

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



**Consolidated Financial Statements and Independent Auditors' Report  
for the year ended 31 December 2014**

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KPMG Safi Al-Mutawa & Partners  
Al Hamra Tower, 25th Floor  
Abdulaziz Al Saqr Street  
P.O. Box 24, Safat 13001  
State of Kuwait

Telephone : + 965 2228 7000  
Fax : + 965 2228 7444



**PricewaterhouseCoopers**

**Al-Shatti & Co.**

Arraya Tower II, 23<sup>rd</sup>-24<sup>th</sup> floor,  
Sharq P.O. Box 1753  
Safat 13018  
Kuwait

Telephone: +965 22275777  
Fax: +965 22275888

## **Independent auditors' report**

**To the Shareholders of  
National Mobile Telecommunications Company K.S.C.P.  
State of Kuwait**

### **Report on the Consolidated Financial Statements**

We have audited the accompanying consolidated financial statements of National Mobile Telecommunications Company K.S.C.P. (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2014 and the consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

#### *Management's Responsibility for the Consolidated Financial Statements*

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

#### *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 about 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 auditors' 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, we consider 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.

### *Opinion*

In our opinion, the accompanying consolidated financial statements present fairly, in all material aspects, the financial position of the Group as at 31 December 2014, 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**

We further report that we obtained the information and explanations that we required for the purpose of our audit and that the consolidated financial statements include the information required by the Companies Law No. 25 of 2012, as amended, its Executive Regulations and the Company's Articles and Memorandum of Association. In our opinion, proper books of account have been kept by the Company, an inventory count was carried out in accordance with recognised procedures and the accounting information given in the Board of Directors' report agrees with the books of account. We have not become aware of any contravention, during the year ended 31 December 2014, of the Companies Law No. 25 of 2012, as amended, its Executive Regulations or of the Company's Articles and Memorandum of Association that might have had a material effect on the Group's activities or on its consolidated financial position.



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



**Khalid Ibrahim Al-Shatti**  
**License No. 175 "A"**  
**PricewaterhouseCoopers**  
**(Al-Shatti and Co.)**

**Kuwait: 5 March 2015**

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



**Consolidated statement of financial position**  
*As at 31 December 2014*

	Note	2014 KD 000's	2013 KD 000's
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property and equipment	4	697,170	679,730
Intangible assets and goodwill	5	517,957	583,774
Available for sale financial assets	6	7,050	8,691
Deferred tax asset	7	2,649	1,567
Other non-current assets		357	393
		<u>1,225,183</u>	<u>1,274,155</u>
<b>Current assets</b>			
Inventories		34,838	27,049
Trade and other receivables	8	198,509	169,434
Bank balances and cash	9	89,399	141,702
Assets of disposal group classified as held for sale	10	-	29,070
		<u>322,746</u>	<u>367,255</u>
<b>Total assets</b>		<u><u>1,547,929</u></u>	<u><u>1,641,410</u></u>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Share capital	11	50,403	50,403
Treasury shares	11	(3,598)	(3,598)
Reserves	11	89,048	135,913
Retained earnings		601,088	622,853
<b>Equity attributable to shareholders of the Company</b>		<u>736,941</u>	<u>805,571</u>
Non-controlling interests		116,447	126,880
<b>Total equity</b>		<u>853,388</u>	<u>932,451</u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Long term debts	12	62,394	96,853
Provision for staff indemnity		5,579	5,327
Other non-current liabilities		18,484	18,037
		<u>86,457</u>	<u>120,217</u>
<b>Current liabilities</b>			
Trade and other payables	13	447,391	464,492
Deferred income		43,153	37,256
Long term debts	12	117,540	48,225
Liabilities of disposal group classified as held for sale	10	-	38,769
		<u>608,084</u>	<u>588,742</u>
<b>Total liabilities</b>		<u>694,541</u>	<u>708,959</u>
<b>Total equity and liabilities</b>		<u><u>1,547,929</u></u>	<u><u>1,641,410</u></u>

Saud Bin Nasser Al Thani  
Chairman

**مكتب الرئيس**  
Chairman Office

The accompanying notes set out on pages 8 to 55 form an integral part of these consolidated financial statements.

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



**Consolidated statement of profit or loss**  
*For the year ended 31 December 2014*

	Note	2014 KD 000's	2013 KD 000's
<b>Continuing operations</b>			
Revenue		748,496	731,117
Cost of revenue		(324,086)	(270,813)
		<u>424,410</u>	<u>460,304</u>
Administrative expenses		(128,609)	(129,098)
Selling and distribution costs		(69,644)	(64,096)
Finance costs - net	14	(7,695)	(5,390)
Depreciation and amortisation	4 & 5	(145,847)	(129,392)
Other expenses - net	15	(183)	(5,558)
Impairment loss	5 & 6	-	(138)
Gain on sale of subsidiary	10	3,628	-
<b>Profit before Directors' remuneration, provision for contribution to Kuwait Foundation for the Advancement of Sciences ("KFAS"), National Labour Support Tax ("NLST"), Zakat and taxation from continuing operations</b>		<u>76,060</u>	<u>126,632</u>
Directors' remuneration		(605)	(721)
Provision for contribution to KFAS, NLST and Zakat	17	(2,058)	(2,837)
<b>Profit before taxation from continuing operations</b>		<u>73,397</u>	<u>123,074</u>
Taxation related to subsidiaries	7	(19,667)	(25,979)
<b>Profit for the year from continuing operations</b>		<u>53,730</u>	<u>97,095</u>
<b>Discontinued operations</b>			
Profit from discontinued operations	10	-	751
<b>Profit for the year</b>		<u>53,730</u>	<u>97,846</u>
Attributable to:			
Shareholders of the Company		45,718	76,095
Non-controlling interests		8,012	21,751
		<u>53,730</u>	<u>97,846</u>
<b>Basic and diluted earnings per share (fils)</b>	18	<u>91</u>	<u>152</u>
<b>Basic and diluted earnings per share (fils) – continuing operations</b>	18	<u>91</u>	<u>150</u>

The accompanying notes set out on pages 8 to 55 form an integral part of these consolidated financial statements.



**Consolidated statement of comprehensive income**  
*For the year ended 31 December 2014*

	<u>2014</u> KD 000's	<u>2013</u> KD 000's
<b>Profit for the year</b>	<u><b>53,730</b></u>	<u>97,846</u>
<b>Other comprehensive income</b>		
<i>Items that are or may be reclassified subsequently to the consolidated statement of profit or loss</i>		
Change in fair value of available for sale financial assets	(731)	810
Net loss / (gain) on sale of available for sale financial assets transferred to the consolidated statement of profit or loss (note 15)	26	(117)
Impairment loss on available for sale financial assets transferred to the consolidated statement of profit or loss (note 6)	-	6
Exchange difference transferred to consolidated statement of profit or loss	685	-
Exchange differences arising on translation of foreign operations and fair value reserve	<u>(61,224)</u>	<u>(31,670)</u>
<i>Total items that are or may be reclassified subsequently to the consolidated statement of profit or loss</i>	<u>(61,244)</u>	<u>(30,971)</u>
<b>Other comprehensive loss for the year</b>	<u>(61,244)</u>	<u>(30,971)</u>
<b>Total comprehensive (loss) / income for the year</b>	<u><b>(7,514)</b></u>	<u>66,875</u>
Attributable to:		
Shareholders of the Company	(5,985)	48,587
Non-controlling interests	<u>(1,529)</u>	<u>18,288</u>
	<u><b>(7,514)</b></u>	<u>66,875</u>

The accompanying notes set out on pages 8 to 55 form an integral part of these consolidated financial statements.

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



**Consolidated statement of changes in equity**  
*For the year ended 31 December 2014*

	Reserves									Total reserves	Retained earnings	Equity attributable to shareholders of Company	Non-controlling interests	Total equity
	Share capital	Treasury shares	Share premium	Statutory reserve	General reserve	Treasury shares reserve	Fair value reserve	Foreign currency translation reserve	Other reserves					
	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's
<b>Balance at 31 December 2012</b>	50,403	(3,598)	66,634	32,200	105,051	6,914	429	(59,184)	3,412	155,456	617,605	819,866	139,296	959,162
<b>Comprehensive income</b>														
Profit for the year	-	-	-	-	-	-	-	-	-	-	76,095	76,095	21,751	97,846
Other comprehensive loss for the year	-	-	-	-	-	-	699	(28,207)	-	(27,508)	-	(27,508)	(3,463)	(30,971)
Total comprehensive income for the year	-	-	-	-	-	-	699	(28,207)	-	(27,508)	76,095	48,587	18,288	66,875
Movement in non-controlling interests	-	-	-	-	-	-	-	-	-	-	(237)	(237)	70	(167)
Dividends (note 11)	-	-	-	-	-	-	-	-	-	-	(62,645)	(62,645)	(30,774)	(93,419)
Transfer to general reserve (note 11)	-	-	-	-	7,965	-	-	-	-	7,965	(7,965)	-	-	-
<b>Balance at 31 December 2013</b>	50,403	(3,598)	66,634	32,200	113,016	6,914	1,128	(87,391)	3,412	135,913	622,853	805,571	126,880	932,451
<b>Comprehensive income</b>														
Profit for the year	-	-	-	-	-	-	-	-	-	-	45,718	45,718	8,012	53,730
Other comprehensive loss for the year	-	-	-	-	-	-	(705)	(50,998)	-	(51,703)	-	(51,703)	(9,541)	(61,244)
Total comprehensive loss for the year	-	-	-	-	-	-	(705)	(50,998)	-	(51,703)	45,718	(5,985)	(1,529)	(7,514)
Dividends (note 11)	-	-	-	-	-	-	-	-	-	-	(62,645)	(62,645)	(8,904)	(71,549)
Transfer to general reserve (note 11)	-	-	-	-	4,838	-	-	-	-	4,838	(4,838)	-	-	-
<b>Balance at 31 December 2014</b>	50,403	(3,598)	66,634	32,200	117,854	6,914	423	(138,389)	3,412	89,048	601,088	736,941	116,447	853,388

The accompanying notes set out on pages 8 to 55 form an integral part of these consolidated financial statements.



