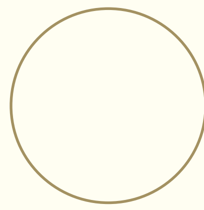
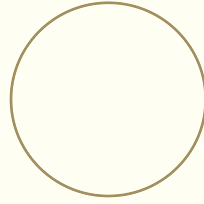
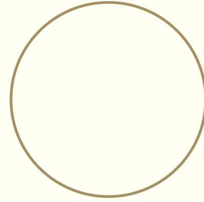
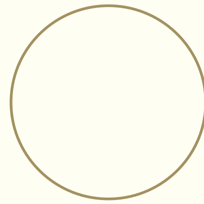
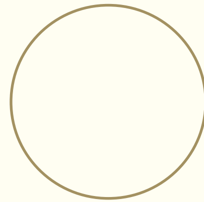

WATANIYA TELECOM

Voices of Wataniya
Annual Report 2007

H.H. Sheikh
Nawaf Al Ahmad Al Jaber Al Sabah
The Crown Prince

H.H. Sheikh
Sabah Al Ahmad Al Jaber Al Sabah
The Amir of the State of Kuwait

H.H. Sheikh
Nasser Al Mohammed Al Ahmed Al Sabah
The Prime Minister

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Chairman's Message

Dear Shareholders,

It was with great pleasure that I became your Chairman at the Board meeting of April 1, 2007. The past year has seen tremendous growth and transformation for Wataniya Telecom, and will be remembered as a defining year for our company.

Wataniya Telecom's extraordinary achievements in 2007 are the result of many strong international factors in growth and development, a new structure, technological investments and the benefits associated with a new significant shareholder.

We have been successful in the pursuit of organic growth in both domestic and international markets, our continued focus on innovation leadership and in generating value for our shareholders.

In our home market of Kuwait, we have seen very good uptake in our leading edge wireless broadband solution in addition to posting strong results in the wireless telephony area. Our investment in Algeria continues to grow, and we have reached a successful resolution with our partners in Tunisia and look forward to continued growth in this operation.

Our network in the Maldives has been further built out as the business continues to grow, and our Bravo network in Saudi Arabia remains highly attractive to the fast growing, and highest value customer segment in the Kingdom.

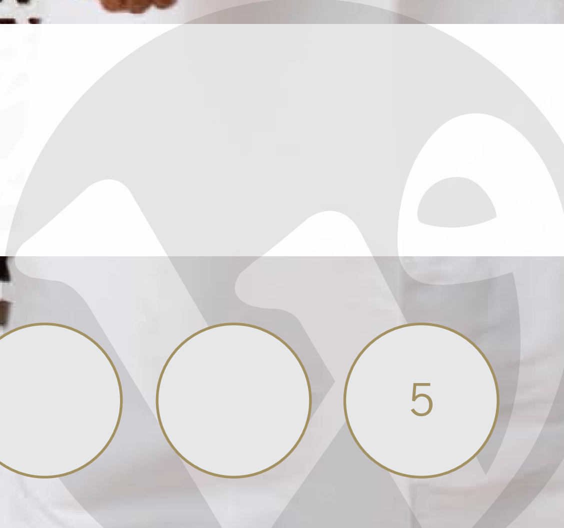
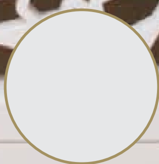
One of Wataniya Telecom's long-standing visions has been innovation leadership. In 2007, we continued to deliver on this focus and saw the nation wide deployment of our wireless next-generation high speed data network in Kuwait. In addition, we continue to evaluate and assess our customer needs in all of our markets in order to ensure we deliver a differentiated and quality customer experience.

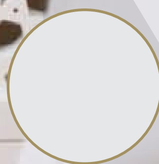
There were other significant changes brought about in 2007, with the introduction of a new significant shareholder, Qatar Telecom (Qtel). We are very pleased with this relationship, and believe it will deliver significant benefits to value creation at Wataniya Telecom. In fact, the association with Qtel brings Wataniya Telecom the benefits of much greater scale & synergies. Indeed, the relationship with Qtel is unprecedented and will help secure Wataniya Telecom's growth trajectory to continue well into the future.

