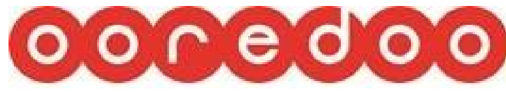
NATIONAL MOBILE TELECOMMUNICATIONS COMPANY K.S.C.P. AND SUBSIDIARIES



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

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تقرير مراقبي الحسابات المستقلين

السادة المساهمين المحترمين
الشركة الوطنية للاتصالات المتنقلة ش.م.ك.ع.
دولة الكويت

تقرير التدقيق على البيانات المالية المجمعة

الرأي

لقد قمنا بتدقيق البيانات المالية المجمعة للشـركة الوطنية للاتصـالات المتنقلة ش.م.ك.ع. ("الشـركة") وشـركاتها التابعة (يشـار إليهم مجتمعين بـ "المجموعة")، والتي تتضـمن بيان المركز المالي المجمع كما في 31 ديسـمبر 2016، والبيانات المجمعة للأرباح أو الخسائر والدخل الشامل الأخر والتغيرات في حقوق الملكية والتدفقات النقدية للسنة المنتهية بذلك التاريخ، وإيضـاحات حول البيانات المالية المجمعة بما في ذلك ملخص السياسات المحاسبية الهامة.

برأينا، إن البيانات المالية المجمعة المرفقة تعبر بصورة عادلة، في كافة النواحي المادية، عن المركز المالي المجمع للمجموعة كما في 31 ديسـمبر 2016، وعن أدائها المالي المجمع وتدفقاتها النقدية المجمعة للسـنة المنتهية بذلك التاريخ وفقاً للمعايير الدولية للتقارير المالية.

أساس الرأي

لقد قمنا بأعمال التدقيق وفقًا لمعايير التدقيق الدولية. إن مسؤولياتنا بموجب تلك المعايير موضحة بمزيد من التفصيل في بند *"مسؤوليات مراقبي الحسابات عن تدقيق البيانات المالية المجمعة"* في تقريرنا. نحن مستقلون عن المجموعة وفقًا لميثاق الأخلاقيات المهنية للمحاسـبين المهنيين الصـادر عن المجلس الدولي لمعايير الأخلاقيات المهنية للمحاسبين المهنيين ("الميثاق") كما قمنا بالوفاء بمسؤولياتنا الأخلاقية الأخرى وفقا لمتطلبات الميثاق. باعتقادنا أن أدلة التدقيق التي حصلنا عليها كافية ومناسبة لتوفير أساس يمكننا من إبداء رأينا.

أمور التدقيق الرئيسية

إن أمور التدقيق الرئيسـية هي تلك الأمور التي نرى، بناءً على حكمنا المهني، أنها ذات أهمية قصـوى في تدقيقنا للبيانات المالية المجمعة للفترة الحالية. وتم تناول هذه الأمور في سـياق تدقيقنا للبيانات المالية المجمعة ككل وإبداء رأينا حولها ولا نبدي رأي منفصـل حول هذه الأمور. فيما يلي بيان لكيفية تناول عملية التدقيق التي قمنا بها لكل من أمور التدقيق الرئيسية.

أ- الإيرادات

هنالك مخاطر كامنة تتعلق بدقة الإيرادات المسـجلة، وذلك بسـبب التعقيد في بيئة تكنولوجيا المعلومات، حيث يتم معالجة الفواتير والتصـنيفات وأنظمة الدعم الأخرى ذات الصـلة؛ وتغيير برامج الأسـعار والعقود ذات العناصـر المتعددة مع العملاء التي تؤثر على توقيت وتحقق الإيرادات. وبسـبب هذا التعقيد، اعتبرنا أن تحقق الإيرادات من أمور التدقيق الرئيسية.

Consolidated statement of profit or loss
for the year ended 31 December 2016

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

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

Consolidated statement of comprehensive income
for the year ended 31 December 2016

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

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

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

Consolidated statement of changes in equity
for the year ended 31 December 2016

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

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

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

Consolidated statement of cash flows
for the year ended 31 December 2016

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

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

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

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

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

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

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

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

2. Basis of preparation and significant accounting policies

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

a) Basis of preparation

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

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

b) Statement of compliance

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

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

c) Revised and newly issued IFRS adopted by the Group

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

Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)
The amendments to IAS 16 Property, Plant and Equipment explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. This is because such methods reflect factors other than the consumption of economic benefits embodied in the asset.