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



**Consolidated statement of cash flows**  
*For the year ended 31 December 2014*

	Note	2014 KD 000's	2013 KD 000's
<b>Cash flows from operating activities:</b>			
Profit for the year from continuing operations		53,730	97,095
Profit for the year from discontinued operations		-	751
<i>Adjustments for:</i>			
Depreciation and amortisation	4 & 5	145,847	136,213
Dividend income	15	(1)	(62)
Finance income	14	(1,543)	(2,210)
Loss / (gain) on sale of available for sale financial assets		26	(117)
Impairment loss on available for sale financial assets and intangible assets	5 & 6	-	138
Gain on sale of subsidiary	10	(3,628)	-
Provision for impairment of receivables	8	8,225	10,039
Taxation relating to subsidiaries	7	(1,220)	689
Loss on disposal and write off of property and equipment and intangibles		1,247	1,145
Finance costs	14	9,238	7,600
Provision for KFAS, NLST and Zakat	17	2,058	2,837
Provision for staff indemnity		1,775	1,946
		<u>215,754</u>	<u>256,064</u>
<i>Changes in:</i>			
Trade and other receivables and other non-current assets		(36,311)	(38,406)
Inventories		(7,788)	(13,058)
Trade and other payables and other non-current liabilities		<u>(26,120)</u>	<u>148,406</u>
<b>Cash generated from operating activities</b>		<u>145,535</u>	<u>353,006</u>
Provision for staff indemnity paid		<u>(1,588)</u>	<u>(786)</u>
<b>Net cash generated from operating activities</b>		<u>143,947</u>	<u>352,220</u>
<b>Cash flows from investing activities:</b>			
Decrease / (increase) in term deposits		12,263	(4,773)
Purchase of available for sale financial assets	6	(71)	(1,159)
Proceeds from sale of available for sale financial assets		981	2,501
Purchase of property and equipment	4	(165,293)	(282,861)
Proceeds from disposal of property and equipment		325	26,540
Purchase of intangible assets	5	(6,103)	(29,441)
Payment on disposal of a subsidiary	10	(6,044)	-
Proceeds from disposal of intangible assets		-	24
Dividend income received		1	52
Interest income received		1,543	2,210
<b>Net cash used in investing activities</b>		<u>(162,398)</u>	<u>(286,907)</u>
<b>Cash flows from financing activities:</b>			
Finance costs paid		(9,238)	(7,600)
Dividends paid		(61,784)	(62,645)
Dividend paid by subsidiary to non-controlling interests		(10,659)	(30,774)
Net increase in long term debts		41,997	36,797
Net movement in non-controlling interest		-	(167)
<b>Net cash used in financing activities</b>		<u>(39,684)</u>	<u>(64,389)</u>
<b>Effect of foreign currency translation</b>		<u>2,623</u>	<u>(284)</u>
<b>Net (decrease) / increase in cash and cash equivalents</b>		<u>(55,512)</u>	<u>640</u>
Cash and cash equivalents at 1 January		137,869	137,229
<b>Cash and cash equivalents at 31 December</b>	9	<u>82,357</u>	<u>137,869</u>

The accompanying notes set out on pages 8 to 55 form an integral part of these consolidated financial statements.



**Notes to the consolidated financial statements**  
*For the year ended 31 December 2014*

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**1. Incorporation and activities**

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

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

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

The Company is a subsidiary of Qtel International Investments L.L.C (parent company) one of the subsidiaries of Ooredoo Q.S.C. ("Ooredoo") (ultimate parent company), a Qatari shareholding company listed on the Qatar Exchange.

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

The number of employees of the Company at 31 December 2014 was 681 (2013: 950)

These consolidated financial statements were approved for issue by the Board of Directors of the Company on 23 February 2015 and are subject to the approval of the Annual General Assembly of the shareholders which has the power to amend these consolidated financial statements.



**Notes to the consolidated financial statements**  
*For the year ended 31 December 2014*

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**2. Basis of preparation and significant accounting policies**

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

a) Basis of preparation

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 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.

b) Statement of compliance

The consolidated financial statements have been prepared in accordance with the IFRS promulgated by the International Accounting Standards Board (“IASB”), interpretations issued by the International Financial Reporting Committee of the IASB and the requirements of the Companies Law No. 25 of 2012, as amended, the Company’s Articles and Memorandum of Association and the Ministerial Order No. 18 of 1990.

c) Revised and newly issued IFRS adopted by the Group

The Group has adopted the following revised and newly issued IFRS effective for annual periods beginning on or after 1 January 2014:

*IFRS 10, IFRS 12 and IAS 27*

Amendments were made to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interest in Other Entities and IAS 27 Separate Financial Statements to:

- provide 'investment entities' (as defined) an exemption from the consolidation of particular subsidiaries and instead require that an investment entity measure the investment in each eligible subsidiary at fair value through profit or loss in accordance with IFRS 9 Financial Instruments or IAS 39 Financial Instruments: Recognition and Measurement;
- require additional disclosure about why the entity is considered an investment entity, details of the entity's unconsolidated subsidiaries, and the nature of relationship and certain transactions between the investment entity and its subsidiaries; and
- require an investment entity to account for its investment in a relevant subsidiary in the same way in its consolidated and separate financial statements (or to only provide separate financial statements if all subsidiaries are unconsolidated).



**Notes to the consolidated financial statements**  
*For the year ended 31 December 2014*

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

*Amendment to IAS 32, 'Financial instruments: Presentation'*

This amendment clarifies that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendment also considers settlement mechanisms. The amendment did not have a significant effect on the Group consolidated financial statements.

*IAS 36 Impairment of assets*

These amendments remove the unintended consequences of IFRS 13 on the disclosures required under IAS 36. In addition, these amendments require disclosures of the recoverable amounts for the assets or CGUs for which impairment loss has been recognized or reversed during the period. These amendments are effective retrospectively and accordingly are considered while making disclosures for impairment of non-financial assets in the consolidated financial statements for the year ended 31 December 2014 and would continue to be considered for future disclosures.

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

*IFRIC 21 Levies*

IFRIC 21 addresses the accounting for a liability to pay a levy if that liability is within the scope of IAS 37 'Provisions'. The interpretation addresses what the obligating event is that gives rise to pay a levy, and when should a liability be recognised. The adoption of the interpretation has had no significant effect on the consolidated financial statements for earlier years and on the consolidated financial statements for the year ended 31 December 2014.

The management anticipates that the above standards, interpretations and amendments have no significant financial impact on the consolidated financial statements of the Group.

Other standards, amendments and interpretations which are effective for the financial year beginning on 1 January 2014 are not material to the Group.

d) Standards and interpretations not yet effective or adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2015, and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

*IFRS 11 (Amendments) – Accounting for acquisitions of interests in joint operations*

The amendments require business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business; the amendments place the focus firmly on the definition of a business, because this is key to determining whether the acquisition is accounted for as a business combination or as the acquisition of a collection of assets. The amendments are applied to an annual financial statements beginning on or after 1 January 2016. There is no major impact on the Group.



**Notes to the consolidated financial statements**  
*For the year ended 31 December 2014*

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

*IAS 16 (Amendments) – Clarification of acceptable methods of depreciation*

The amendments explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. This is because such methods reflect factors other than the consumption of economic benefits embodied in the asset. The amendments are applied to an annual financial statements beginning on or after 1 January 2016. There is no major impact on the Group.

*IAS 38 (Amendments) – Clarification of acceptable methods of amortisation*

The amendments introduce a rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate. This presumption can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are “highly correlated”, or when the intangible asset is expressed as a measure of revenue. The amendments are applied to an annual financial statements beginning on or after 1 January 2016. There is no major impact on the Group.