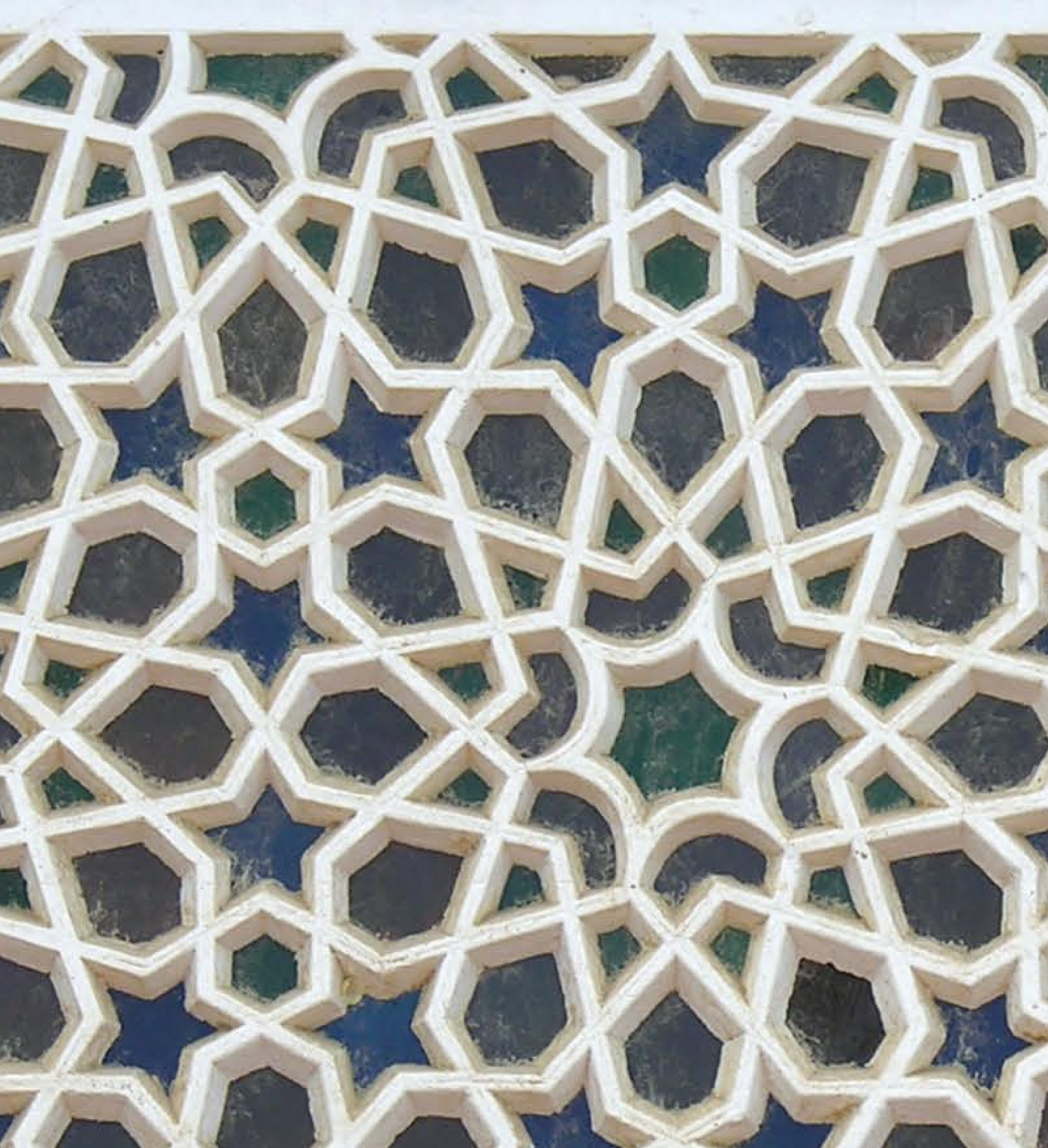
The year 2007 can be characterized by our successes in growing the business in all of our markets, and in our continued focus to differentiate ourselves from competing operators - based on innovation and the delivery of a quality customer experience. These successes and focus ultimately resulted in our new shareholding structure, and strong relationship with Qatar Telecom.

The year 2008 brings new challenges and opportunities to our operations in the region as well as in Kuwait. We are committed to enhancing shareholder value in the years ahead.

