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

Consolidated Financial Statements and Independent Auditor's Report for the year ended 31 December 2017

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

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS

Report on the Audit of Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of National Mobile Telecommunications Company K.S.C.P. ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants ("the IESBA Code*"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

a) Revenue

There is an inherent risk around the accuracy of revenue recorded due to the complexity of Information Technology ("IT") environment in which billing, rating and other relevant support systems reside; and changes to tariff plans and multiple element contracts with customers, which impact timing and recognition of revenue. Due to this complexity, we have identified the revenue recognition as a key audit matter.

The accounting policies for revenue recognition for the different revenue streams are set out in note 2 (p) to the consolidated financial statements.

Our audit procedures include assessment of the design and operating effectiveness of internal controls over the IT environment in which rating, billing and other relevant support system reside, change control procedures in place around those systems that bill and record material revenue streams. Our audit procedures also included the reconciliation of the revenue generated from online charging system and billing system to the general ledger and the test of details of revenue recorded.

b) Impairment of goodwill and intangible assets

As at 31 December 2017, the goodwill and intangible assets are carried at KD 389,381 thousand. The impairment test of goodwill and intangible assets performed by the management are significant to our audit as the assessment of the recoverable amount of goodwill and intangible assets under the value-in-use basis is complex and requires considerable judgment on the part of management. Estimates of future cash flows are based on management's views of variables such as the growth in the telecom sector, economic conditions such as the economic growth and expected inflation rates and yield. Therefore, we identified the impairment testing of goodwill and intangible assets as a key audit matter.

We tested the key assumptions forming the Group's value-in-use calculation including the cash flow projections and discount rate. We have also involved our valuation specialists in these audit procedures. We have assessed the historical accuracy of management's estimates, evaluation and testing the assumptions, methodologies, the discount rate and data used by the Group, for example, by comparing them to external data. We assessed the discount rate, terminal growth rate and the appropriateness of the valuation model used. Additionally, we have analysed the sensitivities such as the impact on the headroom if the growth rate would be decreased or the discount rate would be increased. We also assessed the adequacy of the Group's disclosures included in note 5 of the consolidated financial statements about those assumptions to which the outcome of the impairment test is more sensitive. The Group's policy on assessing impairment of these items is given in note 2(j) of the consolidated financial statements.

Other information included in the Group's 2017 Annual Report

Management is responsible for the other information. Other information comprises the information included in the Group's 2017 Annual Report, other than the consolidated financial statements and our auditors' report thereon.

Prior to the date of this auditor's report, we obtained the Board of Directors' report which forms part of the annual report and the remaining sections of the annual report are expected to be made available to us after that date.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on other information that we have obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Our opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those Charged with Governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate to Those Charged with Governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide to Those Charged with Governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to Those Charged with Governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS (CONTINUED)

Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion, proper books of accounts have been kept by the Company and the consolidated financial statements, together with the contents of the report of the Company's Board of Directors relating to these consolidated financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all the information that is required by the Companies Law No. 1 of 2016 and its Executive Regulations and by the Company's Memorandum of Incorporation and Articles of Association, as amended; that an inventory was duly carried out; and that, to the best of our knowledge and belief, no violations of the Companies Law No. 1 of 2016 and its Executive Regulations or of the Company's Memorandum of Incorporation and Articles of Association, as amended, have occurred during the year ended 31 December 2017 that might have had a material effect on the business of the Company or on its consolidated financial position.

Bader A. Al-Wazzan
License No. 62A
Deloitte & Touche
Al-Wazzan & Co.

Kuwait
5 February 2018

Consolidated statement of financial position
as at 31 December 2017

	Note	2017 KD 000's	2016 KD 000's
ASSETS			
Non-current assets			
Property and equipment	*4*	**563,555**	636,145
Intangible assets and goodwill	*5*	**389,381**	437,625
Available for sale financial assets	*6*	**6,695**	6,250
Deferred tax asset	*7*	**22,225**	19,607
Other non-current assets		**2,067**	1,301
		983,923	1,100,928
Current assets			
Inventories		**26,120**	18,257
Trade and other receivables	*8*	**181,375**	139,657
Bank balances and cash	*9*	**128,862**	130,557
		336,357	288,471
Total assets		**1,320,280**	1,389,399
EQUITY AND LIABILITIES			
EQUITY			
Share capital	*10*	**50,403**	50,403
Treasury shares	*10*	**(3,598)**	(3,598)
Foreign currency translation reserve		**(252,364)**	(218,122)
Other reserves	*10*	**239,573**	234,674
Retained earnings		**578,400**	579,566
Equity attributable to shareholders of the Company		**612,414**	642,923
Non-controlling interests		**113,917**	115,236
Total equity		**726,331**	758,159
LIABILITIES			
Non-current liabilities			
Long term debts	*11*	**60,191**	120,545
Provision for staff indemnity		**9,527**	8,536
Other non-current liabilities		**19,699**	19,015
		89,417	148,096
Current liabilities			
Trade and other payables	*12*	**348,622**	367,018
Deferred income		**57,302**	43,904
Income tax payable		**22,746**	10,019
Long term debts	*11*	**75,862**	62,203
		504,532	483,144
Total liabilities		**593,949**	631,240
Total equity and liabilities		**1,320,280**	1,389,399