*IFRS 15, ‘Revenue from contracts with customers’*

IFRS 15 deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity’s contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 ‘Revenue’ and IAS 11 ‘Construction contracts’ and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted. The Group is assessing the impact of IFRS 15.

*IFRS 9, ‘Financial instruments’*

IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity’s business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the ‘hedged ratio’ to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018.

e) Basis of consolidation

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



**Notes to the consolidated financial statements**  
*For the year ended 31 December 2014*

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

e) Basis of consolidation (continued)

*Subsidiaries*

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

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

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

*Loss of control*

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

*Business combinations*

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

The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group measures goodwill at the acquisition date as:

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

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





**Notes to the consolidated financial statements**  
*For the year ended 31 December 2014*

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

e) Basis of consolidation (continued)

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

Transactions costs, other than those associated with the issue of debt or equity securities that the Group incurs in connection with a business combination, are expensed as incurred.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through the consolidated statement of profit or loss.

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

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

*Acquisitions of non-controlling interests*

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

f) Foreign currency

*Functional and presentation currency*

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



**Notes to the consolidated financial statements**  
*For the year ended 31 December 2014*

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

f) Foreign currency (continued)

*Transactions and balances*

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

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

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

*Foreign operations*

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

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

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





**Notes to the consolidated financial statements**  
*For the year ended 31 December 2014*

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

g) Financial instruments

i) *Non-derivative financial assets*

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

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

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

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

*Loans and receivables*

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

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

*Cash and cash equivalents*

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

*Available for sale financial assets*

Available for sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified in any of other categories of financial assets. Available for sale financial assets are recognised initially at fair value plus any directly attributable transaction costs.

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



**Notes to the consolidated financial statements**  
*For the year ended 31 December 2014*

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

g) Financial instruments (continued)

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

ii) *Non-derivative financial liabilities*

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

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

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

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

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

Trade payables

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

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

Offsetting

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



**Notes to the consolidated financial statements**  
*For the year ended 31 December 2014*

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

h) Inventories

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

i) Property and equipment

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

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

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

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

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

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

j) Leases

*Leased assets*

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

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



**Notes to the consolidated financial statements**  
*For the year ended 31 December 2014*

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

j) Leases (continued)

*Lease payments*

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

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

*Determining whether an arrangement contains a lease*

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

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

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

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

k) Intangible assets

Identifiable non-monetary assets without physical substance acquired in connection with the business and from which future benefits are expected to flow are treated as intangible assets. Intangible assets consist of GSM license fees paid by the subsidiaries, brand name, customer relationships, concession arrangements and goodwill arising on the acquisition of subsidiaries. Intangible assets with definite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses.

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



**Notes to the consolidated financial statements**  
*For the year ended 31 December 2014*

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

k) Intangible assets (continued)

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

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

l) Provisions

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

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

Provision for site restoration is assessed at each reporting date as per the Group policy.

m) Dividend distribution

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



**Notes to the consolidated financial statements**  
*For the year ended 31 December 2014*

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

n) Impairment

*i) Non-derivative financial assets*

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

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

*Financial assets measured at amortised cost*

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

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

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

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

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



**Notes to the consolidated financial statements**  
*For the year ended 31 December 2014*

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

n) Impairment (continued)

*Available for sale financial assets*

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

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

ii) *Non-financial assets*

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

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

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



**Notes to the consolidated financial statements**  
*For the year ended 31 December 2014*

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

n) Impairment (continued)

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

o) Term debt

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

p) Provision for staff indemnity

The provision for staff indemnity is payable on completion of employment. The provision is calculated in accordance with applicable labour law based on employees' salaries and accumulated periods of service or on the basis of employment contracts, where such contracts provide extra benefits. With respect to its Kuwaiti employees, the Group makes contributions to Public Institution for Social Security calculated as a percentage of the employees' salaries. The Group's obligations are limited to these contributions, which are expensed when due. The Group expects this method to produce a reliable approximation of the present value of the obligations.

q) Treasury shares

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

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

r) Revenue recognition

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





**Notes to the consolidated financial statements**  
*For the year ended 31 December 2014*

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

r) Revenue recognition (continued)

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

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

*Revenue from rendering of services*

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

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

*Interconnection, roaming and post-paid revenue*

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

*Sales of prepaid cards*

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

*Sales of equipment*

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

*Multiple element arrangements*

Arrangements involving the delivery of bundled products and services are assessed to determine whether it is necessary to identify separate deliverables that should be recognised individually. Revenue related to the bundled contract is allocated to the different deliverables identified, based on their relative fair values. The Group generally determines the fair value of individual elements based on prices at which the deliverable is regularly sold on a standalone basis, after considering discounts where appropriate.



**Notes to the consolidated financial statements**  
*For the year ended 31 December 2014*

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

r) Revenue recognition (continued)

*Other income*

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

- Interest income  
Interest income is recognised on an accrual basis using effective interest rate method.
- Dividend income  
Dividend income is recognised when the Group's right to receive dividend is established.

s) Customer loyalty program

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

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

t) Taxation

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

*Current tax*

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

*Deferred tax*

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



**Notes to the consolidated financial statements**  
*For the year ended 31 December 2014*

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

t) Taxation (continued)

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.

u) Zakat, KFAS and NLST

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

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

v) Finance costs

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



**Notes to the consolidated financial statements**  
*For the year ended 31 December 2014*

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

w) Contingencies

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

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

x) Non-current assets held for sale

Non-current assets or disposal groups comprising assets and liabilities that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets or components of disposal groups are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets, or disposal groups, are measured at the lower of their carrying value and fair value less cost to sell. Any impairment loss on disposal groups is first allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories and financial assets, which continue to be measured in accordance with the Group's accounting policies.

Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognized in the consolidated statement of profit or loss. Gains are not recognized in excess of any cumulative impairment loss.

**3. Critical accounting judgments 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.



**Notes to the consolidated financial statements**  
*For the year ended 31 December 2014*

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

*Measurement of fair values*

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

The Group has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values.

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

Significant valuation issues are reported to the Group Audit Committee.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on inputs used in the valuation techniques (refer note 24).

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

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

*Impairment of investments*

The Group treats available for sale financial assets as impaired when there has been a significant or prolonged decline in the fair value below its cost. The determination of what is “significant” or “prolonged” requires 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 discount factors for unquoted investments. The Group has not recorded any impairment loss on value of available for sale financial assets during the year ended 31 December 2014 (2013: impairment loss of KD 6 thousand) (see note 6).



**Notes to the consolidated financial statements**  
*For the year ended 31 December 2014*

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

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.

**Key sources of estimation uncertainty**

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

*Fair value of unquoted equity investments*

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

*Impairment of non-financial assets and useful lives*

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

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

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

*Impairment of goodwill*

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

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



**Notes to the consolidated financial statements**  
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**3. Critical accounting judgements and key sources of estimation uncertainty (continued)**

*Impairment of receivables*

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

At the date of financial position, gross trade and billing and other receivables were KD 138,200 thousand (2013: KD 135,866 thousand), and the allowance for doubtful debts was KD 46,213 thousand (2013: KD 42,069 thousand). Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the consolidated statement of profit or loss.

*Impairment of inventories*

Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on historical selling prices. As at the reporting date, gross inventory was KD 35,396 thousand (2013: KD 27,373 thousand) and provision for obsolete inventory items was KD 558 thousand (2013: KD 324 thousand).

*Deferred tax*

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

Were the actual final outcome (on the judgment areas) of expected cash flows to differ by 10% from management's estimates, the Group would need to increase the income tax liability by KD 2,089 thousand (2013: KD 2,529 thousand) and the deferred tax liability by KD 122 thousand (2013: KD 69 thousand) if unfavorable or decrease the income tax liability by KD 2,089 thousand (2013: KD 2,529 thousand) and the deferred tax liability by KD 122 thousand (2013: KD 69 thousand), if favorable.