Abdullah Bin Mohammed Bin Saud Al Thani
Chairman of the Board





Management Report

Dear Shareholders,

We are pleased to report that continuing growth domestically and major international growth opportunities drove and transformed our business in 2007. Our international growth has kept us rising, while operationally, our new structure, technological investments and the synergies we capture from the Qtel Group, our new majority shareholder have helped significantly.

Our new Chairman, along with the Wataniya Telecom Board of Directors, have a clear vision and strategy that we have tirelessly worked to execute. As you will see from the annual report, we as a team, have risen to the challenge of translating this strategy into strong and tangible results. We want to highlight first the transformation that has brought us to where we are today, second how that has translated into excellent financial performance and finally how we plan to move forward.

The board has entrusted Wataniya Telecom's management with clear strategic direction, to focus on customer growth and in generating value for our shareholders, and in 2007 we have successfully executed on this strategy. We are always pushing the technological boundaries, providing innovation leadership in all of our markets. In Kuwait, our next generation high speed data network has allowed us to provide a leading edge wireless broadband solution and many other products such as video calling, WNet, real time stock information and a 3G wireless camera. With this advanced portfolio of products, we continue to roll out the red carpet treatment and services for our Kuwait customers. In Tunisia, we have mobile internet and personalized ring tones. In Algeria, we have 'Zhoo' - a portal for downloading personalized content, television programs and music. We have invested in our network in the Maldives and our unique Bravo network in Saudi Arabia remains highly attractive to the fast growing, and highest value customers.

These efforts have driven our improved overall financial performance. Our consolidated revenues were KD 407.6 millions, a growth of 26% over 2006. Our home market, Kuwait makes up 52% of our revenues. The largest growth in revenues comes from Algeria (38% growth). The 2007 EBITDA was KD 161.2 millions, 27% growth over last year. Overall EBITDA is largely drawn from Kuwait, 67%. Our EBITDA margins have continued to be strong in all the operating companies, but particularly in Kuwait where they are 40% and 51% for the Group and for the Kuwait stand-alone respectively. Overall, net profit was KD 80.7 millions, a growth of 51.5%. The subscriber base has grown substantially, we ended the year with a total subscriber base of 9,542,055 and proportionate subscribers of 6,359,945.

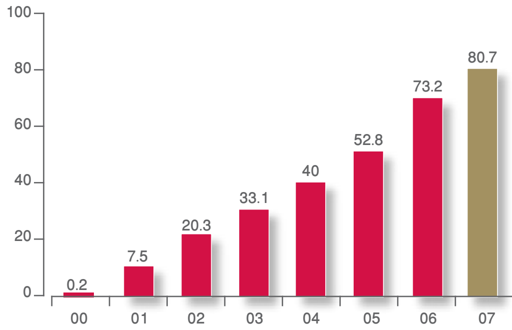
Going forward, we have clear priorities to continue our growth in Kuwait in the face of the third entrant, to accelerate our efforts in Algeria and Tunisia our two biggest growth markets, and to maintain steady progress in both Saudi and the Maldives. We look forward to 2008 with our new structure and successfully meet the challenges ahead.

M. Scott Gegenheimer

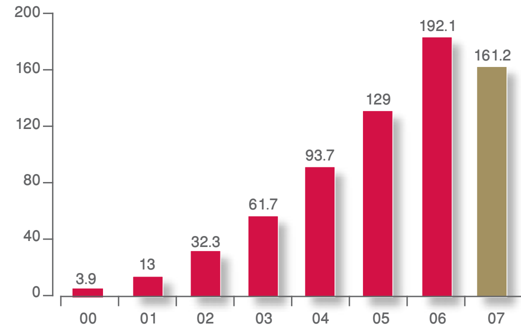
M.Scott Gegenheimer
General Manager & CEO

