Proportional Subscribers (Thousands)

FINANCIAL HIGHLIGHTS
FOR THE YEAR ENDED 31 DECEMBER 2010

		Year 2010	Year 2009
		In Millions	In Millions
KUWAIT			
Wataniya Telecom	Total Subscribers	1.8	1.5
	Revenue	221.6	203.3
	EBITDA	98.9	93.6
	% EBITDA	45%	46%
	Net Profit to WT	69.8	109.2
TUNISIA			
Tunisiana			
	Total Subscribers	5.9	5.2
	Revenue	101.0	102.3
	EBITDA	55.9	55.2
	% EBITDA	55%	54%
	Net Profit to WT	23.6	23.7
ALGERIA			
Nedjma	Total Subscribers	8.2	8.0
	Revenue	174.7	141.4
	EBITDA	65.9	46.5
	% EBITDA	38%	33%
	Net Profit to WT	2.0	(7.0)
SAUDI ARABIA			
Bravo	Total Subscribers	0.2	0.2
	Revenue	22.1	20.1
	EBITDA	1.0	(2.3)
	% EBITDA	4%	-
	Net Profit to WT	(3.9)	(6.2)
MALDIVES			
Wataniya Telecom Maldives	Total Subscribers	0.1	0.1
	Revenue	9.2	7.7
	EBITDA	1.2	0.4
	% EBITDA	13%	5%
	Net Profit to WT	(4.7)	(3.3)
PALESTINE			
Wataniya Telecom Palestine	Total Subscribers	0.4	0.1
	Revenue	10.9	0.6
	EBITDA	(6.2)	(5.8)
	% EBITDA	-	-
	Net Profit to WT	(9.1)	(4.2)
Wataniya - Consolidated			
	Total Subscribers	16.6	15.2
	Revenue	539.4	475.5
	EBITDA	216.6	187.6
	% EBITDA	40%	39%
	Net Profit to WT	78.0	108.3

Note 1. In Q2 2009, Wataniya Kuwait was successful in a ruling involving the Ministry of Communications (MOC) regarding subscriber license fees, which enabled the company to reverse the previously recorded accruals of KD 52.1 million (net of related expenses) resulting in an increase in net profits. After excluding the one-off gains in the year 2009, net profit increased by 38.8% for the year 2010 compared to the same period in 2009.

Note 2. In 2009, earning release EBITDA was reported as KD190.2 million. The difference is due to the reclassification of MOC license fee (postpaid subscribers) from below EBITDA to above EBITDA.

PERSONALIZING EXPERIENCES
WITH A VARIETY OF CHOICES

WATANIYA IN KUWAIT

About Wataniya

Wataniya is the second largest mobile telecommunications operator in Kuwait: one of the most competitive 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.

Wataniya Kuwait brings a wide range of prepaid and postpaid mobile voice and data services to individuals and corporate customers. Its data services offer a secure and wireless internet connection which is compatible with laptops, PCs and mobile phones. Wataniya also provides several programs and plans that are designed specifically for different segments of the market. WPro offers business efficiency tools that are ideal for corporate customers. There is Wink, designed mainly for young adults between 12-26 years giving them discounts at popular stores in Kuwait along with a subsidized voice plan. InTouch is another specialized offering from Wataniya Kuwait targeted to foreigners living in the country; they can benefit from free international minutes every month to their home country. Over and above this, Wataniya Kuwait has introduced several new value added services such as "Follow Me", "I-Move-To" and "Friends and Family" that enable customers to optimize their experience with Wataniya.

Ownership

The Qtel Group holds a 52.5% stake in Wataniya Telecom (NMTC) which is a listed stock on the Kuwait Stock Exchange. NMTC is the legal entity owning shares in Wataniya Maldives, Bravo, Tunisiana, Nedjma and Wataniya Palestine.

Achievements

In Kuwait's highly competitive communications marketplace, Wataniya continues to hold a strong market position. This strong positioning is the result of Wataniya's unrelenting strategic attention to service excellence, supported by its strong in-market brand presence and by a targeted product suite focused on clear market segments.

An important emphasis for Wataniya this year has been rewarding customer loyalty. Launched in October, the Wataniya Rewards Program provides customers with a range of telecom and non-telecom rewards which are redeemable with local stores, based upon their network usage. In addition to rewarding loyalty, Wataniya has also paid careful attention this year to ensuring the ongoing satisfaction of its subscriber base. This has taken the form of ongoing network improvements, such as the introduction of a third core data centre as well as upgrades to support the roll out of high speed HSPA+ broadband services. The rolling out of new services and programs has also played its part, particularly in the enterprise segment where Wataniya's WPro corporate arm has started to capitalize on the currently underserved, but growing, small businesses and home enterprise market. In addition to this Wataniya Kuwait launched an exclusive program for its high-end customers called "The W's" which caters to the luxurious needs of high-spenders.

The Wataniya brand received a significant boost this year with a refreshed and enhanced brand identity. This brand development exercise was undertaken to refine the brand image, streamline business strategy and further differentiate the company from its competitors. The revitalized brand was launched to great acclaim in June of 2010.
Wataniya's consistent development strategies have earned it several awards and appreciation from the people of Kuwait.

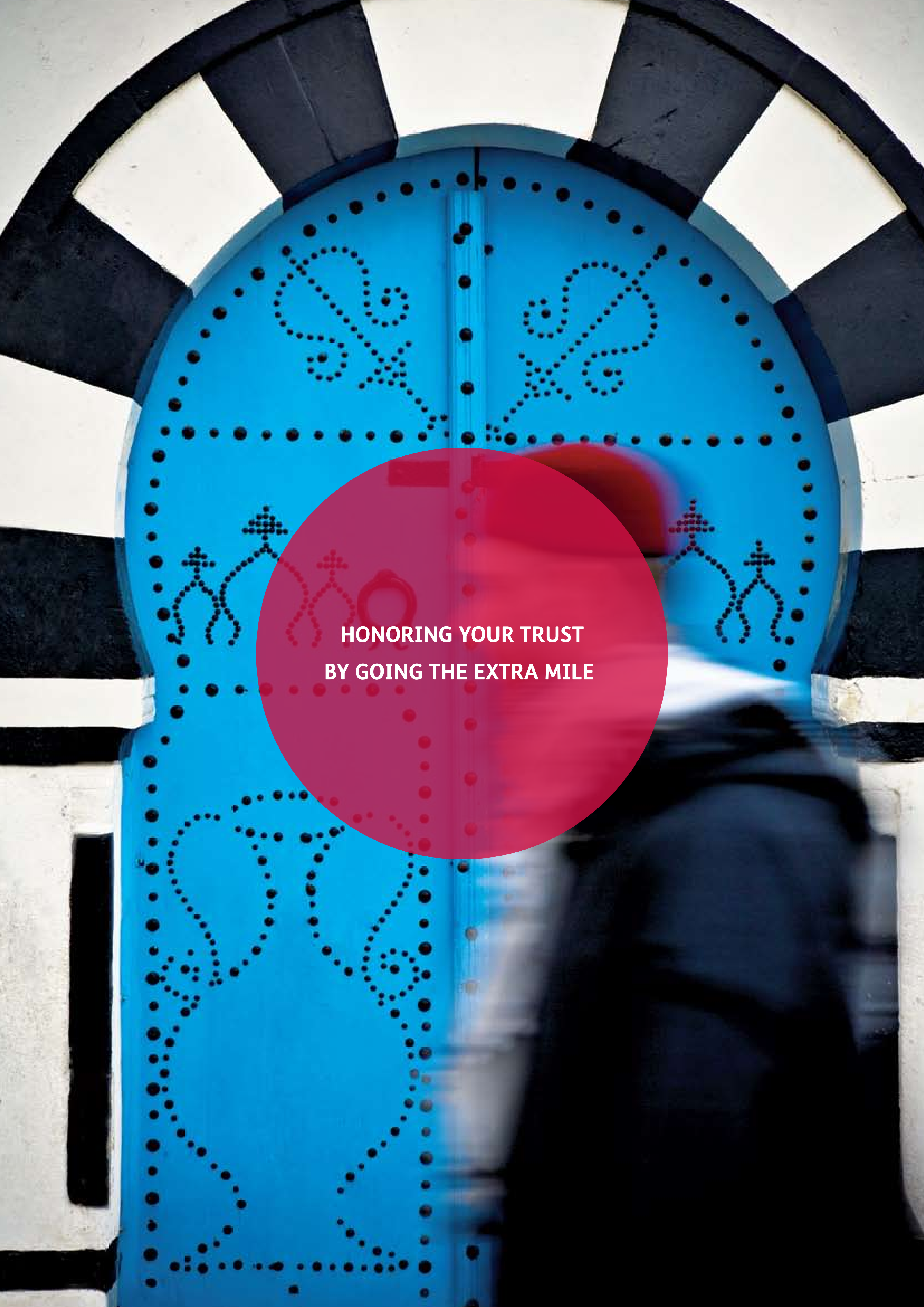
- Wataniya Kuwait was honored with the internationally coveted "Superbrand" status in recognition of its reputation and strength within the marketplace
- Wataniya also won the "CommsMEA Editors 2010 Award" for outstanding achievements and best practises in the telecom field with special awards for Wataniya's youth program Wink and VIP program The W's
- Wataniya was further commemorated with the "Super Hero Award" for the best telecom operator in Kuwait and an "Honorable Mention Award" for Internet Service Provider in 2010

Wataniya Kuwait in the year ahead

Wataniya enters 2011 in a strong position, well placed to continue to meet the challenges and reap the rewards of operating in the highly dynamic Kuwaiti market. Competition remains high, but opportunities continue to exist in the shape of new segments and services. Wataniya will also focus on developing its Customer Experience initiative that will seek new and innovative ways to ensure smooth, hassle-free and friendly interactions. A specialized team will be developed and trained that will streamline business processes, record detailed customer feedback and find solutions to help Wataniya identify opportunities and build a company that is highly customer focused.