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AND SUBSIDIARIES**



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**4. Property and equipment**

	<b>Network equipment KD 000's</b>	<b>Network infrastructure KD 000's</b>	<b>Office &amp; computer equipment KD 000's</b>	<b>Lease hold land, furniture, fixtures and others KD 000's</b>	<b>Capital work- in progress KD 000's</b>	<b>Total KD 000's</b>
<b>Cost</b>						
Balance at 1 January 2013	599,456	235,907	33,387	28,479	116,317	1,013,546
Transfers	87,379	1,470	1,510	363	(89,625)	1,097
Additions	82,645	21,688	4,432	7,388	166,708	282,861
Disposals	(68,680)	(2,928)	(143)	(1,503)	(232)	(73,486)
Write off	(34,065)	-	-	-	-	(34,065)
Reclassification to assets held for sale (note 10)	(1,841)	-	(186)	(657)	-	(2,684)
Currency translation effects	(9,626)	2,318	(344)	49	(895)	(8,498)
<b>Balance at 31 December 2013</b>	<b>655,268</b>	<b>258,455</b>	<b>38,656</b>	<b>34,119</b>	<b>192,273</b>	<b>1,178,771</b>
Transfers	<b>48,392</b>	<b>33,124</b>	<b>2,177</b>	<b>6,114</b>	<b>(91,826)</b>	<b>(2,019)</b>
Additions	<b>112,548</b>	<b>35,329</b>	<b>7,614</b>	<b>6,509</b>	<b>3,293</b>	<b>165,293</b>
Disposals	<b>(10,041)</b>	<b>(490)</b>	<b>(385)</b>	<b>(2,698)</b>	<b>(12)</b>	<b>(13,626)</b>
Currency translation effects	<b>(24,254)</b>	<b>(15,478)</b>	<b>(2,326)</b>	<b>(1,748)</b>	<b>(9,741)</b>	<b>(53,547)</b>
<b>Balance at 31 December 2014</b>	<b>781,913</b>	<b>310,940</b>	<b>45,736</b>	<b>42,296</b>	<b>93,987</b>	<b>1,274,872</b>
<b>Accumulated depreciation and impairment</b>						
Balance at 1 January 2013	344,333	101,184	24,226	19,290	-	489,033
Transfers	253	(253)	-	-	-	-
Charge for the year	64,153	24,074	5,443	3,338	-	97,008
Related to disposals	(52,071)	(1,577)	(118)	(1,473)	-	(55,239)
Related to assets written off	(24,628)	-	-	-	-	(24,628)
Reclassification to assets held for sale (note 10)	(1,543)	-	(162)	(595)	-	(2,300)
Currency translation effects	(5,773)	1,073	(221)	88	-	(4,833)
<b>Balance at 31 December 2013</b>	<b>324,724</b>	<b>124,501</b>	<b>29,168</b>	<b>20,648</b>	<b>-</b>	<b>499,041</b>
Transfers	<b>(147)</b>	<b>102</b>	<b>12</b>	<b>42</b>	<b>-</b>	<b>9</b>
Charge for the year	<b>73,659</b>	<b>29,461</b>	<b>6,305</b>	<b>4,525</b>	<b>-</b>	<b>113,950</b>
Related to disposals	<b>(9,257)</b>	<b>(318)</b>	<b>(373)</b>	<b>(2,106)</b>	<b>-</b>	<b>(12,054)</b>
Currency translation effects	<b>(10,731)</b>	<b>(9,549)</b>	<b>(1,819)</b>	<b>(1,145)</b>	<b>-</b>	<b>(23,244)</b>
<b>Balance at 31 December 2014</b>	<b>378,248</b>	<b>144,197</b>	<b>33,293</b>	<b>21,964</b>	<b>-</b>	<b>577,702</b>
<b>Carrying amounts:</b>						
<b>At 31 December 2013</b>	<b>330,544</b>	<b>133,954</b>	<b>9,488</b>	<b>13,471</b>	<b>192,273</b>	<b>679,730</b>
<b>At 31 December 2014</b>	<b>403,665</b>	<b>166,743</b>	<b>12,443</b>	<b>20,332</b>	<b>93,987</b>	<b>697,170</b>
Annual depreciation rates	12.5%-16.67%	5% - 15%	33.33%	12.5%		





**Notes to the consolidated financial statements**  
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**4. Property and equipment (continued)**

Property and equipment of Ooredoo Tunisie SA and Wataniya Palestine Mobile Telecom Limited (WPT) totalling to KD 147,148 thousand are under registered mortgage to secure certain bank loans (2013: Wataniya Telecom Algeria S.P.A, Ooredoo Maldives Private Limited and Wataniya Palestine Mobile Telecom Limited totalling to KD 367,375 thousand) (note 12).

Certain assets classified under leasehold land, furniture, fixtures and others amounting to KD 500 thousand (2013: KD 608 thousand) were acquired under finance lease agreements for which the current portion of the respective obligations amounting to KD 296 thousand (2013: KD 285 thousand) is included under trade and other payables and the non-current portion from 1 to 5 years amounting to KD 204 thousand (2013: KD 323 thousand) is included under non-current liabilities.



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**5. Intangible assets and goodwill**

	<b>Goodwill</b>	<b>Concession intangible assets</b>	<b>License and other intangible assets</b>	<b>Brand names</b>	<b>Total</b>
	<b>KD</b>	<b>KD</b>	<b>KD</b>	<b>KD</b>	<b>KD</b>
	<b>000's</b>	<b>000's</b>	<b>000's</b>	<b>000's</b>	<b>000's</b>
<b>Cost</b>					
Balance at 1 January 2013	291,179	61,205	444,779	14,632	811,795
Transfers	-	-	(1,097)	-	(1,097)
Disposals	-	(79)	-	-	(79)
Additions	-	382	29,059	-	29,441
Reclassification to assets held for sale (note 10)	-	(61,722)	(3,833)	-	(65,555)
Currency translation effects	(16,037)	214	(7,868)	(806)	(24,497)
<b>Balance at 31 December 2013</b>	<b>275,142</b>	<b>-</b>	<b>461,040</b>	<b>13,826</b>	<b>750,008</b>
Transfers	-	-	<b>2,019</b>	-	<b>2,019</b>
Additions	-	-	<b>6,103</b>	-	<b>6,103</b>
Currency translation effects	(23,609)	-	(29,266)	(1,187)	(54,062)
<b>Balance at 31 December 2014</b>	<b>251,533</b>	<b>-</b>	<b>439,896</b>	<b>12,639</b>	<b>704,068</b>
<b>Accumulated amortisation and impairment</b>					
Balance at 1 January 2013	-	48,978	128,505	4,877	182,360
Related to disposals	-	(52)	(3)	-	(55)
Charge for the year	-	6,246	30,603	2,356	39,205
Provision for impairment	132	-	-	-	132
Reclassification to assets held for sale (note 10)	-	(55,257)	(2,295)	-	(57,552)
Currency translation effects	3	85	2,376	(320)	2,144
<b>Balance at 31 December 2013</b>	<b>135</b>	<b>-</b>	<b>159,186</b>	<b>6,913</b>	<b>166,234</b>
Transfers	-	-	(9)	-	(9)
Charge for the year	-	-	<b>29,642</b>	<b>2,255</b>	<b>31,897</b>
Currency translation effects	(11)	-	(11,258)	(742)	(12,011)
<b>Balance at 31 December 2014</b>	<b>124</b>	<b>-</b>	<b>177,561</b>	<b>8,426</b>	<b>186,111</b>
<b>Carrying amounts</b>					
<b>At 31 December 2013</b>	<b>275,007</b>	<b>-</b>	<b>301,854</b>	<b>6,913</b>	<b>583,774</b>
<b>At 31 December 2014</b>	<b>251,409</b>	<b>-</b>	<b>262,335</b>	<b>4,213</b>	<b>517,957</b>
Amortisation rate	-	6.67%	4% to 30%	16.67%	

Goodwill is allocated to one of the Group's cash generating units (CGU) which is the Group's 75% owned subsidiary, Ooredoo Tunisie S.A. The estimated recoverable amount of the CGU exceeded its carrying amount by KD 3,874 thousand (2013: KD 69,021 thousand). The recoverable amount of this CGU was based on its value in use, estimated by discounting the future cash flows to be generated from the continuing use of the CGU.



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**5. Intangible assets and goodwill (continued)**

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

	2014 %	2013 %
Discount rate	11.05	11
Terminal growth rate	2.75	2.75
Projected EBITDA growth rate (average of next ten years)	3.84	3.61

The discount rate was a post-tax measure estimated based on the historical industry average weighted-average cost of capital, with a projected debt leveraging of 25% at a market interest rate of 2%.

The cash flow projections included specific estimates for three years, as approved by the board of directors of the CGU, and management extrapolation thereafter. The terminal growth rate was determined based on management's estimate of the long-term growth in the sector, consistent with the assumptions that a market participant would make. Projected EBITDA was assumed by management using historical profitability margins and the projected growth in revenue based on the standard model prepared on 10 year time period.

If the estimated discount rate for this CGU had been 0.5% higher than management's estimates (for example, 11.55% instead of 11.05%), the recoverable amount of the CGU will be lower by KD 25,447 thousands (2013: lower by KD 30,578 thousand), resulting in impairment loss.

Intangible assets of Ooredoo Tunisie SA amounting to KD 46,068 thousand are pledged as a security for certain bank loans (note 12).

**6. Available for sale financial assets**

	2014 KD 000's	2013 KD 000's
Listed equity securities	328	1,001
Unlisted equity securities	6,722	7,690
	<u>7,050</u>	<u>8,691</u>

Movement in available for sale financial assets is as follows:

	2014 KD 000's	2013 KD 000's
Balance at beginning of the year	8,691	9,223
Additions	71	1,159
Disposals	(1,007)	(2,384)
Impairment loss on value of financial assets	-	(6)
Net unrealised (loss) / gain	(705)	699
Balance at end of the year	<u>7,050</u>	<u>8,691</u>

At 31 December 2014, unlisted equity investments with a net amount of KD 2,178 thousand (2013: KD 2,107 thousand) are carried at cost less impairment due to the non-availability of quoted market prices or other reliable measures of their fair value. Management believes that the carrying value of these equity investments approximates their fair value.