Saud Bin Nasser Al Thani
Chairman

ooredoo
Chairman Office مكتب الرئيس

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

Consolidated statement of profit or loss
for the year ended 31 December 2017

	Note	2017 KD 000's	2016 KD 000's
Revenue		**697,632**	706,841
Operating expenses		**(290,454)**	(301,587)
Selling, general and administrative expenses		**(169,447)**	(184,131)
Finance costs – net	*13*	**(8,501)**	(10,322)
Depreciation and amortisation	*4 & 5*	**(145,096)**	(144,663)
Other (expenses)/income – net		**(5,009)**	6,047
Impairment loss on investments	*6*	**(256)**	(134)
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		**78,869**	72,051
Provision for Directors' remuneration		**(600)**	(600)
Provision for contribution to KFAS, NLST and Zakat	*15*	**(1,854)**	(2,436)
Profit before taxation		**76,415**	69,015
Taxation related to subsidiaries	*7*	**(24,853)**	1,632
Profit for the year		**51,562**	70,647
Attributable to:			
Shareholders of the Company		**39,536**	46,668
Non-controlling interests		**12,026**	23,979
		51,562	70,647
Basic and diluted earnings per share (fils)	*16*	**79**	93

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

Consolidated statement of comprehensive income
for the year ended 31 December 2017

	2017 KD 000's	2016 KD 000's
Profit for the year	**51,562**	70,647
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	**444**	(172)
Impairment loss on investments (note 6)	**256**	134
Exchange difference transferred to consolidated statement of profit or loss	**-**	(2)
Exchange differences arising on translation of foreign operations and fair value reserve	**(41,250)**	(44,329)
Total items that are or may be reclassified subsequently to the consolidated statement of profit or loss	**(40,550)**	(44,369)
Other comprehensive loss for the year	**(40,550)**	(44,369)
Total comprehensive income for the year	**11,012**	26,278
Attributable to:		
Shareholders of the Company	**5,994**	7,583
Non-controlling interests	**5,018**	18,695
	11,012	26,278

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

Consolidated statement of changes in equity
for the year ended 31 December 2017

	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 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) / income 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 voluntary 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
Comprehensive income								
Profit for the year	**-**	**-**	**-**	**-**	**39,536**	**39,536**	**12,026**	**51,562**
Other comprehensive (loss) / income for the year	**-**	**-**	**(34,242)**	**700**	**-**	**(33,542)**	**(7,008)**	**(40,550)**
Total comprehensive (loss) / income for the year	**-**	**-**	**(34,242)**	**700**	**39,536**	**5,994**	**5,018**	**11,012**
Transfer to employee association fund	**-**	**-**	**-**	**-**	**(137)**	**(137)**	**(46)**	**(183)**
Effect of dilution of ownership interest**	**-**	**-**	**-**	**-**	**6,233**	**6,233**	**1,593**	**7,826**
Dividends (note 10)	**-**	**-**	**-**	**-**	**(42,599)**	**(42,599)**	**(7,884)**	**(50,483)**
Transfer to voluntary reserve (note 10)	**-**	**-**	**-**	**4,199**	**(4,199)**	**-**	**-**	**-**
Balance at 31 December 2017	**50,403**	**(3,598)**	**(252,364)**	**239,573**	**578,400**	**612,414**	**113,917**	**726,331**

*Includes an amount of KD 5,302 thousand related to legal reserve for one of the subsidiaries, not available for distribution.

** This represents gain on dilution of the 9.50% of the Company's shareholding in Ooredoo Maldives Public Limited Company.

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

Consolidated statement of cash flows
for the year ended 31 December 2017

	Note	2017 KD 000's	2016 KD 000's
Cash flows:			
Profit for the year		**51,562**	70,647
Adjustments for:			
Depreciation and amortisation	*4 & 5*	**145,096**	144,663
Finance income	*13*	**(2,242)**	(1,837)
Impairment loss on investments	*6*	**256**	134
Provision for impairment of receivables	*8*	**15,958**	6,212
Taxation relating to subsidiaries	*7*	**24,853**	(1,632)
Loss on disposal and write off of property and equipment and intangibles		**135**	61
Reversal of impairment loss on intangible assets	*5*	**(685)**	-
Finance costs	*13*	**10,743**	12,159
Provision for KFAS, NLST and Zakat	*15*	**1,854**	2,436
Provision for staff indemnity		**1,960**	1,917
		249,490	234,760
Changes in:			
Trade and other receivables and other non-current assets		**(57,683)**	(6,193)
Inventories		**(8,027)**	17,002
Trade and other payables and other non-current liabilities		**(26,017)**	(4,579)
Cash generated from operating activities		**157,763**	240,990
Payment for staff indemnity		**(1,110)**	(479)
Net cash generated from operating activities		**156,653**	240,511
Cash flows from investing activities:			
Term deposits		**(33,332)**	37,050
Purchase of property and equipment		**(68,205)**	(113,826)
Proceeds from disposal of property and equipment		**836**	2,426
Acquisition of intangible assets	*5*	**(6,667)**	(36,407)
Acquisition of subsidiary		**-**	(10,934)
Proceeds from share issue of a subsidiary		**7,826**	-
Finance income received		**2,242**	1,837
Net cash used in investing activities		**(97,300)**	(119,854)
Cash flows from financing activities:			
Finance costs paid		**(10,743)**	(12,159)
Dividends paid		**(42,523)**	(49,587)
Dividend paid by subsidiary to non-controlling interests		**(3,844)**	(4,332)
Payment to employee association fund		**(183)**	(2,440)
Repayment of long term debts (net)		**(37,233)**	(21,584)
Net cash used in financing activities		**(94,526)**	(90,102)
Effect of foreign currency translation		**146**	22,624
Net change in cash and cash equivalents		**(35,027)**	53,179
Cash and cash equivalents at 1 January		**112,961**	59,782
Cash and cash equivalents at 31 December	*9*	**77,934**	112,961

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 Investments L.L.C. ("Parent Company") a subsidiary of Ooredoo Q.P.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 2017 was 486 (2016: 550)

These consolidated financial statements were approved for issue by the Board of Directors of the Company on 5 February 2018 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 at fair value of available for sale financial assets.