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

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

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

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

Equity Method in Separate Financial Statements (Amendments to IAS 27)
The amendments allow the use of the equity method in separate financial statements, and apply to the accounting not only for associates and joint ventures, but also for subsidiaries.

Annual Improvements to IFRSs 2012–2014 Cycle – various standards
This new cycle improvements contains amendments to the following standards.

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

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

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

d) Standards issued but not yet effective

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

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

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

d) Standards issued but not yet effective (continued)

IFRS 15 Revenue from Contracts with Customers

IFRS 15 specifies how and when an entity recognises revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers. The standard was issued in May 2014 and applies to annual financial statements beginning on or after 1 January 2018. The Group is in the process of evaluating the effect of IFRS 15 on the Group, when adopted.

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

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

Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)
The amendments cover three accounting areas:

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

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

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

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

e) Basis of consolidation

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

Subsidiaries

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

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

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

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

Loss of control

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

Business combinations

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

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

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

e) Basis of consolidation (continued)

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

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

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

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

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

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

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

Acquisitions of non-controlling interests

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

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

f) Foreign currency

Functional and presentation currency

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

Transactions and balances

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

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

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

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Kuwaiti Dinar at exchange rates prevailing at the reporting date. Income and expenses for each 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 recognized in the consolidated statement of comprehensive income and presented in the foreign currency translation reserve in the consolidated statement of changes in equity. However, if the foreign operation is a non-wholly owned subsidiary, then the relevant portion of the translation difference is allocated to non-controlling interests. When a foreign operation is disposed of such 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.

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

f) Foreign currency (continued)

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.

g) Financial instruments

i) Non-derivative financial assets

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

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

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

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

Loans and receivables

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

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

Cash and cash equivalents

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

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

g) Financial instruments (continued)

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.

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.

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

g) Financial instruments (continued)

Offsetting

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

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

h) Inventories

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

i) Property and equipment

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

Depreciation is calculated based on the estimated useful lives of the applicable assets (note 4) on a 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.

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

j) Leases

Leased assets

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

Operating leases 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.

Lease payments

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

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

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

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

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

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

k) Intangible assets

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

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

k) Intangible assets (continued)

less accumulated amortisation and any accumulated impairment losses. Cost includes the purchase cost and directly associated costs of being the asset for its intended use.

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

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

Amortization is calculated based on the estimated useful lives of the applicable intangible assets on a 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.

m) Dividend distribution

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

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.

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.

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.

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 our below:

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

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

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

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

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

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

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

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

t) Taxation

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

Current tax

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

Deferred tax

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

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.

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

v) Finance costs

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

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.

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.

Classification of investments

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

Measurement of fair values

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

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

The valuation team of ultimate parent company regularly reviews significant unobservable inputs and valuation adjustments. If the third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support

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

Critical judgements in applying accounting policies (Continued)

the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified.

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

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

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

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.

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.

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

Key sources of estimation uncertainty (continued)

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.

Impairment of receivables

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

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

Impairment of inventories

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

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

Key sources of estimation uncertainty (continued)

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 1,607 KD thousand (2015: KD 1,188 thousand) and the deferred tax asset by KD 1,771 thousand (2015: KD 53 thousand) if unfavorable or decrease the income tax liability by KD 1,607 thousand (2015: KD 1,188 thousand) and the deferred tax asset by KD 1,771 thousand (2015: KD 53 thousand), if favorable.

4. Property and equipment

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

4. Property and equipment (continued)

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

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

5. Intangible assets and goodwill

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

Goodwill of KD 212,820 thousand is allocated to Ooredoo Tunisie S.A. and KD 1,927 thousand to Fast Telecommunications Company W.L.L. (refer note 25), which are the Group's cash generating units (CGUs). The estimated recoverable amount of Ooredoo Tunisie S.A. exceeded the carrying amount by KD 35,975 thousand (2015: estimated recoverable amount of the CGU was lower than its carrying amount by KD 16,708 thousand which was recorded as an impairment loss).

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

5. Intangible assets and goodwill (continued)

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

	2016 %	2015 %
Discount rate	10.53	11.29

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

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

6. Available for sale financial assets

	2016 KD 000's	2015 KD 000's
Listed equity securities	**144**	316
Unlisted equity securities	**6,106**	6,122
	6,250	6,438

Movement in available for sale financial assets is as follows:

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

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

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

7. Taxation relating to subsidiaries

The income tax represents amounts recognised by subsidiary companies.