**Notes to the consolidated financial statements**  
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**6. Available for sale financial assets (continued)**

At 31 December 2014, available for sale financial assets amounting to KD 6,871 thousand (2013: KD 8,658 thousand), KD 23 thousand (2013: KD 33 thousand) and KD 156 thousand (2013: nil) are denominated in Kuwaiti Dinars, US Dollars and Tunisian Dinars respectively.

**7. Taxation relating to subsidiaries**

The income tax represents amounts recognised by subsidiary companies.

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

	<b>2014</b> <b>KD 000's</b>	<b>2013</b> <b>KD 000's</b>
<b>Current tax</b>		
Current income tax charge	<b>20,887</b>	25,290
<b>Deferred tax</b>		
Relating to origination and reversal of temporary differences	<u><b>(1,220)</b></u>	<u>689</u>
<b>Income tax included in the consolidated statement of profit or loss</b>	<u><b>19,667</b></u>	<u><b>25,979</b></u>

The Company is not subject to income tax in the state of Kuwait. The effective tax rate applicable to the taxable subsidiary companies is 35% (2013: 35%). For the purpose of determining the taxable results for the year, the accounting profit of the subsidiaries is adjusted for tax purposes. Adjustments for tax purposes included items relating to both income and expense. The adjustments are based on the current understanding of the existing laws, regulations and practices of each subsidiaries jurisdiction. In view of the operations of the Group being subject to various tax jurisdictions and regulations, it is not practical to provide a detailed reconciliation between accounting and taxable profits together with the details of the effective tax rates. As a result, the reconciliation includes only the identifiable major reconciling items.

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

	<b>2014</b> <b>KD 000's</b>	<b>2013</b> <b>KD 000's</b>
Accounting consolidated profit before tax	<b>76,060</b>	126,631
Company and its subsidiaries that are not subject to corporate income tax	<u><b>(32,505)</b></u>	<u>(63,261)</u>
<b>Accounting profit of subsidiaries that are subject to corporate income tax</b>	<b>43,555</b>	63,370
<b>Add:</b>		
Allowances, accruals and other temporary differences	<b>1,231</b>	(73)
Expenses and income that are not subject to corporate tax	<u><b>8,583</b></u>	<u>4,245</u>
<b>Add:</b>		
Unutilised tax gains brought forward	<u><b>6,307</b></u>	<u>4,716</u>
<b>Taxable profit of subsidiaries that are subject to corporate income tax</b>	<u><b>59,676</b></u>	<u>72,258</u>
Current income tax charge at the effective income tax rate of 35% (2013: 35%)	<u><b>20,887</b></u>	<u>25,290</u>
<b>Current income tax charge</b>	<u><b>20,887</b></u>	<u><b>25,290</b></u>



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**7. Taxation relating to subsidiaries (continued)**

*Deferred tax*

The deferred tax assets of KD 2,649 thousand as at 31 December 2014 (2013: KD 1,567 thousand) are recognised on account of accumulated tax losses incurred by the subsidiaries, Ooredoo Maldives Private Limited and Ooredoo Tunisie S.A., which are expected to be deductible against taxable profits in the foreseeable future.

Movement in deferred tax assets during the year:

	2014 KD 000's	2013 KD 000's
Opening balance	1,567	2,394
Charged to the consolidated statement of profit or loss	1,220	(689)
Foreign exchange differences	(138)	(138)
Closing balance	<u>2,649</u>	<u>1,567</u>

**8. Trade and other receivables**

	2014 KD 000's	2013 KD 000's
Trade and billing receivables	118,655	119,136
Unbilled revenue	5,157	5,668
Advances and prepayments	100,615	69,265
Interest receivable	750	704
Other receivables	<u>19,545</u>	<u>16,730</u>
	244,722	211,503
Less: allowance for doubtful debts	<u>(46,213)</u>	<u>(42,069)</u>
	<u>198,509</u>	<u>169,434</u>

Advances and prepayments include advance payments to suppliers amounting to KD 81,567 thousand (2013: KD 67,108 thousand).

Movement in the allowance for doubtful debts is as follows:

	2014 KD 000's	2013 KD 000's
Balance at beginning of the year	42,069	39,912
Charge for the year (included under selling and distribution costs)	8,225	10,039
Amounts written off as uncollectible	(3,130)	(762)
Reclassification to assets classified held for sale (note 10)	-	(7,101)
Amounts recovered during the year (included under selling and distribution costs)	-	(11)
Foreign exchange differences	(951)	(8)
Balance at end of the year	<u>46,213</u>	<u>42,069</u>



**Notes to the consolidated financial statements**  
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**8. Trade and other receivables (continued)**

Ageing of unimpaired trade receivables is as follows:

	Total KD 000's	Neither past due nor impaired KD 000's	Past due not impaired			
			< 30 days KD 000's	30 – 60 days KD 000's	60 – 90 days KD 000's	> 90 days KD 000's
<b>2014</b>	<b>72,442</b>	<b>34,619</b>	<b>9,475</b>	<b>4,663</b>	<b>6,378</b>	<b>17,307</b>
<b>2013</b>	<b>77,067</b>	<b>38,304</b>	<b>10,684</b>	<b>7,017</b>	<b>6,559</b>	<b>14,503</b>

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

**9. Bank balances and cash**

	2014 KD 000's	2013 KD 000's
Cash and bank balances	57,444	91,494
Deposits	31,955	50,208
Bank balances and cash in the consolidated statement of financial position	89,399	141,702
Deposits with original maturities of three months or more	(7,042)	(19,305)
Bank balances and cash reclassified as assets of disposal group classified as held for sale	-	15,472
Cash and cash equivalents in the consolidated statement of cash flows	82,357	137,869

The effective interest rate on interest-earning deposits ranged from 1.75% to 7.5% (2013: 1.66% to 8.6%) per annum. Cash and bank balances include KD 32 thousand (2013: KD 1,543 thousand) held as part of a managed portfolio.

Included in deposits with original maturities of three months or more is an amount of KD 7 thousand (2013: KD 13,785 thousand) restricted in accordance with subsidiary's syndicated loan agreement (refer to note 12).

**10. Assets and liabilities of disposal group classified as held for sale**

During 2013, the management of the Group committed to a plan to sell all the equity interest in Public Telecommunications Company Ltd. (PTC) and the final negotiations for the sale were in progress during the previous year. As a result, PTC has been reclassified as a disposal group held for sale and disclosed as a discontinued operation as per IFRS 5: *Non-Current Assets held for Sale and Discontinued Operations*. The results of PTC for 2013 are presented below:



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**10. Assets and liabilities of disposal group classified as held for sale (continued)**

	<b>2013</b> <b>KD 000's</b>
Revenue	18,071
Cost of revenue	(2,879)
	<u>15,192</u>
Network construction revenue	385
Network construction costs	(385)
	<u>15,192</u>
Administrative expenses	(5,714)
Selling and distribution costs	(2,032)
Net finance costs	4
Depreciation and amortisation	(6,821)
Other income	734
	<u>1,363</u>
<b>Profit before Zakat</b>	<b>1,363</b>
Zakat	(612)
	<u>751</u>
<b>Profit for the year from discontinued operations</b>	<b>751</b>
<b>Basic and diluted earnings per share (fils) – discontinued operations</b>	<b>1.49</b>

The major classes of assets and liabilities of PTC classified as held for sale as at 31 December 2013 were as follows:

	<b>2013</b> <b>KD 000's</b>
<b>Assets</b>	
Property and equipment	384
Intangible assets	8,003
Inventories	468
Trade and other receivables	4,743
Cash and bank balances	15,472
	<u>29,070</u>
<b>Assets of disposal group classified as held for sale</b>	<b>29,070</b>
<b>Liabilities</b>	
Provision for staff indemnity	1,039
Other non-current liabilities	3,132
Trade and other payables	32,943
Deferred income	1,655
	<u>38,769</u>
<b>Liabilities of disposal group classified as held for sale</b>	<b>38,769</b>
<b>Net liabilities directly associated with disposal group</b>	<b>9,699</b>

The net cash flows generated by PTC during the year ended 31 December 2013 are as follows:

	<b>2013</b> <b>KD 000's</b>
Operating	9,984
Investing	(483)
Financing	-
	<u>9,501</u>
<b>Net cash inflow</b>	<b>9,501</b>

The settlement agreement addendum was signed on 20 January 2014 and the legal formalities relating to the transfer of shares have been completed.