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

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.

c) New standards and amendments effective from 1 January 2017

The accounting policies applied are consistent with those used in the previous year. Amendments to IFRSs which are effective for annual accounting period starting from 1 January 2017 did not have any material impact on the accounting policies, financial position or performance of the Group.

d) Standards issued but not yet effective

A number of new standards, amendments to standards and interpretations which are effective for annual periods beginning on or after 1 January 2018 have not been early adopted in the preparation of the Group's consolidated financial statements. None of these are expected to have a significant impact on the consolidated financial statements of the Group except the following:

IFRS 9: Financial Instruments

The IASB issued the final version of IFRS 9 "Financial Instruments" in July 2014 that replaces IAS 39 "Financial Instruments: Recognition and Measurement" and all previous versions of IFRS 9. IFRS 9 brings together all threes aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions.

The Group plans to adopt the new standard on the required effective date from 1 January 2018. The Group will avail of the exemption allowing it not to restate comparative information for prior periods. Differences in the carrying amounts of financial asset and financial liabilities resulting from the adoption of IFRS 9 will be recognised in opening retained earnings and reserves as at 1 January 2018.

a. Classification and measurement

IFRS 9 has a new classification and measurement approach for financial assets that reflect the business model in which assets are managed and their cash flow characteristics. IFRS 9 contains three classification categories for financial assets: Measured at Amortised Cost; Fair Value through Other Comprehensive Income ("FVOCI") (with and without recycling of gains or losses to profit or loss on derecogintion of debt and equity instruments, respectively); and Fair Value Through Profit or Loss ("FVTPL"). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale.

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

The Group has evaluated the classification and measurement criteria to be adopted for various financial assets considering the IFRS 9 requirements. The Group does not expect a significant impact on its consolidated statement of financial position from applying the classification and measurement requirements of IFRS 9.

b. Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' ("ECL") model. This will require considerable judgement about how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis. The Group is allowed to compute the life time expected credit loss of its trade receivables under simplified approach.

The impairment requirement apply to financial assets measured at amortised cost.

The Group is continuing to analyse the impact of the changes and currently does not consider it likely to have a major impact on its adoption. This assessment is based on currently available information and is subject to changes that may arise when the Group presents its first interim financial statements on 31 March 2018 that includes the effects of it application from the effective date.

IFRS 15: Revenue from Contracts with customers

IFRS 15 was issued by IASB on 28 May 2014, effective for annual periods beginning on or after 1 January 2018. IFRS 15 supersedes IAS 11 Construction Contracts and IAS 18 Revenue along with related IFRIC 13, IFRIC 15, IFRIC 18 and SIC 31 from the effective date. This new standard removes inconsistencies and weaknesses in previous revenue recognition requirements, provides a more robust framework for addressing revenue issues and improves comparability of revenue recognition practices across entities, industries, jurisdictions and capital markets.

The Group is continuing to analyse the impact of the changes and its impact will be disclosed in the first interim financial statements as of 31 March 2018 that includes the effects of it application from the effective date.

IFRS 16: Leases

In January 2016, the IASB issued IFRS 16 'Leases' with an effective date of annual periods beginning on or after 1 January 2019. IFRS 16 results in lessees accounting for most leases within the scope of the standard in a manner similar to the way in which finance leases are currently accounted for under IAS 17 'Leases'. Lessees will recognise a 'right of use' asset and a corresponding financial liability on the balance sheet. The asset will be amortised over the length of the lease and the financial liability measured at amortised cost. Lessor accounting remains substantially the same as in IAS 17. The Group is in the process of evaluating the impact of IFRS 16 on the Group's financial statements.

e) Basis of consolidation

These consolidated financial statements include the financial statements of the Company and its subsidiaries (note 14).

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.

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

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.

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.

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

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 re-measured 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.

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).

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

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.

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.

f) 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)

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.

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.

g) 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.

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

h) 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.

i) 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).

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

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.

j) 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 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).

k) 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.

l) 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.

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

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.

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.

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

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.

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.

m) 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.

n) 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.

o) 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.

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

p) 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.

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 and vouchers

Sale of prepaid cards and vouchers 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.

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.

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

q) 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 maintains a deferred revenue balance for the fair value of loyalty points earned and not yet redeemed.

This 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.

r) 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.

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.

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

s) 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

t) 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.

u) 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.

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

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 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 22).

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.

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.

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

Impairment of goodwill

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

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 194,703 thousand (2016: KD 159,987 thousand), and the allowance for doubtful debts was KD 74,097 thousand (2016: KD 60,414 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 31,181 thousand (2016: KD 24,789 thousand) and provision for obsolete inventory items was KD 5,061 thousand (2016: KD 6,532 thousand).

Deferred tax

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

Were the actual final outcome (on the judgment areas) of expected cash flows to differ by 10% from management's estimates, the Group would need to increase the income tax liability by 2,846 KD thousand (2016: KD 1,607 thousand) and the deferred tax asset by KD 361 thousand (2016: KD 1,771 thousand) if unfavorable or decrease the income tax liability by KD 2,846 thousand (2016: KD 1,607 thousand) and the deferred tax asset by KD 361 thousand (2016: KD 1,771 thousand), if favorable.