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

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

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

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

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

7. Taxation relating to subsidiaries (continued)

Deferred tax

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

Movement in deferred tax asset during the year:

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

8. Trade and other receivables

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

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

Movement in the allowance for doubtful debts is as follows:

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

8. Trade and other receivables (continued)

Ageing of unimpaired trade receivables is as follows:

	Total	Neither past due nor impaired	Past due not impaired			
			< 30 days	30 – 60 days	60 – 90 days	> 90 days
	KD000's	KD 000's	KD 000's	KD000's	KD000's	KD000's
2016	**87,938**	**49,315**	**11,435**	**6,080**	**5,037**	**16,071**
2015	70,121	40,473	12,083	7,668	3,698	6,199

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

9. Bank balances and cash

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

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

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

10. Equity

a) Share capital

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

b) Treasury shares

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

10. Equity (continued)

c) Statutory reserve

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

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

d) General reserve

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

e) Proposed dividends

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

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

f) Other reserves

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

11. Long term debts

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

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

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

11. Long term debts (continued)

The details of long term debts are as follows:

Description	**2016 KD 000's**	**2015 KD 000's**
a) The loans bear interest rates of 5.5% per annum (2015: 4.5% to 6% per annum and LIBOR plus 3% per annum). The repayment term is made in installments from March 2016 up to September 2020. These loans are not secured by any pledge by Wataniya Telecom Algerie S.P.A. ("WTA"), but are subject to various obligations and financial covenants over the term of those debts.	**84,388**	127,522
b) The loans bear annual interest rates ranging from LIBOR plus 5 % to 5.85% per annum (2015: LIBOR plus 5% to 5.85% per annum) and are repayable in semiannual installments commencing 15 January 2011 and ending 15 June 2021. These loans are secured by Wataniya Palestine Mobile Telecom Limited ("WPT")'s assets.	**18,279**	20,922
c) The loans bear annual interest rates of 2.65% per annum over the Central Bank of Kuwait discount rate. These loans are partially secured by promissory notes signed by the Company as a guarantee for the loan.	**13,600**	-
d) The loan bears floating interest rate indexed to the average monthly monetary rate published by the Central Bank of Tunisia plus 1.1 % to 1.75% margin (2015: Central Bank of Tunisia plus 1.1% to 1.5%). The installments of principal and interest are payable quarterly. The first installment of principal was paid in September 2014, the first installment of interest was paid in December 2013. The last installments of principal and interest are payable on 20 March 2021. The loan arrangements contain financial covenants to be tested on an annual basis, including the Net Debt to EBITDA ratio and the Debt Service Coverage ratio, as defined in the agreements. In addition, the lenders may declare the loans repayable in full upon failure to comply with various positive and negative covenants, change in control, revocation or adverse modification of the GSM license, prolonged suspension of the network operation, and other materially adverse events.	**63,236**	41,396
e) The loans bear an interest rates of 1 month US$ LIBOR plus 4.6 % per annum and an interest rate of overnight US$ LIBOR plus 5 % & US$ 3 % per annum (2015: 1 month US$ LIBOR plus 4.6% per annum and an interest rate of overnight US$ LIBOR plus 5.5% & US$ 6% per annum). The loans are repayable within 10 quarterly installments and 36 equal monthly installments respectively with accrued interest (2015: 36 equal monthly installments) The facility is secured by fixed deposits of Ooredoo Maldives Private Limited ("OMPL" previously "WTM"s).	**2,770**	3,912
f) The Murabaha loan amount to KD 475 thousand is repayable in equal instalments and carries a profit rate of 7.5%. These loans are secured by PDCs singed by the Company as a guarantee for the loan..	**475**	-
	182,748	193,752

12. Trade and other payables

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

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

13. Finance costs - net

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

14. Other income / (expenses) - net

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

15. Subsidiaries and non-controlling interests

Significant subsidiaries of the Company are as follows:

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

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:

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

15. Subsidiaries and non-controlling interests (continued)

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

16. Provision for contribution to KFAS, NLST and Zakat

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

17. Basic and diluted earnings per share

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

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

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

18. Related party transactions

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

	As at 31 December	
	2016	**2015**
	KD 000's	**KD 000's**
a) Balances included in the consolidated statement of financial position		
Payable to Ooredoo Group L.L.C – fellow subsidiary	**42,807**	37,247
Payable to ultimate parent company	**8,961**	3,258
Payable to Ooredoo IP L.L.C – fellow subsidiary	**2,312**	1,106
Amounts due to related parties (note 12)	**54,080**	41,611

	Year ended 31 December	
	2016	**2015**
	KD 000's	**KD 000's**
b) Transactions included in the consolidated statement of profit or loss within selling, general and administrative expenses		
Management fees to Ooredoo Group L.L.C – fellow subsidiary	**17,381**	17,193
Brand license fees to Ooredoo IP L.L.C - fellow subsidiary	**2,308**	1,135
c) Compensation of key management personnel:		
Short term benefits	**8,344**	7,320
Termination benefits	**541**	595
	8,885	7,915

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.