Executive Quote

"We continue to demonstrate a clear sense of what drives our customers and we are proud of the strong position our revitalized brand occupies in Kuwait. We have worked hard to earn this trust and loyalty, choosing to focus on what matters most to our customers: a high quality of service. Whatever the market challenges, we believe that this dedication to service will enable us to continue our progress in the year ahead."


HONORING YOUR TRUST
BY GOING THE EXTRA MILE

WATANIYA IN TUNISIA

About Tunisiana

Launched in 2002 as Tunisia's first privately owned telecommunications company, Tunisiana's arrival marked a dynamic change in 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 fifty percent market share but also one of the country's most trusted and recognized brands. Each day, Tunisiana's delivers a range of prepaid and postpaid voice and data services to more than five million individual and business customers across this North African nation.

Ownership

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

Achievements

Tunisiana has performed well in 2010, successfully maintaining its market leadership position and delivering a slight increase in market share despite the entrance this year of a third operator in the market. Increased and targeted investment in service offerings and marketing, as well as continued network modernization efforts, have both played an important role in delivering this solid performance.

Marketing initiatives that target distinct and valuable 'communities' of subscribers have been implemented this year and these initiatives have delivered impressive results. Offers and services tailored for friends, families, youth users, business customers and regular travelers have each helped to deliver an increase in subscriber numbers as well as reduce overall subscriber churn. The business segment has benefited from specific targeting. A large-scale marketing campaign has succeeded in migrating a number of key business subscribers onto longer term contracts, enhancing revenue predictability in this important segment.

New and unique services have also been launched to enhance the attractiveness of Tunisiana's network. These include the launch of a BlackBerry service for home and business subscribers as well as a landmark partnership with Facebook that will see Tunisiana among the first operators globally to launch Facebook's "Zero" mobile platform. The Tunisiana network has also seen continued improvements in 2010 in order to support these initiatives. More than sixty percent of traffic has now been successfully migrated to a new network core and some 550 kilometres of optical fiber have been rolled out.

Tunisiana in the year ahead

The Tunisian mobile market is extremely dynamic, driven by change and ever-more sophisticated demands from consumers: particularly the country's energetic youth population. Mobile payments represent one possible area for revenue growth and diversification in 2011, where Tunisiana is already recognized as a leading force, as well as mobile advertising and the ongoing growth in social networking usage. 3G technology also presents opportunities for growth in the years ahead, with Tunisiana well placed to deliver the increased range of data and convergent services that 3G can support.

Executive Quote

"Tunisiana continues to represent the dominant force in the Tunisian telecom space and we have maintained our leadership position this year by squaring up to the challenge of increased competition and meeting it head-on. By harnessing the power of our brand and the loyalty of our customer base we have further deepened our presence in this exciting market and we look forward with confidence to 2011."

TAKING NEW INITIATIVES TO STRENGTHEN OUR FRIENDSHIP

WATANIYA IN ALGERIA

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 populous and exciting North African mobile marketplace. As one of the most instantly recognizable brands in the country, Nedjma offers its subscribers value-for-money mobile voice, data and multimedia services delivered across a nationwide EDGE-ready network.

Ownership

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

Achievements

Nedjma has paid careful attention this year both to customer acquisition and customer satisfaction. After the significant increase in subscriber numbers achieved late in 2009 and early 2010, the company has worked hard to ensure that both new and existing customers enjoy the high-quality service they expect from Nedjma.

At the same time much attention has been focused on the network. This year saw Nedjma commence the initial stages of an important network improvement program, ensuring better efficiency and enhanced capacity as well as preparing the way for potential 3G services in the near future. The company has implemented an important strategic partnership with its suppliers in order to improve the quality and effectiveness of managing Nedjma's nationwide network. Rewarding customer loyalty has also played an important part in this year's efforts to ensure customer satisfaction, with Nedjma's Noudjoum loyalty program continuing to help increase customer retention and spending.

Nedjma has continued to innovate in 2010, launching new services to capture higher-value customers and meet their challenging demands. In this capacity, in 2010 Nedjma managed to double its market share of the key enterprise segment. Just like in other parts of the world, Algeria's young population is embracing the use of social networking and instant messaging services although low "at-home" Internet penetration in the country has held back its development. To circumvent this problem, and to capitalize on this growing trend, Nedjma has launched Nedjma.net – a pioneering service that brings a range of leading social networking and chat applications onto its network and direct to the mobile phone. 2010 also saw the launch of Nedjma's Stormily money transfer service which allows Nedjma customers to transfer funds between Nedjma users as top-ups and is quickly developing into an important new revenue stream for the company.

Nedjma in the year ahead

In 2011 Nedjma will continue its efforts to attract higher-value subscribers as well as taking advantage of possible opportunities for new services and solutions. Algeria's largely under-developed banking infrastructure represents one such area, mobile payments will be a possible focus for innovation in the year ahead. Nedjma also hopes to make further progress in accessing opportunities for growth in Algeria's southern region, dedicating resources to stimulating sales and presence in this part of the country.

Executive Quote

"We have worked hard this year to maintain our customer growth and momentum, to ensure the resilience of our network and to provide our customers with the high quality service they expect from Nedjma. We are proud of the progress made against each of these key goals and are encouraged by our early efforts to attract higher-value subscribers to our brand. In 2011 we will maintain these efforts, remaining focused on meeting new and emerging customer needs with exciting and innovative solutions."


FOCUSING ON NEW
BUSINESS SOLUTIONS
TO ENHANCE YOUR PROSPECTS

WATANIYA IN THE KINGDOM OF SAUDI ARABIA

About Bravo

Bravo entered the Saudi Arabian market in 2005 as the country's first specialized push-to-talk ("PTT") provider, offering PTT and cellular communication services to business and government sectors. Today, Bravo's solutions are used by a variety of organizations which need to connect and manage large numbers of employees or related groups in a flexible, efficient and cost-effective way. Bravo's customer base includes a wide range of business and government institutions, each benefiting from the mobile voice, messaging, GPS-based tracking and even data services provided by Bravo across its iDEN-based nationwide wireless network.

Ownership

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

Achievements

In the competitive Saudi communications arena, Bravo's key strengths remain the effectiveness and differentiated nature of its offering as well as the company's constant focus on customer value and service. The Bravo team has continued to enhance both of these core strengths in 2010, investing in network technology and paving the way for new service lines and ever-higher standards of service. Bravo launched a range of new services in 2010, including the ability to offer balance transfers between individual company handsets, the capability to issue pages and tailored alerts across a company's network, as well as a series of targeted and highly effective work-management applications: each centered on Bravo's keen understanding of its customers' needs and challenges.

Bravo in the year ahead

Bravo aims to become the PTT provider of choice for the government and business sectors of Saudi Arabia. As the Saudi Arabian economy continues to grow, Bravo will aim to keep pace with the ever-changing and increasingly sophisticated requirements of the country's enterprise sector. By continuing to place the customer experience at the heart of its strategy, Bravo will seek to build in 2011 on the important progress made this year.

Executive Quote

"We continue to make good progress at Bravo by focusing on those qualities that make us different. By differentiating our offers, Bravo continues to stand out in Saudi Arabia as an effective and service-driven provider, offering targeted services that make a real difference to the way in which our customers communicate. By continuing to put the customer experience at the heart of our offer, we feel confident that our reputation and progress will continue to build in the years ahead."

UNVEILING NEW HORIZONS AND SETTING HIGHER STANDARDS

WATANIYA IN THE MALDIVES

About Wataniya Maldives

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 provides a range of mobile services to 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 (NMTC) holds 100 percent of the operations of Wataniya in the Maldives.

Achievements

Wataniya Maldives has made further strategic advances this year, pressing ahead with its strategy to serve the needs of both the local population as well as the demands of the many tourists who visit this island nation every year. The company's strategy to increase its coverage of leading tourist resorts has continued to progress, with additional resorts now "on air" and connected to Wataniya's network. The strength, quality and capability of its network have also continued to improve in 2010. Wataniya Maldives' 3G optimization program has continued its roll out efforts to expand coverage in key resorts, extending the speed and reliability of 3G connectivity to international guests and local employees of more resorts than ever before. These new network enhancements have also enabled Wataniya Maldives to augment its service offering, with particular focus being placed this year on a popular expansion of broadband services across the country.

Wataniya Maldives in the year ahead

The foundation of economic growth in the Maldives remains the tourist industry: an industry which continues to benefit from and support Wataniya Maldives' expansion. In the year ahead the company will continue to pursue a strategy of both extending the connectivity of the network to key tourism "hot spots" as well as increasing the scope and sophistication of the services offered over that network.

Executive Quote

"The Maldives is a unique communications environment that requires a special blend of local knowledge, technical capability and above all, ambition in order to succeed. This is the approach we have taken since our formation in 2005, and it is this approach which has delivered further service growth and further network enhancement across our operations this year. We continue to believe in the potential of this marketplace and in our strategy to offer visitors to this island paradise sophisticated and reliable connections to the outside world."


SURPASSING YOUR EXPECTATIONS
BY ACHIEVING REMARKABLE RESULTS

WATANIYA IN PALESTINE

About Wataniya Palestine

Wataniya is the second licensed mobile operator in Palestine. Awarded its license in 2007 through a competitive process, 2010 marked Wataniya's first full year of commercial operations after the successful launch of services in the West Bank in November 2009. Following the completion in January 2011 of the company's Palestinian IPO, Wataniya enters the coming year as a public company poised to become a significant player in the Palestinian mobile market, offering a population of approximately four million people the opportunity to enjoy communication services based on network quality, reliability and choice.

Ownership

Wataniya (NMTC) following the IPO holds a 48.5 percent stake in the operations of Wataniya in Palestine.

Achievements

Wataniya made excellent progress in 2010, using the company's first full year of commercial operations to broaden its reach, entrench its network and extend its services across the West Bank. Following the launch of further transmission sites, Wataniya is now able to reach 95 percent of the Palestinian population and is already serving over 350,000 subscribers with a range of mobile services. Keen to ensure that these important subscribers enjoy a service that meets international standards for 'best practise,' the company also implemented a number of new technologies in 2010 to enhance the resiliency and manage the capacity of its network.