4. Property and equipment

	Land and buildings KD 000's	Exchange and network assets KD 000's	Subscriber apparatus and other equipment KD 000's	Capital work-in progress KD 000's	Total KD 000's
Cost					
Balance at 1 January 2016	63,005	1,001,410	125,511	81,197	1,271,123
	-	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
Transfers	**1,393**	**52,120**	**9,928**	**(63,880)**	**(439)**
Additions*	**466**	**62,539**	**6,128**	**36,943**	**106,076**
Disposals*	**(2)**	**(81,202)**	**(7,230)**	**-**	**(88,434)**
Currency translation effects	**(1,624)**	**(45,070)**	**(3,512)**	**(3,122)**	**(53,328)**
Balance at 31 December 2017	**63,268**	**1,044,514**	**141,112**	**57,059**	**1,305,953**
Accumulated depreciation and impairment					
Balance at 1 January 2016	19,030	502,817	88,473	-	610,320
Acquisition Of Subsidiary	-	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
Transfers	**43**	**(43)**	**-**	**-**	**-**
Charge for the year	**4,022**	**99,909**	**14,039**	**-**	**117,970**
Related to disposals*	**(2)**	**(44,673)**	**(4,917)**	**-**	**(49,592)**
Currency translation effects	**(1,012)**	**(27,957)**	**(2,944)**	**-**	**(31,913)**
Balance at 31 December 2017	**25,596**	**608,157**	**108,645**	**-**	**742,398**
Carrying amounts:					
At 31 December 2016	40,490	475,206	33,331	87,118	636,145
At 31 December 2017	**37,672**	**436,357**	**32,467**	**57,059**	**563,555**
Annual depreciation rates	3.3%-23%	9.8%-22.5%	17.5%-33.33%		

*This includes network assets written off, which was replaced with equipment from a new vendor. The Company received a compensation of equal amount from the vendor.

4. Property and equipment (Continued)

Property and equipment of Wataniya Palestine Mobile Telecom Limited (WPT) totalling to KD 26,430 thousand (2016: 14,167 thousand) are under registered mortgage to secure certain bank loans (note 11).

Certain assets classified under leasehold land, furniture, fixtures and others amounting to KD 31 thousand (2016: KD 90 thousand) were acquired under finance lease agreements for which the current portion of the respective obligations amounting to KD 22 thousand (2016: KD 56 thousand) is included under trade and other payables and the non-current portion from 1 to 5 years amounting to KD 9 thousand (2016: KD 34 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 2016	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
Transfers	**-**	**439**	**-**	**439**
Additions	**-**	**6,667**	**-**	**6,667**
Currency translation effects	**(17,027)**	**(24,043)**	**(856)**	**(41,926)**
Balance at 31 December 2017	**197,720**	**423,976**	**9,836**	**631,532**
Accumulated amortisation and impairment				
Balance at 1 January 2016	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
Charge for the year	**-**	**27,126**	**-**	**27,126**
Reversal of impairment loss	**-**	**(685)**	**-**	**(685)**
Currency translation effects	**(1,188)**	**(10,973)**	**(856)**	**(13,017)**
Balance at 31 December 2017	**13,756**	**218,559**	**9,836**	**242,151**
Carrying amounts				
At 31 December 2016	199,803	237,822	-	437,625
At 31 December 2017	**183,964**	**205,417**	**-**	**389,381**
Amortisation rate	-	6%-15%	16.67%	

Goodwill of KD 182,037 thousand (2016: 197,876) is allocated to Ooredoo Tunisie S.A. and KD 1,927 thousand (2016: KD 1,927 thousand) to Fast Telecommunications Company W.L.L., which are the Group's cash generating units (CGUs).

The estimated recoverable amount of Ooredoo Tunisie S.A. and Fast Telecommunications Company W.L.L exceeded the carrying amount by KD 59,466 thousand (2016: 35,975 thousand) and KD 23,600 thousdand respectively.

5. Intangible assets and goodwill (Continued)

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.

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

	2017 %	2016 %
Discount rate	10.01 % -14%	10.53

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 3.86%.

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

	2017 KD 000's	2016 KD 000's
Listed equity securities	**-**	144
Unlisted equity securities	**6,695**	6,106
	6,695	6,250

Movement in available for sale financial assets is as follows:

	2017 KD 000's	2016 KD 000's
Balance at beginning of the year	**6,250**	6,438
Impairment loss on value of investments	**(256)**	(134)
Net unrealised gain / (loss)	**700**	(38)
Foreign exchange difference	**1**	(16)
Balance at end of the year	**6,695**	6,250

At 31 December 2017, unlisted equity investments with a net amount of KD 2,000 thousand (2016: KD 2,133 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 2017, available for sale financial assets amounting to KD 6,682 thousand (2016: KD 6,093 thousand) is denominated in Kuwaiti Dinars and the remaining in US Dollars.