**Notes to the consolidated financial statements**  
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**10. Assets and liabilities of disposal group classified as held for sale (continued)**

Subsequent to reaching a sale agreement and for the purpose of concluding the sale, the buyer waived certain liabilities due from PTC amounting to KD 13,970 thousand resulting in an increase in PTC's net assets at the date of disposal to KD 4,312 thousand. Additionally, a consideration of KD 6,044 thousand was paid to the buyer by the Group as part of the settlement agreement. Accordingly, the disposal transaction, after considering the waiver of liabilities, the results up to the date of disposal as well as the consideration paid by the Group, has resulted in a gain of KD 3,628 thousand.

**11. Equity**

a) Share capital

The authorised, issued and fully paid up share capital as at 31 December 2014 consists of 504,033 thousand shares (2013: 504,033 thousand shares) of 100 fils each contributed in cash.

b) Treasury shares

	2014	2013
Number of shares (000's)	2,871	2,871
Percentage of issued shares	0.57%	0.57%
Cost (KD 000's)	3,598	3,598
Market value (KD 000's)	4,019	5,053

c) Statutory reserve

In accordance with the Companies Law No. 25 of 2012, as amended, and its Executive Regulations, and the Company's Articles of Association, 10% of profit for the year attributable to shareholders of the Company before KFAS, NLST, Zakat and Directors' remuneration is required to be transferred to a statutory reserve until the reserve reaches a minimum of 50% of the paid up share capital. This reserve is not available for distribution except for the amount in excess of 50% of share capital or payment of a dividend of 5% of paid up share capital in years when retained earnings are not sufficient for the payment of such dividends. The Company has discontinued further transfers to statutory reserve as it has exceeded 50% of the authorised, issued and fully paid up share capital.

d) General reserve

In accordance with the Company's Articles of Association, 10% of profit for the year attributable to shareholders of the Company before KFAS, NLST, Zakat and Directors' remuneration is required to be transferred to the general reserve until the shareholders decide to discontinue the transfer to the general reserve. During the current year, an amount of KD 4,838 thousand has been transferred to general reserve (2013: KD 7,965 thousand).

e) Proposed dividends

The Board of Directors proposed a cash dividend of 70 fils per share for the year ended 31 December 2014 (2013: 125 fils per share). This proposal is subject to the approval of the shareholders in the Annual General Assembly and has not been accounted for in these consolidated financial statements.

The Annual General Assembly of the Company, held on 25 March 2014, approved the consolidated financial statements of the Group for the year ended 31 December 2013 and the payment of cash dividend of 125 fils per share for the year ended 31 December 2013 (2012: cash dividend of 125 fils per share) to the Company's shareholders existing as at 25 March 2014.





**Notes to the consolidated financial statements**  
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**12. Long term debt**

	<b>Current</b>		<b>Non-current</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>KD 000's</b>	<b>KD 000's</b>	<b>KD 000's</b>	<b>KD 000's</b>
Due to local banks	<b>39,100</b>	-	-	18,000
Due to local banks related to subsidiaries	<b>77,121</b>	47,717	<b>54,747</b>	70,229
Due to foreign banks	<b>1,319</b>	508	<b>7,647</b>	8,624
	<b><u>117,540</u></b>	<b><u>48,225</u></b>	<b><u>62,394</u></b>	<b><u>96,853</u></b>



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**12. Long term debt (continued)**

The details of long term debts are as follows:

<b>Description</b>	<b>2014 KD 000's</b>	<b>2013 KD 000's</b>
a) The loans bear interest rates of 5% per annum and LIBOR plus 3% per annum (2013: 5%per annum and LIBOR plus 3% per annum). The repayment term is made in installments varying over a period from December 2005 up to December 2017. These loans are not secured by any pledge by Wataniya Telecom Algeria S.P.A. ("WTA"), but are subject to various obligations and financial covenants over the term of those debts.	<b>66,751</b>	64,656
b) The loans bear annual interest rates ranging from LIBOR plus 5% to 5.85% per annum (2013: LIBOR plus 5% to 6.34% per annum) and are repayable in semi annual installments commencing 15 January 2011 and ending 15 January 2016. These loans are secured by Wataniya Palestine Mobile Telecom Limited ("WPT")'s assets.	<b>22,902</b>	23,071
c) The loans bear annual interest rates of 1% per annum over the Central Bank of Kuwait discount rate (2013:1% to 2% per annum over the Central Bank of Kuwait discount rate). These loans are partially secured by promissory notes signed by the Company as a guarantee for the loan. The outstanding balance as at 31 December 2013 has been fully settled.	<b>39,100</b>	18,000
d) The loan bears floating interest rate indexed to the average monthly monetary rate published by the Central Bank of Tunisia plus 1.1% to 1.5% margin (2013 Central Bank of Tunisia plus 1.1%). The installments of principal and interest are payable quarterly, the first installment in principal will be paid December 2015, the first installment in interest is scheduled for March 31, 2015, the last installment is payable September 30, 2019. The loan arrangements contain financial covenants to be tested on an annual basis, including the Net Debt to EBITDA ratio and the Debt Service Coverage ratio, as defined in the agreements. In addition, the lenders may declare the loans repayable in full upon failure to comply with various positive and negative covenants, change in control, revocation or adverse modification of the GSM license, prolonged suspension of the network operation, and other materially adverse events. Ooredoo Tunisie tangible and intangible assets ("fonds de commerce"), inclusive of equipment, intellectual property rights and other unrecognized intangible assets used in the operation of the business, but exclusive of the GSM licence, have been pledged as security for the loan agreements, for an aggregate amount of TND 335 million as at 31 December 2014.	<b>48,282</b>	37,780
e) The loans bear an interest rates of 3 month US\$ LIBOR + 2% per annum and an interest rate of over night US\$ LIBOR + 5.5% & US\$ 6% per annum. The loans are repayable within 10 quarterly installments and 30 equal monthly installments respectively with accrued interest. The facility is secured by Ooredoo Maldives Private Limited ("OMPL" previously "WTM")s fixed deposits.	<b>2,899</b>	1,571
	<b>179,934</b>	145,078



**Notes to the consolidated financial statements**  
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**13. Trade and other payables**

	<b>2014</b>	<b>2013</b>
	<b>KD 000's</b>	<b>KD 000's</b>
Accruals	234,961	272,151
Trade payables	105,503	85,931
Amounts due to related parties (note 19)	33,065	39,230
Other tax payable	20,114	17,687
Staff payable	13,266	10,320
Dividends payable	14,245	15,139
Other payables	26,237	24,034
	<u>447,391</u>	<u>464,492</u>

The Group has sound financial risk management policies in place to ensure that all payables are paid within the specified credit time frame (note 22).

**14. Finance costs - net**

	<b>2014</b>	<b>2013</b>
	<b>KD 000's</b>	<b>KD 000's</b>
Finance income	1,543	2,210
Finance costs	<u>(9,238)</u>	<u>(7,600)</u>
	<u>(7,695)</u>	<u>(5,390)</u>

**15. Other expenses - net**

	<b>2014</b>	<b>2013</b>
	<b>KD 000's</b>	<b>KD 000's</b>
Gain on upgrade of network equipment	-	9,437
Write off of network equipment	-	(9,437)
Dividend income	1	62
Exchange (loss) / gain	(8,215)	2,677
Other operating income / (expense)	8,057	(8,414)
(Loss) / gain on sale of available for sale financial assets	<u>(26)</u>	<u>117</u>
	<u>(183)</u>	<u>(5,558)</u>

As of 31 December 2014, other operating income / (expense) include provision no longer required amounting to KD 8,907 (2013: Nil).



**Notes to the consolidated financial statements**  
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**16. Subsidiaries and non-controlling interests**

Significant subsidiaries of the Company are as follows:

Name of subsidiaries	Country of operation	Voting capital held	Voting capital held
		2014	2013
Wataniya Telecom Algerie S.P.A. (WTA)	Algeria	71%	71%
Wataniya International FZ – L.L.C. (WTI)	U.A.E	100%	100%
Ooredoo Maldives Private Limited (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	-	100%
Wataniya Palestine Mobile Telecom Limited (WPT) (subsidiary of WTI)	Palestine	48.45%	48.45%
Al-Bahar United General Trading and Contracting Company W.L.L.	Kuwait	99%	99%
Ooredoo Tunisie S.A.	Tunisa	75%	75%
Carthage Consortium Ltd	Malta	100%	100%
Qtel Tunisia Holding Company Ltd	Malta	100%	100%

\* Public Telecommunications Company Ltd. were reclassified as held for sale during the previous year and sold during the year (note 10).