19. Operating segments

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

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

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

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

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

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

19. Operating segments (continued)

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

19. Operating segments (continued)

		Outside Kuwait				
	Inside Kuwait KD 000's	**Tunisia KD 000's**	**Algeria KD 000's**	**Others KD 000's**	**Un-allocated KD 000's**	**Total KD 000's**
31 December 2015						
Segment revenues	188,098	148,987	332,476	48,857	-	718,418
Profit / (loss)	17,839	12,095	20,407	3,712	(19,708)	34,345
Segment assets	309,532	200,388	447,326	114,188	327,636	1,399,070
Investments and other assets	6,290	2,057	-	137	-	8,484
Total assets	315,822	202,445	447,326	114,325	327,636	1,407,554
Segment liabilities	143,260	70,564	134,451	69,410	-	417,685
Debt and other obligations	4,935	41,396	127,522	26,123	-	199,976
Total liabilities	148,195	111,960	261,973	95,533	-	617,661
Other information						
Impairment loss on goodwill (note 5)	-	-	-	-	(16,708)	(16,708)
Purchase of property and equipment	29,650	28,400	68,870	8,189	-	135,109
Purchase of intangible assets	1,357	1,164	5,576	727	-	8,824
Depreciation and impairment of property and equipment	(28,106)	(25,000)	(55,646)	(6,471)	-	(115,223)
Amortisation of intangible assets	(523)	(10,265)	(12,408)	(3,523)	(3,001)	(29,720)
Provision for staff indemnity	(1,404)	-	(49)	(277)	-	(1,730)

20. Commitments and contingent liabilities

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

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

b) Operating lease commitments

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

Minimum operating lease commitments under these leases are as follows:

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

21. Financial instruments and risk management

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

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

The Board of Directors 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.

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.

21. Financial instruments and risk management (continued)

Market risk (continued)

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

i. Foreign currency exchange risk

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

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

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

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

Foreign currency sensitivity analysis

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

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

ii. Interest rate risk management

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

21. Financial instruments and risk management (continued)

Market risk (continued)

ii. Interest rate risk management (continued)

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

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

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

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

iii. Equity price risk

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

Credit risk management

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

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

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

21. Financial instruments and risk management (continued)

Credit risk management (continued)

i. Exposure to credit risk

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

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

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

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

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

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

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.

21. Financial instruments and risk management (continued)

Credit risk management (continued)

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

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

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

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

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

Liquidity risk management

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

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

Cash flow forecasting is performed in the operating entities of the Group and aggregated by Group finance department. Group treasury department monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group

21. Financial instruments and risk management (continued)

Liquidity risk management (continued)

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

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

21. Financial instruments and risk management (continued)

Liquidity risk management (continued)

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

22. Operational risk

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

23. Fair value of financial instruments

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

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

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

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:

23. 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).

	2016		
	Level 1 KD 000's	**Level 2 KD 000's**	**Total KD 000's**
Available for sale financial assets			
Listed equity securities	**144**	**-**	**144**
Unlisted equity securities	**-**	**3,973**	**3,973**
	144	**3,973**	**4,117**

	2015		
	Level 1 KD 000's	**Level 2 KD 000's**	**Total KD 000's**
Available for sale financial assets			
Listed equity securities	316	-	316
Unlisted equity securities	-	3,973	3,973
	316	3,973	4,289

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

Valuation techniques and assumptions for the purpose of measuring fair value

a) Listed securities

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

b) Unlisted securities

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

24. Capital risk management

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

The Group's objectives for managing capital are:

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

25. Business Combination

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

Purchase consideration	**11,000**
Less: Net assets acquired	(9,073)
Goodwill arising on acquisition	1,927

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

Cash flows upon acquisition of FastTelco

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

Analysis of assets and liabilities acquired

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