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:

	2017 KD 000's	2016 KD 000's
Current tax		
Current income tax charge	**28,023**	16,074
Adjustment in respect of previous year income tax	**437**	-
	28,460	16,074
Deferred tax		
Relating to origination and reversal of temporary differences	**(3,607)**	(17,706)
Income tax included in the consolidated statement of profit or loss	**24,853**	(1,632)

The Company is not subject to income tax in the State of Kuwait. The effective tax rate applicable to the taxable subsidiary companies is 24.84% (2016: 15.34%). 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 in each subsidiary's 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 below 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:

	2017 KD 000's	2016 KD 000's
Profit before taxation in consolidated statement of profit or loss	**76,415**	69,015
Profit of the Company and its subsidiaries that are not subject to corporate income tax	**3,413**	22,024
Profit of subsidiaries that are subject to corporate income tax	**79,828**	91,039
Add:		
Allowances, accruals and other temporary differences	**20,362**	1,733
Expenses and income that are not subject to corporate tax	**13,724**	11,472
Depreciation – net	**674**	684
Taxable profit of subsidiaries that are subject to corporate income tax	**114,588**	104,928
Current income tax charge at the effective income tax rate of 24.84% (2016: 15.34%)	**28,460**	16,074
Current income tax charge	**28,460**	16,074

Deferred tax

The deferred tax asset of KD 22,225 thousand as at 31 December 2017 (2016: KD 19,607 thousand) has been recognised on account of allowances, accruals and other temporary differences in Wataniya Telecom Algerie S.P.A., Ooredoo Maldives Public Limited Company and Ooredoo Tunisie S.A.

Movement in deferred tax asset during the year:

	2017 KD 000's	2016 KD 000's
Opening balance	**19,607**	2,046
Benefit to the consolidated statement of profit or loss	**3,607**	17,706
Foreign exchange differences	**(989)**	(145)
Closing balance	**22,225**	19,607

8. Trade and other receivables

	2017 KD 000's	2016 KD 000's
Trade and billing receivables	**171,997**	148,352
Unbilled revenue	**7,282**	6,412
Advances and prepayments	**52,338**	32,821
Interest receivable	**1,149**	851
Other receivables	**22,706**	11,635
	255,472	200,071
Less: allowance for doubtful debts	**(74,097)**	(60,414)
	181,375	139,657

Advances and prepayments include advance payments to suppliers amounting to KD 9,556 thousand (2016: KD 12,166 thousand).

Movement in the allowance for doubtful debts is as follows:

	2017 KD 000's	2016 KD 000's
Balance at beginning of the year	**60,414**	52,691
Acquisition of Subsidiary	**-**	2,274
Charge for the year	**15,958**	6,212
Amounts written off as uncollectible	**(1,516)**	(171)
Amount recovered during the year	**-**	(192)
Foreign exchange differences	**(759)**	(400)
Balance at end of the year	**74,097**	60,414

Ageing of unimpaired trade receivables is as follows:

			Past due not impaired			
	Total KD 000's	Neither past due nor impaired KD 000's	< 30 days KD 000's	30 – 60 days KD 000's	60 – 90 days KD 000's	> 90 days KD 000's
2017	**97,900**	**48,271**	**9,121**	**8,664**	**7,720**	**24,124**
2016	87,938	49,315	11,435	6,080	5,037	16,071

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

9. Bank balances and cash

	2017 KD 000's	2016 KD 000's
Cash and bank balances	**69,386**	97,463
Deposits	**59,476**	33,094
Bank balances and cash in the consolidated statement of financial position	**128,862**	130,557
Deposits with original maturities of three months or more	**(50,928)**	(17,596)
Cash and cash equivalents in the consolidated statement of cash flows	**77,934**	112,961

The effective interest rate on interest-earning deposits ranged from 1.75 % to 7.98 % (2016: 1.75% to 7.45%) per annum.

Included in deposits with original maturities of three months or more is an amount of KD 7,864 thousand (2016: KD 723 thousand) which is restricted in accordance with a syndicated loan agreement (refer to note 11) and other obligations entered into by a Subsidiary and the Company.

10. Equity

a) Share capital

The authorised, issued and fully paid up share capital as at 31 December 2017 consists of 504,033 thousand shares (2016: 504,033 thousand shares) of 100 fils each, contributed in cash.

b) Treasury shares

	2017	2016
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)	**3,101**	3,445

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) Voluntary 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 voluntary reserve until the shareholders decide to discontinue the transfer to the voluntary reserve. During the current year, an amount of KD 4,199 thousand has been transferred to voluntary reserve (2016: KD 4,971 thousand).

e) Proposed dividends

The Board of Directors proposed a cash dividend of 70 fils per share for the year ended 31 December 2017 (2016: 85 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 19 March 2017, approved the consolidated financial statements of the Group for the year ended 31 December 2016 and the payment of cash dividend of 85 fils per share for the year ended 31 December 2016 (2015: cash dividend of 100 fils per share) to the Company's shareholders existing as at 19 March 2017.

10. Equity (Continued)

f) Other reserves

	Share premium KD 000's	Statutory reserve KD 000's	Voluntary reserve KD 000's	Gain on sale of treasury shares KD 000's	Fair value reserve KD 000's	Other reserves	Total reserves
Balance at 31 December 2015	66,634	32,200	120,717	6,914	(136)	3,412	229,741
Comprehensive income							
Other comprehensive loss for the year	-	-	-	-	(38)	-	(38)
Transfer to voluntary reserve	-	-	4,971	-	-	-	4,971
Balance at 31 December 2016	66,634	32,200	125,688	6,914	(174)	3,412	234,674
Comprehensive income							
Other comprehensive income for the year	**-**	**-**	**-**	**-**	**700**	**-**	**700**
Transfer to voluntary reserve	**-**	**-**	**4,199**	**-**	**-**	**-**	**4,199**
Balance at 31 December 2017	**66,634**	**32,200**	**129,887**	**6,914**	**526**	**3,412**	**239,573**