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

	WTA	WPT	Ooredoo Tunisie S.A.
31 December 2014	KD'000's	KD'000's	KD'000's
Non-current assets	406,823	61,628	177,443
Current assets	159,550	16,428	66,240
Non-current liabilities	(94,492)	(34,927)	(40,770)
Current liabilities	(288,082)	(21,195)	(115,314)
<b>Net assets</b>	<b>183,799</b>	<b>21,934</b>	<b>87,599</b>
Carrying amount of NCI	53,302	11,307	21,900
Revenue	361,317	24,277	178,722
Profit / (loss)	17,055	(4,721)	23,331
<b>Total comprehensive income / (loss)</b>	<b>17,055</b>	<b>(4,721)</b>	<b>23,331</b>
Profit / (loss) allocated to NCI	4,946	(2,434)	5,833
Cash flows from operating activities	78,976	5,849	55,670
Cash flows used in investing activities	(93,293)	(6,115)	(32,303)
Cash flows from / (used in) financing activities	8,332	(3,327)	(20,238)
<b>Net decrease in cash and cash equivalents</b>	<b>(5,985)</b>	<b>(3,593)</b>	<b>3,129</b>



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**16. Subsidiaries and non-controlling interests (continued)**

	<b>WTA</b>	<b>WPT</b>	<b>Ooredoo Tunisie S.A.</b>
<b>31 December 2013</b>	<b>KD'000's</b>	<b>KD'000's</b>	<b>KD'000's</b>
Non-current assets	405,793	61,518	196,037
Current assets	136,008	16,560	62,553
Non-current liabilities	(108,489)	(36,167)	(35,463)
Current liabilities	(251,090)	(16,128)	(111,850)
<b>Net assets</b>	<b>182,222</b>	<b>25,783</b>	<b>111,277</b>
Carrying amount of NCI	52,845	13,291	27,819
Revenue	302,738	25,326	195,203
Profit / (loss)	57,171	(6,055)	37,358
<b>Total comprehensive income / (loss)</b>	<b>57,171</b>	<b>(6,055)</b>	<b>37,358</b>
Profit / (loss) allocated to NCI	16,580	(3,121)	9,339
Cash flows from operating activities	148,263	5,810	68,282
Cash flows used in investing activities	(156,001)	(4,654)	(46,236)
Cash flows from / (used in) financing activities	4,556	(1,802)	(47,695)
<b>Net decrease in cash and cash equivalents</b>	<b>(3,182)</b>	<b>(646)</b>	<b>(25,649)</b>

**17. Provision for contribution to KFAS, NLST and Zakat**

	<b>2014</b>	<b>2013</b>
	<b>KD 000's</b>	<b>KD 000's</b>
KFAS	506	516
NLST	1,109	1,657
Zakat	443	664
	<b>2,058</b>	<b>2,837</b>

**18. Basic and diluted earnings per share**

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

	<b>2014</b>	<b>2013</b>
Profit for the year attributable to shareholders of the Company (KD 000's)	<b>45,718</b>	76,095
Profit for the year attributable to shareholders of the Company – continuing operations (KD 000's)	<b>45,718</b>	75,344
Number of shares outstanding		
Weighted average number of paid up shares (000's)	<b>504,033</b>	504,033
Weighted average number of treasury shares (000's)	<b>(2,871)</b>	(2,871)
Weighted average number of outstanding shares (000's)	<b>501,162</b>	501,162
<b>Basic and diluted earnings per share attributable to shareholders of the Company (fils)</b>	<b>91</b>	152
<b>Basic and diluted earnings per share attributable to shareholders of the Company – continuing operations (fils)</b>	<b>91</b>	150

There are no potential dilutive shares as at 31 December 2014 (2013: nil).



**Notes to the consolidated financial statements**  
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**19. Related party transactions**

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

		<b>As at 31 December</b>	
		<b>2014</b>	<b>2013</b>
		<b>KD 000's</b>	<b>KD 000's</b>
<b>a)</b>	<b>Balances included in the consolidated statement of financial position</b>		
	Payable to Ooredoo Group L.L.C – fellow subsidiary	32,464	39,126
	Payable to ultimate parent company	547	104
	Payable to Ooredoo IP L.L.C – fellow subsidiary	54	-
	Amounts due to related parties (note 13)	<u>33,065</u>	<u>39,230</u>
		<b>Year ended 31 December</b>	
		<b>2014</b>	<b>2013</b>
		<b>KD 000's</b>	<b>KD 000's</b>
<b>b)</b>	<b>Transactions included in the consolidated statement of profit or loss within administrative expenses</b>		
	Management fees due to Ooredoo Group L.L.C – fellow subsidiary	17,186	14,921
	Brand License fees due to Ooredoo IP L.L.C - fellow subsidiary	55	-
<b>c)</b>	<b>Compensation of key management personnel:</b>		
	Short term benefits	3,645	3,559
	Termination benefits	448	739
		<u>4,093</u>	<u>4,298</u>

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

**20. Operating segments**

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

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



**Notes to the consolidated financial statements**  
*For the year ended 31 December 2014*

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**20. Operating segments (continued)**

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

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

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

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

**NATIONAL MOBILE TELECOMMUNICATIONS COMPANY K.S.C.P.  
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**Notes to the consolidated financial statements**

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**20. Operating segments (continued)**

	Inside Kuwait	Outside Kuwait				Total
	KD 000's	Tunisia KD 000's	Algeria KD 000's	Others KD 000's	Un-allocated KD 000's	KD 000's
<b>31 December 2014</b>						
Segment revenues	168,024	178,722	361,317	40,433	-	748,496
Segment results	14,959	23,331	17,055	480	(2,095)	53,730
Profit / (loss) from continuing operations	14,959	23,331	17,055	480	(2,095)	53,730
Segment assets	254,811	241,404	566,373	109,424	366,218	1,538,230
Investments and other assets	6,893	2,279	-	527	-	9,699
Total assets	261,704	243,683	566,373	109,951	366,218	1,547,929
Segment liabilities	160,422	81,311	202,660	64,635	-	509,028
Debt and other obligations	43,383	48,282	66,751	27,097	-	185,513
Total liabilities	203,805	129,593	269,411	91,732	-	694,541
<i>Other information</i>						
Purchases of property and equipment	34,439	30,994	91,550	8,310	-	165,293
Purchases of intangible assets	404	1,206	3,949	544	-	6,103
Depreciation of property and equipment	28,427	25,568	53,385	6,570	-	113,950
Amortisation of intangible assets	292	11,415	14,197	3,898	2,095	31,897
Provision for staff indemnity	1,366	-	81	328	-	1,775



**NATIONAL MOBILE TELECOMMUNICATIONS COMPANY K.S.C.P.  
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**Notes to the consolidated financial statements**

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**20. Operating segments (continued)**

	Inside Kuwait KD 000's	Outside Kuwait				Total KD 000's
		Tunisia KD 000's	Algeria KD 000's	Others KD 000's	Un-allocated KD 000's	
<b>31 December 2013</b>						
Segment revenues	194,926	195,203	302,738	38,250	-	731,117
Segment results	14,792	37,358	57,171	(7,196)	(4,279)	97,846
Profit / (loss) from continuing operations	14,792	37,358	57,171	(7,947)	(4,279)	97,095
Segment assets	271,729	256,937	541,801	147,001	384,614	1,602,082
Investments and other assets	8,606	1,652	-	-	-	10,258
Assets of disposal group classified as held for sale	-	-	-	29,070	-	29,070
Total assets	280,335	258,589	541,801	176,071	384,614	1,641,410
Segment liabilities	168,728	109,532	196,033	45,492	-	519,785
Debt and other obligations	22,099	37,780	64,656	25,870	-	150,405
Liabilities of disposal group classified as held for sale	-	-	-	38,769	-	38,769
Total liabilities	190,827	147,312	260,689	110,131	-	708,959
<i>Other information</i>						
Impairment loss	(6)	(132)	-	-	-	(138)
Purchases of property and equipment	102,402	36,502	136,997	6,960	-	282,861
Purchases of intangible assets	660	3,072	24,217	1,492	-	29,441
Depreciation of property and equipment	25,282	24,339	39,937	7,450	-	97,008
Amortisation of intangible assets	201	11,519	12,710	10,496	4,279	39,205
Provision for staff indemnity	1,324	-	-	622	-	1,946



**Notes to the consolidated financial statements**  
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**21. Commitments and contingent liabilities**

	<b>2014</b>	<b>2013</b>
	<b>KD 000's</b>	<b>KD 000's</b>
<b>a) Capital commitments</b>		
For the acquisition of property and equipment	<b>79,860</b>	87,164
For the acquisition of Palestinian mobile license	<b>46,791</b>	45,052
	<b>126,651</b>	132,216
<b>b) Operating lease commitments</b>		
The Group has a number of operating leases over properties for the erection of communication towers, office facilities and warehouses. The lease expenditure charged to the consolidated statement of profit or loss during the year is disclosed under cost of revenue. The leases typically run for a period ranging from 1 to 5 years, with an option to renew the lease after that date.		
Minimum operating lease commitments under these leases are as follows:		
	<b>2014</b>	<b>2013</b>
	<b>KD 000's</b>	<b>KD 000's</b>
Not later than one year	<b>8,616</b>	9,066
Later than one year but not later than five years	<b>27,917</b>	31,646
	<b>36,533</b>	40,712
<b>c) Contingent liabilities</b>		
Letters of guarantee	<b>3,691</b>	4,224
Letters of credit	<b>3,753</b>	-
	<b>7,444</b>	4,224

The Ministry of Communications initiated unjust enrichment proceedings against the Company under Article 262 of the Kuwaiti Civil Code, claiming unlawful use of the Ministry's network infrastructure since 1999. During the year, the Kuwaiti Court of Appeal ruled in favour of the Ministry of Communication (the "MOC") in its case against National Mobile Telecommunications Company K.S.C.P. The decision was based on the claimed right of the Ministry to charge fees according to Kuwaiti Law for mobile services provided via the Company's mobile network. The judgment was for an amount of KD 36.693 million in favor of the MOC. The appeal was filed in the Court of Cassation. The Court of Cassation accepted the request to stop the initiation of any actions against the Company. Subsequent to the reporting date, the Company won the case in the Court of Cassation.