Taking advantage of this enhanced network, Wataniya has reinvigorated its product offering with a range of services focused on enhancing value. At the same time, it has improved and invested in distribution channels to maximize Wataniya's own effectiveness, as well as continued to focus on customer care.

As Wataniya's service and reach have transformed, so has the company's own status. Started in 2010 and completed in early 2011, Wataniya's highly successful IPO has secured its position as one of the most important public companies in Palestine. With the local offering of 38.7 million shares over-subscribed by more than one and a half times, Wataniya enters 2011 with an even deeper connection to the Palestinian people and their economy.

Wataniya Palestine in the year ahead

The Palestinian communications market continues to offer strong long-term prospects for growth which should in turn support the wider growth of Palestine's economy. Wataniya intends to move forward in 2011, supporting these growth prospects by laying further foundations for the future shape of its network. At the same time, Wataniya will seek to capitalize on the enhanced recognition of its brand brought about by the success and high visibility of its IPO, taking advantage of opportunities to target new segments and offer new services in this continually evolving marketplace.

Executive Quote

"2010 marks yet another year of transformation and progress for Wataniya in Palestine. In our first full year of commercial operations we have brought new services, set new standards and introduced a new approach to the Palestinian mobile market, putting the customer first and working to help them with their unique communications needs. Now, as a public company that is proud to serve the people of the West Bank, we aim to build further our network, service offering and reputation for quality and value in the year ahead."


KEEPING OUR PROMISE
TO WORK FOR A BETTER TOMORROW

WATANIYA GIVING BACK

At Wataniya, we aspire for a greater purpose that goes beyond profits. We take into consideration social, economic, cultural and environmental issues and embrace them as Wataniya's responsibility and reflect through our activities a positive impact on our customers, employees, communities, stakeholders and all other members of the public sphere.

Wataniya's Corporate Social Responsibility programs are formulated at solving challenges our communities face regarding healthcare, youth development, economic setbacks and conservation issues. With the continuous launching of successful social campaigns and thoughtful global citizenship initiatives, we are able to effectively contribute to the welfare of our environment and society. This report highlights our accomplishments towards creating a "better" world during fiscal 2010.

Going Green

The thinning Ozone layers, the loss of plant life and drastic climate changes are all results of human callousness towards our planet. For years, Wataniya has been taking effective steps to reduce its carbon footprints.

The E-Waste Recycling program introduced by Wataniya in Kuwait is one of its latest ventures amongst many. This program aims to reduce electronic waste and encourages the citizens of Kuwait to dispose of their old mobile phones at drop boxes placed in Wataniya stores. This electronic waste is then managed in an environmentally responsible manner.

In Algeria, we produced a film highlighting environmental responsibility and energy saving to spread more awareness amongst the local population. This non-profit advertising campaign was developed in conjunction with key ministries and government offices and was aired on national TV and radio.

Sharing Kindness and Compassion

Wataniya is always there to offer a helping hand to those who need it. Throughout 2010 Wataniya invested in several humanitarian campaigns that would help people live more fulfilling lives.

Wataniya Kuwait took up the cause of Multiple Sclerosis. It hosted an educational press conference spreading awareness about this life altering disease and took steps to eradicate misconceptions about it. Wataniya Kuwait also organized a blood donation drive for all its employees for Kuwait's Blood Bank. This campaign was a big success, with a high level of participation and lots of enthusiasm amongst the employees. During Ramadan, Wataniya Kuwait invested in good deeds by distributing Iftaars to thousands of needy people across the country and gave away free Quran CDs to customers.

Tunisiana brought color into the lives of sick children in the pediatric department of a national hospital. This event was called "Colors at the Hospital," and it consisted of decorating and cheering up the consultation rooms to make the stay of the little children less painful and more fun.

Nedjma, Wataniya in Algeria gave food to the Red Crescent during Ramadan to help poor families in 48 cities across the country. Nedjma has been actively offering humanitarian aid to Red Crescent for the last three years.

Bravo in Saudi Arabia made significant contributions to Jeddah City Authority and charity organizations bringing relief and aid to the flood victims of Jeddah. In response, Bravo was honored with an Award at the Saudi CSR Forum 2010.

Empowering People and Connecting with the Youth

At Wataniya, we believe in organizing safe, creative and fun activities and events that encourage young people to use their skills and energy in productive pursuits. We like to give opportunities to the youth of this region to excel in their chosen fields and build future nations that are progressive and prosperous.

In this spirit, Wataniya Kuwait sponsored several youth events during 2010. These events mainly revolved around sports championships and athletic activities that keep the youth active and healthy as well as push them to always achieve more.

Tunis was celebrating a UN initiative called, "International Year of the Youth" in 2010. In support of this occasion, Tunisiana contributed and participated in several youth events promoting this theme, such as launching the first private football center of Tunis furnished with the best international equipment. The Tunisiana Football Academy is dedicated to young children from the age of 5-12. And since football is a very popular sport in Tunis, Tunisiana launched a football tournament called "Citizen Football", attended by regional celebrities and in which over 384 teams participated.

During Eid Al-Fitr holidays, Wataniya Palestine in partnership with Sharek Youth Forum, visited and entertained five thousand children of Palestine in 16 areas across the West Bank, in an effort to bring happiness to the hearts and minds of the youth.

Nedjma has been honoring exemplary women every year since 2006 and for 2010, a ceremony was held where inspiring Algerian women were awarded for their contributions to society.

Encouraging Culture and Art

Wataniya draws on the power of art and creativity to help build a society that is liberal and yet cherishes the richness of its culture and traditions. By promoting art festivals and film societies, Wataniya gives ingenuity a platform and latent talent a channel of expression.

Tunisiana has been sponsoring for the last 6 years a musical festival called Jazz à Carthage, where international jazz musicians from different parts of the world are invited to perform and enthrall a wide audience.

Nedjma continues to launch The Media Star competition in Algeria since 2007. Over the years the Media Star award has become a coveted prize amongst the Algerian journalist community. This year 65 reporters competed for the grand prize.

The Future

With this report, we hope to have given you a clear picture of the progress we have made so far. We will continue to act as responsible global citizens. In the future, we will always look for innovative ways to better serve our region and customers by using our resources for the greater good.

National Mobile Telecommunications Company K.S.C. And Subsidiaries

Consolidated Financial Statements
And Independent Auditors' Report
For The Year Ended
31 December 2010

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INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF 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 its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as of 31 December 2010 and the 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 management of the Parent Company is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards ("IFRS") and for such internal control as management determines necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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 misstatement.

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 auditor's judgement, 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 control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by 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.

INDEPENDENT AUDITORS' REPORT (Continued)

Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material aspects, the financial position of Group as of 31 December 2010, and its financial performance and 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 board of directors relating to these consolidated financial statements, are in accordance therewith. We further report that we 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 was duly carried out and that, to the best of our knowledge and belief, no violations of the Commercial Companies Law of 1960, as amended, nor of the articles of association have occurred during the year ended 31 December 2010 that might have had a material effect on the business of the Parent Company or on its financial position.

Khalid Al-Shatti
License No. 175-A
Price Waterhouse Coopers
(Al-Shatti and Co.)

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

22 February 2011
Kuwait

NATIONAL MOBILE TELECOMMUNICATIONS COMPANY K.S.C. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2010

	Note	2010 KD 000's	2009 KD 000's
ASSETS			
Current assets			
Cash and bank balances	4	**242,361**	135,260
Trade and other receivables	5	**117,746**	86,453
Inventories		**9,595**	7,488
		369,702	229,201
Non-current assets			
Available for sale financial assets	6	**12,889**	15,678
Property and equipment	7	**419,826**	413,139
Intangible assets	8 & 9	**183,063**	205,417
Deferred tax relating to subsidiaries	10	**19,681**	24,990
		635,459	659,224
Total assets		**1,005,161**	888,425
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables	11	**278,188**	241,792
Current portion of long term debts	12	**22,913**	16,815
		301,101	258,607
Non-current liabilities			
Provision for staff indemnity		**2,804**	1,523
Long term debts	12	**139,595**	128,863
Other non-current liabilities		**21,466**	14,338
		163,865	144,724
Total liabilities		**464,966**	403,331
Equity			
Share capital	13	**50,403**	50,403
Treasury shares	13	**(3,598)**	(3,598)
Reserves	13	**163,988**	158,038
Retained earnings		**291,798**	247,104
Equity attributable to equity holders of the Parent Company		**502,591**	451,947
Non-controlling interests		**37,604**	33,147
Total equity		**540,195**	485,094
Total liabilities and equity		**1,005,161**	888,425

WATANIYA TELECOM

Abdullah Bin Mohammed Bin Saud Al Thani
Chairman

The accompanying notes set out on pages 31 to 75 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 2010

	Note	2010 KD 000's	2009 KD 000's
Revenue		**539,437**	475,421
Cost of revenue		**(245,327)**	(198,814)
		294,110	276,607
Network construction revenue		**10,722**	4,891
Network construction costs		**(10,722)**	(4,891)
		-	-
Gross profit		**294,110**	276,607
Selling and distribution costs		**(57,003)**	(48,990)
Administrative expenses		**(111,024)**	(108,051)
Amortisation of intangible assets	8	**(22,564)**	(21,402)
Other operating (expenses) / income	11	**(578)**	46,342
Dividend income		**127**	28
Interest income	4	**3,185**	1,946
(Loss) / gain on sale of available for sale financial assets		**(89)**	264
Impairment loss on financial assets	5 & 6	**(1,998)**	(9,997)
Impairment loss on intangible assets	8	**(2,835)**	(4,201)
Finance costs		**(10,276)**	(12,029)
Profit before taxation, contribution to Kuwait Foundation for the Advancement of Sciences ("KFAS"), National Labour Support Tax ("NLST"), Zakat and Directors' remuneration		**91,055**	120,517
Taxation relating to subsidiaries		**(18,744)**	(17,598)
Provision for contribution to KFAS		**(827)**	(1,139)
Provision for NLST		**(2,278)**	(2,907)
Provision for Zakat		**(1,099)**	(1,163)
Directors' remuneration		**(459)**	(450)
Profit for the year	16	**67,648**	97,260
Attributable to:			
Equity holders of the Parent Company		**78,020**	108,291
Non-controlling interests		**(10,372)**	(11,031)
		67,648	97,260
Basic and diluted earnings per share attributable to equity holders of the Parent Company (fils)	17	**155.68**	216.08