Financial Highlights

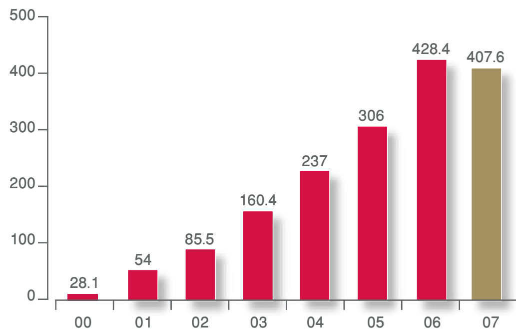
For the year ended 31 December 2007



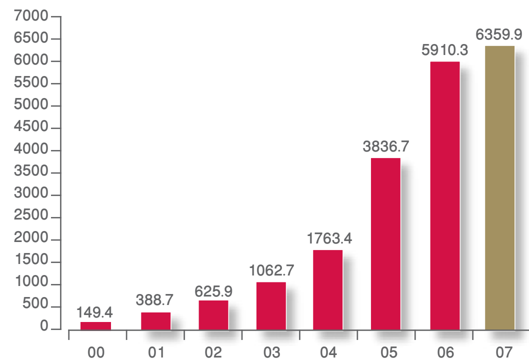
Net Profit (KD Millions)



EBITDA (KD Millions)



Revenue (KD Millions)



Proportional Subscribers (Thousands)

Financial Highlights

For the year ended 31 December 2007

		Year 2007	Year 2006
		KD Millions	KD Millions
KUWAIT			
Wataniya Telecom	Total Subscribers	1,197,688	1,068,679
	Revenue	212.2	178.5
	EBITDA	107.9	85.2
	EBITDA (%)	51%	48%
	Net profit to WT	87.7	63.8
ALGERIA			
Nedjma	Total Subscribers	4,535,983	2,991,024
	Revenue	101.7	73.9
	EBITDA	23.3	14.9
	EBITDA (%)	23%	20%
	Net profit to WT	(9.7)	(11.9)
TUNISIA			
Tunisiana	Total Subscribers	3,651,813	3,069,314
	Revenue	80.6	67.1
	EBITDA	40.2	30.5
	EBITDA (%)	50%	46%
	Net profit to WT	12.9	8.8
IRAQ			
Asiacell	Total Subscribers	0	2,739,891
	Revenue	-	104.9
	EBITDA	-	61.1
	EBITDA (%)		58%
	Net profit to WT	-	19.9
SAUDI ARABIA			
Bravo	Total Subscribers	91,841	68,191
	Revenue	8.5	-
	EBITDA	(4.7)	-
	EBITDA (%)	-55%	
	Net profit to WT	(6.3)	(3.5)
MALDIVES			
Wataniya Telecom Maldives	Total Subscribers	64,730	55,362
	Revenue	4.6	4.1
	EBITDA	(0.1)	(0.5)
	EBITDA (%)	-2%	-11%
	Net profit to WT	(4.0)	(3.5)
Wataniya - Consolidated			
	Total Subscribers	9,542,055	9,992,461
	Total Revenue	407.6	428.4
	EBITDA	161.2	192.1
	EBITDA (%)	40%	45%
	Net profit to WT	80.7	73.2

Notes:
1. Asiacell, Iraq operations were discontinued at the end of year 2006
2. Tunisiana: 50% of financial results were consolidated.
3. Bravo: Became a subsidiary with increase in ownership with effect from 7th March 2007

Wataniya in Kuwait.

NMTC, branded as Wataniya, was launched in 1999 as the second operator in Kuwait, a country with one of the highest per capita GDPs in the world.

In this economically powerful and highly penetrated market, Wataniya, the Red Carpet Company, has once again produced strong business results and achieved excellent growth. Kuwait is the second largest contributor to the Qtel Group revenues and EBITDA.

Innovation is at the heart of these results. Wataniya continues its leadership with innovative services within the mobile telecommunications sector in Kuwait. The company launched WNet and has gained a strong position in the mobile internet service market. Additional services include the Mobile TV offering (WTV), special tones, and the WPro offering targeted at business customers. The early introduction of the high-speed data services has enabled Wataniya to take the lead in this market segment. The combined portfolio of services has contributed to improving the revenue and profitability.

Wataniya continues to invest in network technologies to ensure the best coverage and quality of services in Kuwait. The high-speed data network (HSDPA) has been built out nationwide, and further developments in this investment programme will be evident in the activities of 2008 as we prepare for additional competition from the license of a third operator to provide mobile telecommunications in the Kuwait market.