11. Long term debts

	Current		Non-current	
	2017 KD 000's	**2016 KD 000's**	**2017 KD 000's**	**2016 KD 000's**
Due to local banks	**34,575**	13,900	**-**	175
Due to local banks related to subsidiaries	**39,748**	45,565	**49,409**	108,946
Due to foreign banks	**1,539**	2,738	**10,782**	11,424
	75,862	62,203	**60,191**	120,545

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

	Carrying amounts		Fair values	
	2017 KD 000's	**2016 KD 000's**	**2017 KD 000's**	**2016 KD 000's**
Fixed rates	**69,514**	98,997	**69,692**	99,083
Floating rates	**66,539**	83,751	**67,144**	85,096
	136,053	182,748	**136,836**	184,179

11. Long term debts (Continued)

The details of long term debts are as follows:

Description	**2017 KD 000's**	**2016 KD 000's**
a) Unsecured debts of Wataniya Telecom Algerie S.P.A.'s ("WTA") from banks in Algeria which are subject to various obligations and financial covenants over the terms of those debts. The loans bear interest rates of 5.5% per annum (2016: 5.5 % per annum). The repayment term is made in installments from March 2017 up to September 2020. These are denominated in Algerian Dinar.	**34,901**	84,388
b) Debts from banks in Palestine which are secured by assets of Wataniya Palestine Mobile Telecom Limited ("WPT"). The loans bear annual interest rates ranging from LIBOR plus 5 % to 5.85% per annum (2016: LIBOR plus 5% to 5.85% per annum) and are repayable in semiannual installments commencing 15 January 2011 and ending 15 June 2021. These are denominated in US Dollar.	**24,310**	18,279
c) Unsecured debts of the Company from banks in Kuwait which are subject to certain financial covenants over the terms of those debts. The loans bear annual interest rates of 3.15% per annum (2016 : 2.65% per annum) over the Central Bank of Kuwait discount rate. These are denominated in Kuwait Dinar.	**34,400**	13,600
d) Unsecured debts of Ooredoo Tunisie S.A. from banks in Tunisia which are subject to certain financial covenants to be complied on an annual basis. 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 (2016: Central Bank of Tunisia plus 1.1% to 1.75%). 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.	**40,578**	63,236
e) The facility is secured by fixed deposits of Ooredoo Maldives PLC ("OMPL" previously "WTM"s). The loans bear an interest rate of 1 month of US $ LIBOR plus 4.6 % per annum, interest rate of 3% per annum or one month LIBOR plus 3% (whichever is higher), 6% per annum and 3% per annum or one month LIBOR plus 3% (whichever is higher) (2016: 1 month of US $ LIBOR plus 4.6 % per annum, interest rate of 3% per annum or one month LIBOR plus 3% (whichever is higher), 4% and 6% per annum). The loans are repayable within 36 monthly , 30 monthly, 24 monthly and 30 monthly instalments respectively with accrued interest (2016: 36, 30, 23 and 24 equal monthly instalments). These are denominated in US Dollar.	**1,689**	2,770
f) Murabaha facility from a bank in Kuwait secured by a guarantee given by a subsidiary. This is repayable in equal instalments and carries a profit rate of 7.5% (2016: 7.5% per annum). This is denominated in Kuwaiti Dinar.	**175**	475
	136,053	182,748

12. Trade and other payables

	2017 KD 000's	2016 KD 000's
Accruals	**170,235**	180,955
Trade payables	**70,144**	70,769
Amounts due to related parties (note 17)	**50,970**	54,080
Other tax payable	**14,594**	14,511
Staff payable	**10,919**	13,263
Dividends payable	**16,089**	11,973
Other payables	**15,671**	21,467
	348,622	367,018

13. Finance costs - net

	2017 KD 000's	2016 KD 000's
Finance income	**2,242**	1,837
Finance costs	**(10,743)**	(12,159)
	(8,501)	(10,322)

14. Subsidiaries and non-controlling interests

Significant subsidiaries of the Company are as follows:

Name of subsidiaries	Country of incorporation	Voting capital held 2017	Voting capital held 2016
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) (subsidiary of WTI))	Maldives	**90.50%**	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.	Tunisia	**75%**	75%
Ooredoo Consortium Limited	Malta	**100%**	100%
Ooredoo Tunisia Holding Limited	Malta	**100%**	100%
Fast Telecommunications Company W.L.L.	Kuwait	**99%**	99%

14. Subsidiaries and non-controlling interests (Continued)

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 2017	WTA KD'000's	WPT KD'000's	Ooredoo Tunisie S.A. KD'000's
Non-current assets	**301,426**	**66,087**	**132,524**
Current assets	**130,984**	**18,733**	**41,159**
Non-current liabilities	**(14,663)**	**(43,104)**	**(25,753)**
Current liabilities	**(195,562)**	**(23,137)**	**(89,378)**
Net assets	**222,185**	**18,579**	**58,552**
Carrying amount of NCI	**64,434**	**9,577**	**14,638**
Revenue	**285,146**	**25,980**	**127,474**
Profit / (loss) and total comprehensive income / (loss)	**41,348**	**(2,012)**	**3,926**
Profit / (loss) allocated to NCI	**11,991**	**(1,037)**	**982**
Cash flows from operating activities	**80,526**	**4,100**	**45,830**
Cash flows used in investing activities	**(18,720)**	**(4,383)**	**(19,419)**
Cash flows from / (used in) financing activities	**(74,071)**	**6,775**	**(39,844)**
Net increase / (decrease) in cash and cash equivalents	**(12,265)**	**6,492**	**(13,433)**

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. Provision for contribution to KFAS, NLST and Zakat

	2017 KD 000's	2016 KD 000's
KFAS	**(420)**	(407)
NLST	**(875)**	(1,422)
Zakat	**(559)**	(607)
	(1,854)	(2,436)

16. 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:

	2017	2016
Profit for the year attributable to shareholders of the Company (KD 000's)	**39,536**	46,668
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)	**79**	93

There are no potential dilutive shares as at 31 December 2017 (2016: nil).