The accompanying notes set out on pages 31 to 75 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 2010

	2010	2009
	KD 000's	KD 000's
Profit for the year	**67,648**	97,260
Other comprehensive income		
Change in fair value of available for sale financial assets	**1,269**	(5,572)
Net loss / (gain) on sale of available for sale financial assets transferred to the consolidated statement of income	**89**	(264)
Impairment loss on available for sale financial assets transferred to the consolidated statement of income	**592**	8,997
Exchange differences arising on translation of foreign operations	**(8,403)**	(5,281)
Other comprehensive loss for the year	**(6,453)**	(2,120)
Total comprehensive income for the year	**61,195**	95,140
Attributable to:		
Equity holders of the Parent Company	**72,290**	106,994
Non-controlling interests	**(11,095)**	(11,854)
	61,195	95,140

The accompanying notes set out on pages 31 to 75 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 2010

	Share capital KD 000's	Treasury shares KD 000's	Share premium KD 000's	Statutory reserve KD 000's (Reserves)	General reserve KD 000's (Reserves)	Gain on sale of treasury shares KD 000's (Reserves)	Fair value reserve KD 000's (Reserves)	Foreign currency translation reserve KD 000's (Reserves)	Other reserves KD000's (Reserves)	Total reserves KD 000's (Reserves)	Retained earnings KD 000's	Equity attributable to equity holders of the Parent Company KD 000's	Non-controlling interests KD 000's	Total equity KD 000's
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 (loss) for the year	-	-	-	-	-	-	-	-	-	-	108,291	108,291	(11,031)	97,260
Other comprehensive income (loss) for the year	-	-	-	-	-	-	3,161	(4,458)	-	(1,297)	-	(1,297)	(823)	(2,120)
Total comprehensive income (loss) for the year	-	-	-	-	-	-	3,161	(4,458)	-	(1,297)	108,291	106,994	(11,854)	95,140
Dividends (Note 13)	-	-	-	-	-	-	-	-	-	-	(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
Profit (loss) for the year	-	-	-	-	-	-	-	-	-	-	78,020	78,020	(10,372)	67,648
Other comprehensive income (loss) for the year	-	-	-	-	-	-	1,950	(7,680)	-	(5,730)	-	(5,730)	(723)	(6,453)
Total comprehensive income (loss) for the year	-	-	-	-	-	-	1,950	(7,680)	-	(5,730)	78,020	72,290	(11,095)	61,195
Ownership change in a subsidiary (Note 14)	-	-	-	-	-	-	-	-	3,412	3,412	-	3,412	15,552	18,964
Dividends (Note 13)	-	-	-	-	-	-	-	-	-	-	(25,058)	(25,058)	-	(25,058)
Transfer to general reserve	-	-	-	-	8,268	-	-	-	-	8,268	(8,268)	-	-	-
Balance at 31 December 2010	**50,403**	**(3,598)**	**66,634**	**32,200**	**60,535**	**6,914**	**2,490**	**(8,197)**	**3,412**	**163,988**	**291,798**	**502,591**	**37,604**	**540,195**

The accompanying notes set out on pages 31 to 75 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 2010

	Note	2010 KD 000's	2009 KD 000's
OPERATING ACTIVITIES			
Profit for the year		**67,648**	97,260
Adjustments for:			
Depreciation and amortisation	7 & 8	**99,539**	83,176
Dividend income		**(127)**	(28)
Interest income		**(3,185)**	(1,946)
Loss / (gain) on sale of available for sale financial assets	6	**89**	(264)
Impairment loss on value of financial assets	5 & 6	**1,998**	9,997
Impairment loss on intangible assets	8	**2,835**	4,201
Impairment loss on receivables	5	**7,183**	4,485
Impairment loss on receivables reversed	5	**(653)**	-
Taxation relating to subsidiaries		**18,744**	17,598
Loss on disposal of property and equipment		**642**	-
Finance costs		**10,276**	12,029
Provision for NLST		**2,278**	2,907
Provision for staff indemnity		**1,493**	1,263
		208,760	230,678
Increase in trade and other receivables		**(38,484)**	(6,863)
Increase in inventories		**(2,107)**	(718)
Increase / (decrease) in trade and other payables		**27,811**	(48,846)
Cash from operations		**195,980**	174,251
Staff indemnity paid		**(212)**	(3,165)
Net cash generated from operating activities		**195,768**	171,086
INVESTING ACTIVITIES			
(Increase) / decrease in term deposits		**(32,650)**	25,373
Purchase of available for sale financial assets	6	**(152)**	(1,604)
Proceeds from sale of available for sale financial assets		**4,210**	1,507
Acquisition of a subsidiary	19	**-**	(1,639)
Purchase of property and equipment	7	**(94,622)**	(105,376)
Proceeds from disposal of property and equipment		**179**	520
Purchase of intangible assets	8	**(10,722)**	(6,567)
Proceeds from disposal of intangible assets		**-**	1,256
Dividend income received		**127**	28
Interest income received		**2,440**	1,943
Net cash used in investing activities		**(131,190)**	(84,559)
FINANCING ACTIVITIES			
Dividends paid		**(25,058)**	(24,387)
Finance costs paid		**(10,276)**	(12,029)
Increase / (decrease) in term debts		**16,830**	(10,645)
Capital contribution by Non - controlling interests		**18,964**	-
Net cash used in financing activities		**460**	(47,061)
Effect of foreign currency translation		**9,413**	7,815
Net increase in cash and cash equivalents		**74,451**	47,281
Cash and cash equivalents at the beginning of the year		**134,348**	87,067
Cash and cash equivalents at the end of the year	4	**208,799**	134,348

The accompanying notes set out on pages 31 to 75 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 22 February 2011 and are subject to the approval of the Annual General Assembly of the shareholders.

The total number employees of the Group is 5500 employees (2009: 5071 employees).

2. 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".

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 preparation of consolidated financial statements in conformity with International Financial Reporting Standards ("IFRS") requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Changes in assumptions may have a significant impact on the consolidated financial statements in the period the assumptions changed. The management believes that the underlying assumptions are appropriate. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3.

Statement of compliance

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

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 below.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Changes in accounting policies and disclosures

(a) New and amended standards adopted by the Group

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2010.

- IAS 1 (amendment), 'Presentation Of Financial Statements'. The amendment clarifies that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time.
- IAS 36 (amendment), 'Impairment of assets'. The amendment clarifies that the largest cash-generating unit (or group of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment, as defined by paragraph 5 of IFRS 8, 'Operating segments' (that is, before the aggregation of segments with similar economic characteristics).
- IAS 38 (amendment), 'Intangible assets'. The amendment clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination and permits the grouping of intangible assets as a single asset if each asset has similar useful economic lives.
- 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.

The new and amended standards didn't have any impact on the financial position or performance of Group for the year ended 31 December 2010

(b) New and amended standards and interpretations mandatory for the first time but not currently relevant to the Group (although they may affect the accounting for future transactions and events):

• IAS 17 (Revised) Leases	Effective for annual periods beginning on or after 1 January 2010.
• IAS 39 (Revised) Financial Instruments: Recognition and Measurements	Effective for annual periods beginning on or after 1 July 2009.
• 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Changes in accounting policies and disclosures (continued)

(b) New and amended standards, and interpretations mandatory for the first time but not currently relevant to the Group (although they may affect the accounting for future transactions and events) (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 9 Reassessment of Embedded Derivatives and IAS 39, Financial Instruments: Recognition and Measurement	Effective for annual periods beginning on or after 1 July 2009.
• IFRIC 16 Hedges of a Net Investment in a Foreign Operation	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.

(c) New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2010 and not early adopted by the Group:

• IFRS 9 Financial Instrument: Classification and Measurement	Effective for annual periods beginning on or after 1 January 2013.
• Revised IAS 24 (revised), Related Party Disclosures	Effective for annual periods beginning on or after 1 January 2013.
• IAS 32 (Revised) Financial Instruments: Presentation	Effective for annual periods beginning on or after 1 February 2010.
• IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments	Effective for annual periods beginning on or after 1 July 2010.
• IFRIC 14 Prepayment of Minimum Funding Requirements.	Effective for annual periods beginning on or after 1 January 2011.

Management anticipates 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation

These consolidated financial statements include the financial statements of the Parent Company and its subsidiaries and joint venture (see note 14 and 15).

(a) Business Combinations

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment.

The excess of the consideration transferred the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the statement of income.

Inter-company transactions, balances and unrealised gains and losses on transactions between Group companies are eliminated.

(b) Transactions and non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in the consolidated statement of income. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to the consolidated statement of income.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation (continued)

(c) Interest in joint venture

The Group's interests in jointly controlled entities are accounted for by proportionate consolidation. The Group combines its share of the joint ventures' individual income and expenses, assets and liabilities and cash flows on a line-by-line basis with similar items in the Group's financial statements. The Group recognises the portion of gains or losses on the sale of assets by the Group to the joint venture that is attributable to the other venturers. The Group does not recognise its share of profits or losses from the joint venture that result from the Group's purchase of assets from the joint venture until it resells the assets to an independent party. However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value of the assets, or an impairment loss.

Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of income within 'other operating income / (expenses)'.

Translation differences on non-monetary financial assets are included in other comprehensive income.

(c) Group companies

The results and financial position of all Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each financial position presented are translated at the closing rate at the date of that financial position;
- Income and expenses for each statement of income are translated at average exchange rates, unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case; and
- All resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments (if any), are taken to other comprehensive income. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the consolidated statement of income as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets

A financial asset is any asset that is: (a) cash; (b) an equity instrument of another entity; (c) a contractual right: (i) to receive cash or another financial asset from another entity; or (ii) to exchange financial assets or financial liabilities with another entity under conditions that are potentially favorable to the entity; (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.