**22. 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.

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

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



**Notes to the consolidated financial statements**  
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**22. Financial instruments and risk management (continued)**

**Market risk**

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

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

*i. Foreign currency exchange risk*

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

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

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

	<b>2014</b>	<b>2013</b>
	<b>KD 000's</b>	<b>KD 000's</b>
	<b>Equivalent</b>	<b>Equivalent</b>
US Dollar	(37,866)	(3,317)
Tunisian Dinar	(59,972)	(54,642)
Algerian Dinar	(194,349)	(188,402)

Foreign currency sensitivity analysis

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

	<b>2014</b>		<b>2013</b>
	<b>Effect on</b>	<b>Effect on</b>	<b>Effect on</b>
	<b>profit</b>	<b>equity</b>	<b>profit</b>
	<b>KD 000's</b>	<b>KD 000's</b>	<b>KD 000's</b>
US Dollar	3,787	3,787	332
Tunisian Dinar	5,997	5,997	5,464
Algerian Dinar	19,435	19,435	18,840



**Notes to the consolidated financial statements**  
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**22. Financial instruments and risk management (continued)**

**Market risk (continued)**

*ii. Interest rate risk management*

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

The Group's interest rate risk arises from term borrowings which are detailed in note 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 9.

The following table illustrates the sensitivity of the profit as well as equity to a reasonably possible change in interest rates of 1% (2013: 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 reporting date. A positive number below indicates an increase in profit / equity and a negative number indicates a decrease in profit/equity.

		2014		2013	
	Increase	Effect on profit KD 000's	Effect on equity KD 000's	Effect on profit KD 000's	Effect on equity KD 000's
KD	+1	(8)	(8)	(18)	(18)
US Dollar	+1	(12)	(12)	(14)	(14)
Tunisian Dinar	+1	(10)	(10)	(6)	(6)
Algerian Dinar	+1	(47)	(47)	(38)	(38)

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

*iii. Equity price risk*

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



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**22. Financial instruments and risk management (continued)**

**Credit risk management**

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

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

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

*i. Exposure to credit risk*

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

	<b>Carrying amount</b>	
	<b>2014</b>	<b>2013</b>
	<b>KD 000's</b>	<b>KD 000's</b>
Bank balances	<b>86,573</b>	140,159
Trade and other receivables	<b>97,894</b>	100,170
	<b>184,467</b>	<b>240,329</b>

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

	<b>Carrying amount</b>	
	<b>2014</b>	<b>2013</b>
	<b>KD 000's</b>	<b>KD 000's</b>
Kuwait	<b>53,076</b>	97,189
Tunisia	<b>59,659</b>	56,579
Algeria	<b>47,745</b>	50,863
Maldives	<b>11,679</b>	8,621
Palestine	<b>12,291</b>	25,179
Other	<b>17</b>	1,898
	<b>184,467</b>	<b>240,329</b>

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

	<b>2014</b>	<b>2013</b>
	<b>KD 000's</b>	<b>KD 000's</b>
Banks and other financial institutions	<b>86,573</b>	140,159
Others	<b>97,894</b>	100,170
<b>Total</b>	<b>184,467</b>	<b>240,329</b>



**Notes to the consolidated financial statements**  
*For the year ended 31 December 2014*

**22. Financial instruments and risk management (continued)**

**Credit risk management (continued)**

Credit quality of financial assets

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

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

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

As of 31 December 2014, trade and billing receivables of KD 72,442 thousand (2013: KD 77,067 thousand) were fully performing.

Included in the Group's trade and billing receivables balances are debtors with a carrying amount of KD 37,823 thousand (2013: KD 38,763 thousand) which are past due at the reporting date for which the Group has not provided for as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

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.

	<u>Rated</u>	<u>Unrated</u>		
		<b>High grade</b>	<b>Standard grade</b>	<b>Total</b>
<b>31 December 2014</b>	<b>KD 000's</b>	<b>KD 000's</b>	<b>KD 000's</b>	<b>KD 000's</b>
Bank balances	78,524	8,049	-	86,573
Trade and other receivables	-	43,251	16,820	60,071
Total	<u>78,524</u>	<u>51,300</u>	<u>16,820</u>	<u>146,644</u>
<b>31 December 2013</b>				
Bank balances	128,368	9,551	-	137,919
Trade and other receivables	-	44,212	17,194	61,406
Total	<u>128,368</u>	<u>53,763</u>	<u>17,194</u>	<u>199,325</u>

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

**Liquidity risk management**

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



**Notes to the consolidated financial statements**  
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**22. Financial instruments and risk management (continued)**

**Liquidity risk management**

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

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

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

At the reporting date, the Group held short term deposits of KD 24,913 thousand (2013: KD 30,903 thousand) and other liquid assets of KD 297,826 thousand (2013: KD 307,282 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.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years KD 000's	Over 5 years KD 000's	Total KD 000's	Weighted average effective interest rate %
<b>2014</b>	<b>KD 000's</b>	<b>KD 000's</b>	<b>000's</b>	<b>000's</b>	<b>KD 000's</b>	
<b>Financial liabilities</b>						
Trade and other payables	140,557	206,423	100,410	-	447,391	
Long term debt	122,591	48,339	24,715	-	195,645	8.7%
Other non-current liabilities	-	2,556	15,928	-	18,484	
	<u>263,149</u>	<u>257,318</u>	<u>141,053</u>	<u>-</u>	<u>661,520</u>	
<b>Commitments and contingencies</b>						
Acquisition of property and equipment	29,475	38,614	11,771	-	79,860	
Acquisition of Palestinian mobile license	-	-	-	46,791	46,791	
Operating leases	8,616	6,700	21,217	-	36,533	
Letters of credit and guarantee	6,744	324	376	-	7,444	
	<u>44,835</u>	<u>45,638</u>	<u>33,364</u>	<u>46,791</u>	<u>170,628</u>	



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*For the year ended 31 December 2014*

**22. Financial instruments and risk management (continued)**

**Liquidity risk management (continued)**

2013	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years KD 000's	Over 5 years KD 000's	Total KD 000's	Weighted average effective interest rate %
<b>Financial liabilities</b>	<b>KD 000's</b>	<b>KD 000's</b>	<b>KD 000's</b>	<b>KD 000's</b>	<b>KD 000's</b>	
Trade and other payables	145,930	214,314	104,248	-	464,492	
Long term debt	51,903	76,225	37,078	-	165,206	14%
Other non-current liabilities	-	2,702	15,335	-	18,037	
	<u>197,833</u>	<u>293,241</u>	<u>156,662</u>	<u>-</u>	<u>647,735</u>	
<b>Commitments and contingencies</b>						
Acquisition of property and equipment	32,171	42,145	12,848	-	87,164	
Acquisition of Palestinian mobile license	-	-	-	45,052	45,052	
Operating leases	9,066	7,533	24,113	-	40,712	
Letters of credit and guarantee	3,751	473	-	-	4,224	
	<u>44,988</u>	<u>50,151</u>	<u>36,961</u>	<u>45,052</u>	<u>177,152</u>	

**23. 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.

**24. Fair value of financial instruments**

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

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

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

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:





**Notes to the consolidated financial statements**  
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**24. Fair value of financial instruments (continued)**

- 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).

	<b>2014</b>		
	<b>Level 1</b>	<b>Level 2</b>	<b>Total</b>
	<b>KD 000's</b>	<b>KD 000's</b>	<b>KD 000's</b>
<i>Available for sale financial assets</i>			
Listed equity securities	328	-	328
Unlisted equity securities	-	4,544	4,544
	<u>328</u>	<u>4,544</u>	<u>4,872</u>
	<b>2013</b>		
	<b>Level 1</b>	<b>Level 2</b>	<b>Total</b>
	<b>KD 000's</b>	<b>KD 000's</b>	<b>KD 000's</b>
<i>Available for sale financial assets</i>			
Listed equity securities	1,001	-	1,001
Unlisted equity securities	-	5,583	5,583
	<u>1,001</u>	<u>5,583</u>	<u>6,584</u>

There were no transfers between levels during the years ended 31 December 2014 and 31 December 2013.

*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 supported by observable market prices or rates.

There are no transfers out of level 3 during the years ended 31 December 2014 and 31 December 2013.