17. Related party transactions

Related parties represent major shareholders, directors and key management personnel of the Group and entities controlled, 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	
	2017 KD 000's	2016 KD 000's
a) Balances included in the consolidated statement of financial position		
Payable to Ooredoo Group L.L.C – fellow subsidiary	**49,174**	42,807
Payable to ultimate parent company	**430**	8,961
Payable to Ooredoo IP L.L.C – fellow subsidiary	**1,366**	2,312
Amounts due to related parties (note 12)	**50,970**	54,080

	Year ended 31 December	
	2017 KD 000's	2016 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	**14,671**	17,381
Brand license fees to Ooredoo IP L.L.C - fellow subsidiary	**3,780**	2,308
c) Compensation of key management personnel:		
Short term benefits	**5,993**	8,344
Termination benefits	**531**	541
	6,524	8,885

18. 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.

18. Operating segments (Continued)

	Inside Kuwait	Outside Kuwait					
		Tunisia	**Algeria**	**Maldives**	**Others**	**Un-allocated**	**Total**
	KD 000's	**KD 000's**	**KD 000's**	**KD 000's**	**KD 000's**	**KD 000's**	**KD 000's**
31 December 2017							
Segment revenues	**222,745**	**127,474**	**285,146**	**36,287**	**25,980**	**-**	**697,632**
Profit / (loss)	**2,177**	**3,926**	**41,348**	**11,425**	**(2,256)**	**(5,058)**	**51,562**
Segment assets	**289,264**	**172,948**	**411,251**	**63,480**	**84,845**	**269,572**	**1,291,360**
Investments and other assets	**6,695**	**736**	**21,159**	**330**	**-**	**-**	**28,920**
Total assets	**295,959**	**173,684**	**432,410**	**63,810**	**84,845**	**269,572**	**1,320,280**
Segment liabilities	**133,592**	**48,322**	**175,324**	**17,484**	**73,647**	**-**	**448,369**
Debt and other obligations	**42,187**	**40,578**	**34,901**	**1,689**	**26,225**	**-**	**145,580**
Total liabilities	**175,779**	**88,900**	**210,225**	**19,173**	**99,872**	**-**	**593,949**
Other information							
Impairment loss on available for sale financial assets (note 6)	**(123)**	**(133)**	**-**	**-**	**-**	**-**	**(256)**
Purchase of property and equipment	**54,377**	**15,736**	**15,071**	**4,336**	**16,556**	**-**	**106,076**
Acquisition of intangible assets	**874**	**1,618**	**3,836**	**325**	**14**	**-**	**6,667**
Depreciation and impairment of property and equipment	**(30,709)**	**(25,844)**	**(54,027)**	**(4,261)**	**(3,129)**	**-**	**(117,970)**
Amortisation of intangible assets	**(638)**	**(5,410)**	**(12,004)**	**(638)**	**(3,378)**	**(5,058)**	**(27,126)**
Provision for staff indemnity	**(1,509)**	**-**	**(90)**	**-**	**(361)**	**-**	**(1,960)**

18. Operating segments (Continued)

	Inside Kuwait KD 000's	Outside Kuwait: Tunisia KD 000's	Outside Kuwait: Algeria KD 000's	Outside Kuwait: Maldives KD 000's	Outside Kuwait: Others KD 000's	Outside Kuwait: Un-allocated KD 000's	Total 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	1,368	-	113,826
Acquisition of intangible assets	177	21,446	13,974	315	495	-	36,407
Depreciation and impairment of property and equipment	(28,921)	(26,309)	(55,896)	(3,788)	(2,837)	-	(117,751)
Amortisation of intangible assets	(477)	(10,169)	(12,207)	(682)	(3,015)	(362)	(26,912)
Provision for staff indemnity	(1,463)	-	(97)	-	(357)	-	(1,917)

19. Contingencies and Commitments

	2017 KD 000's	2016 KD 000's
a) Capital commitments		
For the acquisition of property and equipment	**60,681**	33,879
For the acquisition of mobile license in a subsidiary	**48,215**	48,795
	108,896	82,674

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:

	2017 KD 000's	2016 KD 000's
Not later than one year	**8,216**	8,117
Later than one year but not later than five years	**29,828**	29,029
Later Than five years	**981**	-
	39,025	37,146

	2017 KD 000's	2016 KD 000's
c) Contingent liabilities		
Letters of guarantee	**2,942**	1,932
Letters of credit	**13,887**	3,107
	16,829	5,039

Litigation and claims :

Ooredoo Tunisie S.A. received additional tax claims amounting to KD 12,324 thousand (including penalties and interests) for assessment periods 1 January 2013 to 31 December 2015. Management has responded to this notification and believes that the prospects of the tax claims matter being resolved in Group's favour are good.