Classification

The Group classifies its financial assets in the following categories: loans and receivables and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'cash and bank balances' and 'trade and other receivables' in the consolidated statement of financial position.

(b) Available for sale financial assets

Available for sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. 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. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

Cash and bank balances

Cash and bank balances included in the consolidated statement of financial position include cash in hand, bank balances and deposits held at call with banks. Cash and cash equivalents in the consolidated statement of cash flows include deposits maturing within 3 months or less from the date of placement.

Recognition, derecognition and measurement

Regular purchases and sales of financial assets are recognised on the trade date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Available for sale financial assets are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income. When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the consolidated statement of income.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets

(a) Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
  (i) Adverse changes in the payment status of borrowers in the portfolio; and
  (ii) National or local economic conditions that correlate with defaults on the assets in the portfolio.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated statement of income. If loans and receivables have variable interest rates, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

For trade and other 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.

For trade and other receivables, 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.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated statement of income. Recoveries of amounts previously written off are credited against the allowance account.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (continued)

(b) Assets classified as available for sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the Group uses the criteria refer to (a) on page 37. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available for sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the consolidated statement of income – is removed from equity and recognised in the consolidated statement of income. Impairment losses recognised in the consolidated statement of income on equity instruments are not reversed through the consolidated statement of income.

If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the consolidated statement of income, the impairment loss is reversed through the consolidated statement of income.

Inventories

Inventories are stated at the lower of purchase cost and net realisable value using the weighted average method after making allowance for any slow moving and obsolete items. Purchase cost includes the purchase price, import duties, transportation, handling and other direct costs. 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 7) 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.

Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statement of income on a straight-line basis over the period of the lease.

The Group leases certain equipments. Leases of equipments where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased equipment value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the consolidated statement of income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The equipments acquired under finance leases are depreciated over the shorter of the useful life of the asset and the lease term.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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.

Service concession arrangements

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

The Group accounts for revenue and costs relating to 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 capitalised during the construction phase of the arrangement.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of non-financial assets

Assets that have an indefinite useful life – for example goodwill is not subject to amortisation and is tested annually for impairment. Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

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 liabilities" are classified as financial liabilities.

Derecognition of financial liabilities

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

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

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 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.

Term debts

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Treasury shares

Treasury shares consist of the Parent Company's own shares that have been issued, subsequently reacquired by the Group and not yet reissued or cancelled. Treasury shares are accounted for using the cost method. Under the cost method, the weighted average cost of the shares reacquired is charged to a contra equity account. When treasury shares are reissued, gains are credited to a separate account in equity, which is not distributable. Any realised losses are charged to the same account to the extent of the credit balance on that account. Any excess losses are charged to retained earnings then to reserves. Gains realised subsequently on the sale of treasury shares are first used to offset any previously recorded losses in the order of reserves, retained earnings and the gain on sale of treasury shares account. No cash dividends are paid on these shares. The issue of bonus shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

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.

Subscription charges are recognised as revenue on a time proportion basis. Revenue from airtime usage and messaging is recognised 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 at the financial position date.

Deferred tax

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements of the relevant subsidiaries and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from Goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

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

Zakat, Contribution to Kuwait Foundation for the Advancement of Sciences (KFAS) and National Labour Support Tax (NLST) represent levies/taxes imposed on the parent company at the flat percentage of net profits attributable to the parent company less permitted deductions under the prevalent respective fiscal regulations of the State of Kuwait. Under prevalent taxation/levy regulations no carry forward of losses is permitted and there are no significant differences between the tax/levy bases of assets and liabilities and their carrying amount for financial reporting purposes.

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Finance costs

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

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.

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Critical judgements in applying accounting policies

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

Impairment of receivables

The impairment charge reflects estimates of losses arising from the failure or inability of the parties concerned to make the required payments. The charge is based on the ageing of the party accounts, the customer's credit worthiness and the historic write-off experience.

At the financial position date, gross trade, billing and other receivables were KD 93,818 thousand (2009: KD 73,543 thousand), and the allowance for doubtful debts was KD 20,162 thousand (2009: KD 14,039 thousand). Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the consolidated statement of income.

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.

At the financial position date, gross inventories were KD 9,764 thousand (2009: KD 7,488 thousand), and provisions for obsolete and slow moving items were KD 169 thousand (2009: KD nil). Any difference between the amounts actually realised in future periods and the amounts expected will be recognised in the consolidated statement of income.

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

Critical judgements in applying accounting policies (continued)

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 2010, the Group did not classify any investments as financial assets at fair value through profit or loss (2009: 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. During the year, the Group has recorded an impairment loss on value of available for sale financial assets amounting to KD 592 thousand (2009: KD 8,997 thousand).

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. In 2009, the Group has fully written off the Goodwill (See note 8).

Key sources of estimation uncertainty

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

Fair value of unquoted equity investments

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

Impairment of non-financial assets and useful lives

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

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

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

Key sources of estimation uncertainty (continued)

Impairment of non-financial assets and useful lives (continued)

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

In 2009, 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 to 15 years. This increase in useful life was based on management's best estimates and was accounted as a change in an accounting estimate. The effect of the revision resulted in increasing the profit for the year ended 31 December 2009 by KD 2,163 thousand. However, there were no such revision during the year ended 31 December 2010.

Deferred Tax

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

4. CASH AND CASH EQUIVALENTS

	2010	2009
	KD 000's	KD 000's
Cash and bank balances	**175,331**	49,714
Deposits	**67,030**	85,546
Cash and bank balances in the consolidated statement of financial position	**242,361**	135,260
Deposits with original maturity over three months	**(33,562)**	(912)
Cash and cash equivalents in the consolidated statement of cash flows	**208,799**	134,348

The effective interest rate on interest-earning time deposits ranged from 0.76% to 2.875% (2009: 0.19% to 3.25%) per annum. Cash and bank balances include KD 243 thousand (2009: KD 149 thousand) held as part of a managed portfolio.

5. TRADE AND OTHER RECEIVABLES

	2010	2009
	KD 000's	KD 000's
Trade and billing receivables	**84,927**	64,535
Unbilled revenue	**5,639**	3,001
Advances and prepayments	**37,706**	19,911
Interest receivable	**745**	4,037
Other receivables	**8,891**	9,008
	137,908	100,492
Less: allowance for doubtful debts	**(20,162)**	(14,039)
	117,746	86,453

Advances and prepayments include advance payments to suppliers amounting to KD 19,676 thousand (2009: KD 13,718 thousand).

During the year, the Group recorded an impairment loss of KD 1,406 thousand (2009: KD 1,000 thousand) on other receivables that are no longer recoverable.

Movement in the allowance for doubtful debts:

	2010	2009
	KD 000's	KD 000's
Balance at beginning of the year	**14,039**	9,659
Acquisition of a subsidiary	**-**	29
Charge for the year (included under selling and distribution costs)	**7,183**	4,485
Amounts written off as uncollectible	**(407)**	(134)
Amounts recovered during the year (included under other operating (expenses) / income)	**(653)**	-
Balance at end of the year	**20,162**	14,039

6. AVAILABLE FOR SALE FINANCIAL ASSETS

Available for sale financial assets include the followings:

	2010	2009
	KD 000's	KD 000's
Listed equity securities	**3,816**	4,220
Unlisted equity securities	**9,023**	7,304
Unlisted debt securities	**50**	4,154
	12,889	15,678

Movements in available for sale financial assets:

	2010	2009
	KD 000's	KD 000's
Opening balance	**15,678**	21,153
Additions	**152**	1,604
Disposals	**(4,299)**	(1,243)
Impairment loss on value of financial assets	**(592)**	(8,997)
Net unrealised gain transferred to equity	**1,950**	3,161
	12,889	15,678

At 31 December 2010, certain unlisted equity investments with a net amount of KD 2,021 thousand (2009: KD 2,021 thousand) are carried at cost less impairment 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 592 thousand (2009: KD 8,997 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.

At 31 December 2010, available for sale financial assets amounting to KD 12,825 thousand (2009: KD 15,584 thousand) and KD 64 thousand (2009: KD 94 thousand) are dominated in Kuwaiti Dinars and US dollars respectively.

7. PROPERTY AND EQUIPMENT

	Network equipment KD 000's	Network infrastructure KD 000's	Office & computer equipment KD 000's	Furniture fixtures & others KD 000's	Capital work-in progress KD 000's	Total KD 000's
Cost						
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 19)	-	-	354	129	-	483
Disposals	(2,266)	(396)	-	(383)	-	(3,045)
Currency translation effects	(15,552)	118	(1,127)	(476)	(410)	(17,447)
As at 1 January 2010	536,526	32,280	44,003	21,124	21,573	655,506
Transfers	2,151	129	-	86	-	2,366
Additions	42,864	27,087	5,879	1,511	17,281	94,622
Disposals	(2,174)	-	(54)	(1,380)	(54)	(3,662)
Currency translation effects	(10,242)	(5,492)	(1,567)	(523)	(1,783)	(19,607)
As at 31 December 2010	**569,125**	**54,004**	**48,261**	**20,818**	**37,017**	**729,225**
Accumulated depreciation						
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 19)	-	-	247	83	-	330
Related to disposals	(2,022)	(169)	-	(334)	-	(2,525)
Currency translation effects	(5,945)	23	(393)	(226)	-	(6,541)
As at 1 January 2010	200,063	8,304	22,340	11,660	-	242,367
Transfers	1,159	69	-	46	-	1,274
Charge for the year	48,151	18,192	7,614	3,018	-	76,975
Related to disposals	(1,510)	-	(54)	(1,277)	-	(2,841)
Currency translation effects	(9,758)	(1,001)	2,288	95	-	(8,376)
As at 31 December 2010	**238,105**	**25,564**	**32,188**	**13,542**	**-**	**309,399**
Carrying amount						
As at 31 December 2010	**331,020**	**28,440**	**16,073**	**7,276**	**37,017**	**419,826**
As at 31 December 2009	336,463	23,976	21,663	9,464	21,573	413,139
Annual depreciation rates	12.5%-16.67%	5% - 15%	33.33%	12.5%		

During the year ended 31 December 2009, 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 to 15 years. The increase in useful life has been based on management's best estimates and has been accounted as a change in an accounting estimate. The effect of the revision resulted in increasing the profit for the year ended 31 December 2009 by KD 2,163 thousand.

Property and equipment of the subsidiaries WTA, WTM, WPT and the joint venture Tunisiana totalling to KD 291,463 thousand (2009: KD 294,426 thousand) are under registered mortgage to secure certain bank loans (See note 12).

7. PROPERTY AND EQUIPMENT (CONTINUED)

Certain assets classified under furniture, fixtures and others amounting to KD 175 thousand (2009: KD 283 thousand) are acquired under finance lease agreements for which the current portion of the respective obligations amounting to KD 121 thousand (2009: KD 159 thousand) is included under trade and other payables and the non-current portion from 1 to 5 years amounting KD 54 thousand (2009: KD 124 thousand) is included under non-current liabilities.

8. 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 2009	3,123	46,087	285,051	334,261
Additions	-	4,891	1,676	6,567
Acquisition of a subsidiary (See note 19)	1,078	-	690	1,768
Disposal	-	(2,157)	-	(2,157)
Adjustment (See note below)	-	-	(30,872)	(30,872)
Impairment loss (See note below)	(4,201)	-	-	(4,201)
Currency translation effects	-	1,120	(5,265)	(4,145)
As at 1 January 2010	-	49,941	251,280	301,221
Transfers	-	(3,322)	956	(2,366)
Additions	-	10,722	-	10,722
Impairment loss	-	-	(2,835)	(2,835)
Currency translation effects	-	(678)	(10,845)	(11,523)
As at 31 December 2010	**-**	**56,663**	**238,556**	**295,219**
Accumulated amortisation				
As at 1 January 2009	-	8,996	68,628	77,624
Charge for the year	-	5,975	15,427	21,402
Related to disposal	-	(901)	-	(901)
Currency translation effects	-	223	(2,544)	(2,321)
As at 1 January 2010	-	14,293	81,511	95,804
Transfers	-	(2,230)	956	(1,274)
Charge for the year	-	5,576	16,988	22,564
Currency translation effects	-	1,256	(6,194)	(4,938)
As at 31 December 2010	**-**	**18,895**	**93,261**	**112,156**
Carrying amount				
As at 31 December 2010	**-**	**37,768**	**145,295**	**183,063**
As at 31 December 2009	-	35,648	169,769	205,417
Amortization rate	-	Over the period of the BOT agreement up to 2020	6.67% to 8.33%	

8. INTANGIBLE ASSETS (CONTINUED)

The Group has recorded impairment loss on Goodwill and other intangible assets amounting to KD Nil and KD 2,835 thousand (2009: KD 4,201 thousand and KD Nil) respectively based on the management's assessment of the related assets.

Prior year adjustment represented the reversal of WPT's license cost relating to the right to use the frequencies in Gaza, Palestine. Previously, 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 liabilities. 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 liabilities.

Intangible assets of the joint venture Tunisiana totalling to KD 28,535 thousand (2009: KD 37,169 thousand) are under registered mortgage to secure certain bank loans (See note 12).

9. BUILD-OPERATE-TRANSFER AGREEMENT

On 9 January 2002, PTC has signed a Build-Operate-Transfer ("BOT") agreement with Saudi Telecom Company ("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 PTC 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 (which are calculated at 20% of PTC's revenues, excluding revenues earned from government customers), 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.

9. BUILD-OPERATE-TRANSFER AGREEMENT (CONTINUED)

The assets under BOT agreement are shown separately as "concession intangible assets" (See note 8). 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.

10. DEFERRED TAX RELATING TO SUBSIDIARIES

The deferred tax assets of KD 19,681 thousand as at 31 December 2010 (31 December 2009: KD 24,990 thousand) is recognised on account of accumulated tax losses incurred by the subsidiary, Wataniya Telecom Algerie S.P.A. (WTA) and the joint venture Orascom Telecom Tunisie ("Tunisiana"), which is expected to be deductible against taxable profits in the foreseeable future.

Movement in deferred income tax assets during the year

	2010	2009
	KD 000's	KD 000's
Opening balance	24,990	30,513
Charged to the consolidated statement of income	(5,309)	(5,523)
Ending balance	19,681	24,990

11. TRADE AND OTHER PAYABLES

	2010 KD 000's	2009 KD 000's
Trade payables	**51,733**	53,674
Accruals	**111,633**	100,424
Deferred revenue	**20,809**	19,801
Staff payable	**13,760**	13,060
Other payables	**45,984**	24,751
Tax payable	**13,859**	13,718
Dividends payable	**2,955**	2,755
Amounts due to related parties	**17,455**	13,609
	278,188	241,792

In 2009, the Parent Company won a ruling in the court of cessation 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 7,646 thousand as at 31 December 2010 (31 December 2009: KD 2,058 thousand).

The Group has sound financial risk management policies in place to ensure that all payables are paid within the specified credit time frame. (Note 23.3).

Included in other payables is an amount of KD 22,707 thousand (2009: KD 17,260 thousand) is due to STC and it comprises amounts due for the usage of network which is net of costs incurred to setup and install the network equipment in STC's facilities as per the BOT agreement.

12. LONG TERM DEBTS

	Current		Non-current	
	2010 KD 000's	2009 KD 000's	2010 KD 000's	2009 KD 000's
Due to local banks	**8,591**	6,279	**72,494**	53,982
Due to foreign banks	**14,322**	10,536	**67,101**	74,881
	22,913	16,815	**139,595**	128,863

12. LONG TERM DEBTS (CONTINUED)

The details of long term debts are as follows:

Description	2010 KD 000's	2009 KD 000's
(i) The loans bear interest rates of Algerian Repo rate plus 0.5% to 6.5% per annum and LIBOR plus 1.1% to 4% per annum (2009: Algerian Repo rate plus 0.80% to 2.65% per annum and LIBOR plus 3.25% to 3.45% per annum). The repayment term is made in instalments varying over a period from December 2005 up to March 2015. These loans are supported by third party guarantees and secured by pledges on WTA's assets and shares. In addition, WTA is subject to various obligations and financial covenants over the terms of those debts.	**97,223**	101,614
(ii) The loans bear interest rates of 3 months EURIBOR plus 1% to 2% per annum and Tunisia money market rate plus 2% per annum (2009: 3 months EURIBOR plus 1% per annum and Tunisia money market rate plus 2% per annum). The repayment term is over a period of 4 years in quarterly instalments starting from March 2008. Tunisiana's tangible and intangible assets, exclusive of the GSM license, have been pledged as security for the loan agreements. In addition, the loan arrangements contain financial covenants to be tested on a quarterly basis.	**10,835**	23,402
(iii) The loans bear interest rates of 6 months LIBOR plus 3.5% (2009: 6 months LIBOR plus 3.5%) per annum. The repayment term is over a period of 5 years in instalments starting from November 2008. These loans are secured by the pledge of WTM shares held by WTI and mortgage cover over core network assets.	**3,369**	5,143
(iv) The loans bear annual interest rates ranging from LIBOR plus 5.31% to 6.34% per annum (2009: 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. These loans are secured by WPT's assets.	**22,939**	15,519
(v) The loan bears annual interest rate of 1% (2009: nil) over the Central Bank of Kuwait discount rate repayable on instalments or at maturity by 15 December 2013. The management has decided to pay at maturity. The Parent Company has signed promissory notes in favour of a local financial institution as guarantee of the loan.	**28,142**	-
	162,508	145,678

13. EQUITY

Share capital

The Annual General Assembly of the Parent Company held on 5 April 2010 approved the annual consolidated financial statements of the Group for the year ended 31 December 2009 and the payment of cash dividend of 50 fils per share for the year ended 31 December 2009 (2008: cash dividend of 50 fils per share) to the Parent Company's equity shareholders on the register as of 5 April 2010.

The authorised, issued and fully paid up share capital as at 31 December 2010 consists of 504,033 thousand shares (31 December 2009: 504,033 thousand shares) of 100 fils each.

Treasury shares

	2010	2009
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)	**5,455**	4,421

Statutory reserve

As required by the Kuwait Commercial Companies Law and the Parent Company's Articles of Association, 10% of profit for the year attributable to equity holders of the Parent Company 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 the amount in excess of 50% of share capital or payment of a dividend of 5% of paid up share capital in years when retained earnings are not sufficient for the payment of such dividends. The 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 (2009: 50 fils per share) for the year ended 31 December 2010. This proposal is subject to the approval of the shareholders in the Annual General Assembly and has not been accounted for in these consolidated financial statements.

14. SUBSIDIARIES

The subsidiaries of the Parent Company are as follows:

Name of subsidiary	Country of operation	Voting capital held 31.12.2010	Voting capital held 31.12.2009
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	**48.45%**	57%
Al-Bahar United Company WL.L.	Kuwait	**100%**	100%

During the year, the Group contributed to an amount of KD 7,890 thousand to the increase in WPT's (subsidiary of WTI) share capital.

Moreover, WPT made an additional increase in its share capital through an initial public offering (IPO) to other non-group parties. This transaction led to a decrease in the Group's ownership in WPT's from 57% to 48.45% without losing control over WPT. As a result, the Group has recognised an amount of KD 3,412 thousand included in other reserves in the consolidated statement of equity.

15. 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:

	2010	2009
	KD 000's	KD 000's
Current assets	**27,386**	35,128
Non-current assets	**81,846**	90,900
Current liabilities	**48,036**	52,634
Non-current liabilities	**998**	11,660

15. JOINT VENTURE (CONTINUED)

	Year ended 2010 KD 000's	Year ended 2009 KD 000's
Income	**101,504**	102,330
Expenses	**77,900**	78,591

Subsequent to year end, the Group has acquired additional 25% interest in Orascom Telecom Tunisie ('Tunisiana') for a total cash consideration of KD 188,680 thousand. This resulted in increasing the Group's ownership interest in Tunisiana from 50% to 75%. In addition, the Group becomes able to exercise control over the entity and therefore, Tunisiana will be treated and accounted for as a subsidiary starting from the first reporting period after the acquisition date. The management is in the process of determining the fair value of the previously held interest in Tunisiana.