Wataniya Telecom Algerie S.P.A. received additional tax claims amounting to KD 10,152 thousand for assessment periods 1 January 2013 to 31 December 2013. Management has responded to this notification and believes that the prospects of the tax claims matter being resolved in Group's favour are good.

A part of the regulatory tariff levied on mobile telecommunication operators in Kuwait by the Ministry of Communications since 26 July 2011 has been invalidated by the Kuwait Court of Cassation in April 2017. Accordingly, the Group has contingent assets in the form of recovery of excess regulatory tariff paid. The Group is currently estimating the recoverable amount which is subject to approval of the judicial authorities.

20. 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.

20. Financial instruments and risk management (Continued)

The Board of Directors provide written principles for overall risk management, and specifically to cover 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.

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:

	2017	**2016**
	KD 000's Equivalent	**KD 000's Equivalent**
US Dollar	**(25,231)**	(15,070)
MVR Rufiyaa	**29,251**	-
Tunisian Dinar	**(63,410)**	(75,948)
Algerian Dinar	**(49,716)**	(125,364)
UAE Dirham	**(36,224)**	(32,718)

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.

	2017	**2016**
	Effect on equity KD 000's	**Effect on equity KD 000's**
US Dollar	**2,523**	1,507
MVR Rufiyaa	**(2,925)**	-
Tunisian Dinar	**6,341**	7,595
Algerian Dinar	**4,972**	12,536
UAE Dirham	**3,622**	3,272

20. Financial instruments and risk management (Continued)

Market risk (Continued)

ii. Interest rate risk management

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

The Group's interest rate risk arises from term borrowings which are detailed in note 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% (2016: 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.

		2017		**2016**	
	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	**(11)**	**(11)**	(5)	(5)
US Dollar	+1	**(12)**	**(12)**	(9)	(9)
MVR Rufiyaa	+1	**2**	**2**	-	-
Tunisian Dinar	+1	**(28)**	**(28)**	(27)	(27)
Algerian Dinar	+1	**(36)**	**(36)**	(63)	(63)

Sensitivity to interest rate movements will be on a symmetric basis. A 1% decrease in interest rate would have the opposite effect.

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.

20. 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	
	2017	**2016**
	KD 000's	**KD 000's**
Bank balances	**126,505**	127,349
Trade and other receivables	**129,037**	106,836
	255,542	234,185

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

	Carrying amount	
	2017	**2016**
	KD 000's	**KD 000's**
Kuwait	**72,670**	60,494
Tunisia	**34,842**	47,672
Algeria	**92,712**	89,525
Maldives	**38,627**	26,668
Palestine	**16,678**	8,259
Other	**13**	1,567
	255,542	234,185

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

	2017	**2016**
	KD 000's	**KD 000's**
Banks and other financial institutions	**126,505**	127,349
Others	**129,037**	106,836
Total	**255,542**	234,185

Credit quality of financial assets

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

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

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

As of 31 December 2017, trade and billing receivables of KD 97,900 thousand (2016: KD 87,938 thousand) were fully performing.

20. Financial instruments and risk management (Continued)

Credit risk management (Continued)

Included in the Group's trade and billing receivables balances are debtors with a carrying amount of KD 49,629 thousand (2016: KD 38,623 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 2017		**High grade**	**Standard Grade**	**Total**
	KD 000's	**KD 000's**	**KD 000's**	**KD 000's**
Bank balances	**117,760**	**8,745**	**-**	**126,505**
Trade and other receivables	**-**	**57,174**	**22,234**	**79,408**
Total	**117,760**	**65,919**	**22,234**	**205,913**

	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

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 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.

20. Financial instruments and risk management (Continued)

Liquidity risk management (Continued)

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 8,549 thousand (2016: KD 15,498 thousand) and other liquid assets of KD 198,422 thousand (2016: KD 204,299 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.

2017	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	**109,527**	**160,852**	**78,243**	**-**	**348,622**	
Long term debt	**83,637**	**36,908**	**28,631**	**5,678**	**154,854**	5.5%
Other non-current liabilities	**-**	**2,724**	**16,975**	**-**	**19,699**	
	193,164	**200,484**	**123,849**	**5,678**	**523,175**	
Commitments and contingencies						
Acquisition of property and equipment	**22,396**	**29,341**	**8,944**	**-**	**60,681**	
Acquisition of mobile license in a subsidiary	**-**	**-**	**-**	**48,215**	**48,215**	
Operating leases	**8,216**	**7,394**	**22,434**	**981**	**39,025**	
Letters of credit and guarantee	**14,852**	**989**	**988**	**-**	**16,829**	
	45,464	**37,724**	**32,366**	**49,196**	**164,750**	

2016	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	115,306	169,340	82,372	-	367,018	
Long term debt	71,870	50,212	85,834	-	207,916	5.6%
Other non-current liabilities	-	2,629	16,386	-	19,015	
	187,176	222,181	184,592	-	593,949	
Commitments and contingencies						
Acquisition of property and equipment	12,504	16,381	4,994	-	33,879	
Acquisition of mobile license in a subsidiary	-	-	-	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. 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.

22. 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:

- 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).

	2017		
	Level 1 KD 000's	**Level 2 KD 000's**	**Total KD 000's**
Available for sale financial assets			
Listed equity securities	-	-	-
Unlisted equity securities	-	**4,695**	**4,695**
	-	**4,695**	**4,695**

	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

22. Fair value of financial instruments (Continued)

There were no transfers between levels during the years ended 31 December 2017 and 31 December 2016.

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.

23. 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.