16. PROFIT FOR THE YEAR

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

	2010 KD 000's	2009 KD 000's
Staff costs:		
Cost of revenue	**4,399**	3,120
Selling and distribution costs	**4,564**	3,237
Administrative expenses	**42,919**	30,440
	51,882	36,797
Depreciation:		
Cost of revenue	**66,343**	52,251
Administrative expenses	**10,632**	9,523
	76,975	61,774
Amortisation	**22,564**	21,402

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

Basic and diluted earnings per share is computed by dividing the profit for the year attributable to equity holders of the Parent Company by the weighted average number of shares outstanding during the year less treasury shares. Basic and diluted earnings per share attributable to equity holders of the Parent Company is calculated as follows:

	2010	2009
Profit for the year attributable to equity holders of the Parent Company (KD 000's)	**78,020**	108,291
Number of shares outstanding		
Weighted average number of paid up shares (thousands)	**504,033**	504,033
Weighted average number of treasury shares (thousands)	**(2,871)**	(2,871)
Weighted average number of outstanding shares (thousands)	**501,162**	501,162
Basic and diluted earnings per share attributable to equity holders of the Parent Company (fils)	**155.68**	216.08

18. RELATED PARTY TRANSACTIONS

Related parties represent 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:

	2010 KD 000's	2009 KD 000's
a) Balances included in the consolidated statement of financial position		
Payables to QTEL	**12**	620
Payable to Qtel International L.L.C.	**17,443**	12,989
	17,455	13,609
b) Transactions included in the consolidated statement of income		
Management fees payable to Qtel International L.L.C.	**14,075**	12,414
Other expenses paid to QTEL	**1,247**	1,353
c) Compensation of key management personnel:		
Short term benefits	**1,373**	1,382
Termination benefits	**509**	343
	1,882	1,725

19. ACQUISITION OF A SUBSIDIARY

In 2009, the Parent Company fully acquired the shares of Al-Bahar United Company W.L.L. ("FONO"). The subsidiary's principle activities include retail sales of mobile handsets.

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

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
	1,483
Liabilities	
Trade and other payables	839
Provision for staff indemnity	47
	886
Net assets acquired	597
Purchase consideration	1,675
Goodwill	1,078

In 2009, the Parent Company has impaired the Goodwill (See note 8).

	KD 000's
Net cash outflow on acquisition of a subsidiary	
Total purchase consideration	1,675
Less: cash and bank balances acquired	(36)
Net cash outflow	1,639

20. SEGMENTAL INFORMATION

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

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

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

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

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

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

20. SEGMENTAL INFORMATION (CONTINUED)

		Outside Kuwait						
	Inside Kuwait KD 000's	Tunisia KD 000's	Algeria KD 000's	U.A.E. KD 000's	Maldives KD 000's	Saudi Arabia KD 000's	Palestine KD 000's	**Total KD 000's**
31 December 2010								
Segment revenues	**221,621**	**100,997**	**174,664**	**-**	**9,157**	**22,080**	**10,918**	**539,437**
Network construction revenue	**-**	**-**	**-**	**-**	**-**	**10,722**	**-**	**10,722**
Segment results	**69,305**	**38,104**	**16,185**	**(44)**	**(4,930)**	**(5,420)**	**(13,094)**	**100,106**
Profit / (loss)	**69,802**	**23,604**	**2,863**	**235**	**(5,752)**	**(7,026)**	**(16,078)**	**67,648**
Segment assets	342,662	107,447	327,036	8,592	26,122	59,602	101,130	972,591
Investments and other assets	12,889	1,784	17,897	-	-	-	-	32,570
Total assets	**355,551**	**109,231**	**344,933**	**8,592**	**26,122**	**59,602**	**101,130**	**1,005,161**
Segment liabilities	91,853	38,198	81,883	14,382	4,117	38,025	31,196	299,654
Debt and other obligations	29,946	10,835	97,223	-	3,369	610	23,329	165,312
Total liabilities	**121,799**	**49,033**	**179,106**	**14,382**	**7,486**	**38,635**	**54,525**	**464,966**
Other information								
Impairment loss on value of financial assets	1,998	-	-	-	-	-	-	1,998
Purchases of property and equipment	32,222	14,271	41,247	-	3,277	1,924	1,681	94,622
Purchases of intangible assets	-	-	-	-	-	10,722	-	10,722
Depreciation of property and equipment	23,121	13,014	34,181	27	2,581	531	3,520	76,975
Amortisation of intangible assets	-	4,649	8,146	-	496	5,722	3,551	22,564
Provision for staff indemnity	1,096	-	-	-	-	194	203	1,493

20. SEGMENTAL INFORMATION (CONTINUED)

		Outside Kuwait						
	Inside Kuwait	Tunisia	Algeria	U.A.E.	Maldives	Saudi Arabia	Palestine	**Total**
	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
Network 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 value of 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
Provision for staff indemnity	1,093	-	-	-	-	170	-	1,263

21. TAX CLAIM

A tax claim was made to the joint venture, Tunisiana in 2007, relating to the electronic recharge sales made in 2006. The total amount claimed by the Tunisian Tax Authority was around Tunisian Dinars 70,200 thousand equivalent to KD 13,717 thousand without penalties (2009: Tunisian Dinars 70,200 thousand equivalent to KD 14,977 thousand).

In May 2007, Tunisiana received the first judgement which reduced the claimed amount to Tunisian Dinars 15,255 thousand equivalent to KD 2,981 thousand (2009: Tunisian Dinars 15,255 thousand equivalent to KD 3,255 thousand). In 2007, Tunisiana filed an appeal against the first judgement.

Tunisiana has made a total provision of Tunisian Dinar 15,255 thousand equivalent to KD 2,981 thousand (2009: Tunisian Dinars 15,255 thousand equivalent to KD 3,255 thousand) with regards to this claim and deposited the amount claimed with the Public Treasury in 2008. In 2009, the court of appeal confirmed its first judgement. Tunisiana has appealed to the cessation court and awaits the decision.

On the basis of the information available at the financial position date, management believes that the provision is adequate.

22. COMMITMENTS AND CONTINGENT LIABILITIES

	2010	2009
	KD 000's	KD 000's
a) Capital commitments		
For the acquisition of property and equipment	**71,572**	74,796
For the acquisition of Palestinian mobile license	**39,758**	40,458
	111,330	115,254

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:

	2010	2009
	KD 000's	KD 000's
Not later than one year	**5,407**	4,583
Later than one year but not later than five years	**20,790**	19,055
	26,197	23,638
c) Contingent liabilities		
Letters of guarantee	**2,710**	2,685

23. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Strategy in using financial instruments

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

23.1 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.

23.1.1 Foreign currency exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar and Euro, Tunisian Dinars, Algerian Dinars and Saudi Riyal. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

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

	2010 KD 000's Equivalent	2009 KD 000's Equivalent
US Dollar	**(90,570)**	(90,713)
Euro	**(10,149)**	(44,927)
Tunisian Dinar	**66,423**	75,161
Algerian Dinar	**153,674**	187,570
Saudi Riyal	**(26,967)**	(20,386)

23. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

23.1 Market risk (continued)

23.1.1 Foreign currency exchange risk (continued)

Foreign currency sensitivity analysis

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

	2010		2009	
	Effect on profit KD 000's	**Effect on equity KD 000's**	Effect on profit KD 000's	Effect on equity KD 000's
US Dollar	**11,115**	**9,057**	9,071	9,071
Euro	**1,015**	**1,015**	4,493	4,493
Tunisian Dinar	**4,756**	**126**	2,385	6
Algerian Dinar	**380**	**11**	983	2
Saudi Riyal	**703**	**15**	1,103	4

23.1.2 Interest rate risk management

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

The Group's interest rate risk arises from term borrowings which are detailed in note 12. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates which is detailed in note 4.

The following table illustrates the sensitivity of the profit for the year as well as equity to a reasonably possible change in interest rates of 1% (2009: 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 financial position date. A positive number below indicates an increase in profit/ other comprehensive income and a negative number indicates a decrease in profit/other comprehensive income.

	Increase	**2010**		2009	
		Effect on profit KD 000's	**Effect on statement of other comprehensive income KD 000's**	Effect on profit KD 000's	Effect on statement of other comprehensive income KD 000's
KD	+1	**215**	**215**	1,132	1,132
US Dollar	+1	**(912)**	**(912)**	(940)	(940)
Euro	+1	**(103)**	**(103)**	(466)	(466)
Tunisian Dinar	+1	**(47)**	**(47)**	(103)	(103)
Algerian Dinar	+1	**(283)**	**(283)**	(1)	(1)

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

23. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

23.1 Market risk (continued)

23.1.3 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, except for effect of impairment on value of financial assets (if any). The effect on equity (as a result of a change in the fair value of equity investments held as available for sale financial assets) at the year end due to an assumed 15% change in market indices, with all other variables held constant, is as follows:

		2010	2009
Market index	% change in equity price	**Effect on equity KD 000's**	Effect on equity KD 000's
Kuwait Stock Exchange	±15	**±1,066**	±1,218

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

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

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	
	2010 KD 000's	2009 KD 000's
Bank balances	**240,745**	135,071
Trade and other receivables	**80,040**	66,542
Available for sale financial assets (debt instruments)	**50**	4,154
	320,835	205,767

23. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

23.2 Credit risk management (continued)

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

	Carrying amount	
	2010	2009
	KD 000's	KD 000's
Kuwait	**218,711**	126,014
Tunisia	**25,042**	30,442
Algeria	**24,775**	25,538
Maldives	**7,848**	4,296
Saudi Arabia	**12,297**	12,723
Palestine	**32,162**	6,754
	320,835	205,767

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

	2010	2009
	KD 000's	KD 000's
Industry sector		
Banks and other financial institutions	**240,795**	139,225
Others	**80,040**	66,542
Total	**320,835**	205,767

Credit quality of financial assets

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

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

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

As of 31 December 2010, trade and billing receivables of KD 32,014 thousand (2009: KD 34,386 thousand) were fully performing.

Included in the Group's trade and billing receivables balance are debtors with a carrying amount of KD 14,471 thousand (2009: KD 8,993 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.

23. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

23.2 Credit risk management (continued)

Credit quality of financial assets (continued)

Aging of past due but not impaired	2010	2009
	KD 000's	KD 000's
31 – 60 days	7,470	4,209
61 – 90 days	1,241	681
91 – 120 days	890	780
More than 120 days	4,870	3,323
Total	**14,471**	8,993

Aging of past due and impaired	2010	2009
	KD 000's	KD 000's
31 – 60 days	9,901	5,376
61 – 90 days	7,766	4,528
91 – 120 days	5,571	5,193
More than 120 days	30,479	22,105
	53,717	37,202
	(20,162)	(14,039)
Total	**33,555**	23,163

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

31 December 2010	Rated	Unrated		
	A2	High grade	Standard grade	Total
	KD 000's	KD 000's	KD 000's	KD 000's
Bank balances	191,905	48,840	-	240,745
Trade and other receivables	-	23,063	8,951	32,014
Available for sale financial assets (debt instruments)	-	-	50	50
Total	**191,905**	**71,903**	**9,001**	**272,809**

23. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

23.2 Credit risk management (continued)

Credit quality of financial assets (continued)

31 December 2009	Rated	Unrated		
	A2	High grade	Standard grade	Total
	KD 000's	KD 000's	KD 000's	KD 000's
Bank balances	100,514	34,557	-	135,071
Trade and other receivables	-	28,932	5,454	34,386
Available for sale financial assets (debt instruments)	-	-	4,154	4,154
Total	100,514	63,489	9,608	173,611

Financial assets by class of financial assets	**2010**	2009
	KD 000's	KD 000's
Loans and receivables	**320,785**	201,244
Available for sale financial assets	**50**	4,523
Total	**320,835**	205,767

23.3 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.

Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group finance department. Group treasury department monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities (note 12) at all times so that the Group does not breach borrowing limits on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, compliance with internal financial position ratio targets and external regulatory or legal requirements.

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

23. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

23.3 Liquidity risk management (continued)

At the reporting date, the Group held short term deposits of KD 33,467 thousand (2009: KD 84,634 thousand) and other liquid assets of KD 334,306 thousand (2009: KD 144,567 thousand) that are expected to readily generate cash inflows for managing liquidity risk.

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

At 31 December 2010

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	278,188	-	-	-	278,188	
Long term debts	24,699	100,955	71,739	905	198,298	7.54%
Other non-current liabilities	-	23,812	-	-	23,812	6.5%
	302,887	124,767	71,739	905	500,298	
Commitments and contingencies						
Acquisition of property and equipment	68,882	2,690	-	-	71,572	
Acquisition of Palestinian mobile license	-	-	-	39,758	39,758	
Operating leases	5,407	4,990	15,800	-	26,197	
Letters of guarantee	2,168	542	-	-	2,710	
	76,457	8,222	15,800	39,758	140,237	

23. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

23.3 Liquidity risk management (continued)

At 31 December 2009

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	241,792	-	-	-	241,792	
Long term debts	17,485	26,971	66,721	75,642	186,819	7.97%
Other non-current liabilities	-	-	20,686	-	20,686	-
	259,277	26,971	87,406	75,642	449,297	
Commitments and contingencies						
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	
Letters of guarantee	2,148	537	-	-	2,685	
	81,527	5,120	14,472	40,458	141,577	

24. 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.

25. FAIR VALUE OF FINANCIAL INSTRUMENTS

25.1 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 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 financial position date.

	2010 KD 000's	2010 KD 000's	2009 KD 000's	2009 KD 000's
Financial assets	Fair value	At amortised cost	Fair value	At amortised cost
Cash and bank balances	**-**	**242,361**	-	135,260
Trade and other receivables	**-**	**80,040**	-	66,452
Available for sale financial assets	**10,868**	**2,021**	13,657	2,021
	10,868	**324,422**	13,657	203,733
Financial liabilities				
Trade and other payables	**-**	**273,195**	-	239,905
Long term debts	**-**	**162,508**	-	145,678
Other non-current liabilities	**-**	**21,466**	-	14,338
	-	**457,169**	-	399,921

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

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

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

25. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

25.2 Fair value measurements recognised in the consolidated statement of financial position (continued)

	2010			
	Level 1 KD 000's	**Level 2 KD 000's**	**Level 3 KD 000's**	**Total KD 000's**
Available for sale financial assets				
Listed equity securities	**3,816**	**-**	**-**	**3,816**
Unlisted equity securities	**-**	**-**	**7,002**	**7,002**
Unlisted debt securities	**-**	**-**	**50**	**50**
	3,816	**-**	**7,052**	**10,868**

	2009			
	Level 1 KD 000's	Level 2 KD 000's	Level 3 KD 000's	Total KD 000's
Available for sale financial assets				
Listed equity securities	4,220	-	-	4,220
Unlisted equity securities	-	-	5,283	5,283
Unlisted debt securities	-	-	4,154	4,154
	4,220	-	9,437	13,657

There were no transfers between Levels 1 and 2 during the years ended 31 December 2010 and 31 December 2009.

Valuation techniques and assumptions for the purpose of measuring fair value

a) Listed securities

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

b) Unlisted securities

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

25. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

25.3 Reconciliation of Level 3 fair value measurements of financial assets

	Available for sale		
	Unlisted equity securities 2010 KD 000's	**Unlisted debt securities 2010 KD 000's**	**Total 2010 KD 000's**
Opening balance	**5,283**	**4,154**	**9,437**
Total gains or losses			
- in the consolidated statement of income	**-**	**(14)**	**(14)**
- in the consolidated statement of other comprehensive income	**1,719**	**-**	**1,719**
Sales	**-**	**(4,090)**	**(4,090)**
Closing balance	**7,002**	**50**	**7,052**

	Available for sale		
	Unlisted equity securities 2009 KD 000's	Unlisted debt securities 2009 KD 000's	Total 2009 KD 000's
Opening balance	1,908	4,154	6,062
Transfers into Level 3 (i)	9,823	-	9,823
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	5,283	4,154	9,437

In 2009 the group has transferred into Level 3 certain available for sale financial assets which were previously held at cost, and currently measured at fair value.

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 years ended 31 December 2010 and 31 December 2009.

26. 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 2009.

The capital structure of the Group consists of equity comprising issued share capital, reserves and retained earnings as disclosed in note 13.

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

Gearing ratio

The gearing ratio at year end was as follows:

	2010	2009
	KD 000's	KD 000's
Debts (i)	**162,508**	145,678
Cash and bank balances	**(242,361)**	(135,260)
Net debts	**-**	10,418
Equity (ii)	**540,195**	485,094
Net debts to equity ratio	**-**	2.1%

(i) Debts are defined as short term debt and long term debts, as detailed in note 12.

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

27. FINANCIAL STATEMENTS OF SUBSIDIARY COMPANIES

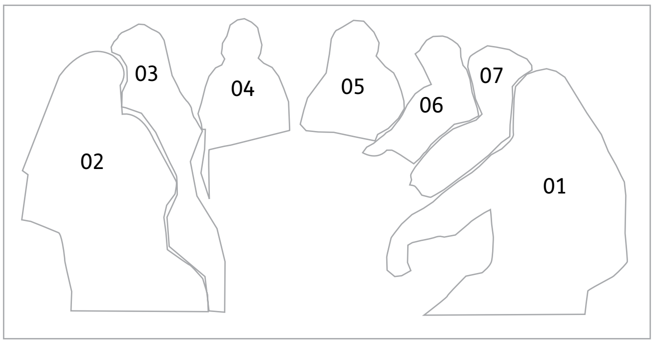
Public Telecommunication Company Ltd. (PTC)

As at the date of approving these consolidated financial statements, the financial statements of PTC for the years 2008, 2009, 2010 have not yet been issued due to a disagreement between the shareholders on the restructuring of the capital of the company. Moreover, the financial statements of PTC are prepared under going concern basis as the company's current liabilities exceeded its current assets. The disagreement has now been resolved since a portion of the shareholders' debts will be capitalised as part of the restructuring plan. In addition, the Group is committed to supporting PTC in the future. Thus, the Group believe that PTC will continue in business in the foreseeable future and no specific impairment is required to be booked against the assets of PTC.

Wataniya Telecom Maldives (WTM)

The financial statements of WTM are prepared under going concern basis even though it has incurred continuous losses. However, the Group is committed to providing the necessary financial support to WTM to be able to continue its operations as according to the business plan WTM is expected to achieve profitability. The total assets and revenue of WTM approximate 2.6% (2009: 2.5%) and 1.7% (2009: 1.7%) of the Group's respective consolidated totals.

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

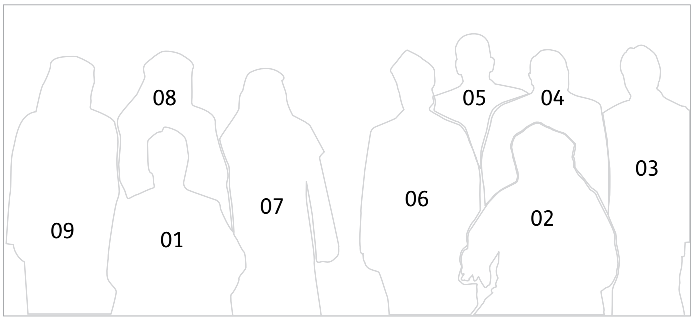
04 Mahmoud Al Kandari
Member of the Board

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



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General Manager & CEO

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

03 Juha Petri Korhonen
Chief Commercial Officer

04 Majdi Y.M. Ghannam
Chief HR & Admin Services Officer

05 Hisham Siblini
Chief Technical Officer

06 Balbinder Ranbir Singh Panesar
Chief Finance Officer

07 Fouad M.A.A. Al-Awadhi
Chief Audit Executive

08 Zeyad A.A. Al-Omar
Chief Regulatory Officer

09 Khaled Ali Al-Rumayhi
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