Wataniya has differentiated itself from its competitor in the Kuwaiti market as the Red Carpet Company, delivering the best network, best services and best support. In 2008, we will continue to reinforce our key pillars. We will invest in these pillars to ensure that we continue to be well positioned against our current competitor and the new competition of a third operator. Given that we have captured nearly half the Kuwaiti market within seven years, we feel we are well positioned to compete. We look forward to the challenge.

Wataniya in Tunisia.

Tunisiana launched in 2002 as the second operator (the first private operator) in Tunisia, a stable North African country with a population over 10 million and a very high living standard relative to the region.

Since its launch, Tunisiana has acquired over 3.6 million subscribers, capturing nearly half the market, a 19% year on year increase in this dynamic two-player market.

In the past five years, the company has become one the most successful and recognizable companies in Tunisia.

2007 was an important year for new customer centric service solutions. Some of the most significant product deployments include the Personal Ring Back Tone, Push eMail service for Business Customers, and new Internet bundles. Additionally, recognizing the diverse needs of our customer base, Tunisiana implemented Automated Teller Machine credit recharging capability for the pre-paid customer base.

In line with other service improvements for the customer base, Tunisiana undertook a project to improve and simplify the outbound roaming plan. These changes have resulted in a new zone based tariffs, which offers the company's customers simplicity and cost certainty while travelling abroad.

The company has also invested in augmenting the sales and distribution network in order to better serve its customers. Tunisiana opened one new owned store in 2007, bringing the total to twenty, while increasing the number of franchised points of sale from two to eleven. The continued success of growing the customer base and market share would not have been possible without the increased capacity of the sales and distribution network.

Tunisiana continues to invest in its network infrastructure, in order to keep up with the increased needs of a growing subscriber base, offering voice, GPRS and EDGE data services, with coverage in all of Tunisia's populated areas. The company continuously monitors market growth and needs in order to ensure a best in class network for the customers.

Tunisiana's performance has been driven through innovative and exclusive services, a robust network, competitive pricing and a customer centric sales and distribution network. This strategy has yielded strong financial results for the company, and with much more room to grow, we expect to see Tunisiana deliver strong results well into the future.

Wataniya in Algeria.

Wataniya Telecom's operation in Algeria, Nedjma, launched in 2004 as the 3rd operator in this burgeoning and expansive North African market. Since that time, Nedjma has driven penetration and risen to become an effective and attractive 2nd operator, steadily challenging the entrenched incumbent.

For the year 2007, Nedjma was able to maintain solid and sustainable growth in order to reinforce its market position. During the course of the year, Nedjma continued to invest in the network infrastructure and support platforms in anticipation of continued growth. In fact, by the end of 2007, Nedjma's network coverage exceeded 87% of the Algerian population.

Other important achievements realized in 2007 included increasing brand recognition, enhancing the competencies of the employee base and expanding the distribution network. With respect to brand recognition, the company continued to focus these efforts, reaching a recognition level of 98%. For Nedjma employees, an extensive training program was put in place to ensure that we have the best team in the market, creating efficiencies necessary to serve this dynamic market. And for distribution through this vast country, more distributors were added to the team while a number of direct, Nedjma branded own-shops have been added to increase overall capability.

All of this hard work did not go un-noticed, and as a testament to our successes, Africa Telecom People awarded Nedjma the award for the 'Premier Mobile Operator - North Africa - 2007'.

We are extremely proud of the accomplishments in our business and believe Nedjma is well positioned to enjoy continued success in this market which we see as a growth market for some time to come. We expect 2008 to be another year of sustained growth in the Algerian telephony market, and believe Nedjma will carry momentum of success well into the future.

Wataniya in the Kingdom of Saudi Arabia.

Bravo was established in 2005 as the sole Push-to-talk (PTT) provider in the Kingdom of Saudi Arabia, the largest country in the Arabian Peninsula. In addition to PTT, Bravo offers mobile telephony, messaging, data services and GPS location tracking to primarily the Saudi enterprise segment. With a rich suite of offers and services, Bravo continues to solidify its position in the business segment.

In 2007, the company achieved great growth, a result of Bravo's network expansion, coupled with target market segmentation and aggressive sales techniques.

Bravo plans to continue its steady expansion in 2008 by introducing cost efficient communication solutions and innovative services to a broad base of businesses and groups.

Wataniya in the Maldives.

Wataniya Telecom launched in August 2005 as the second operator in the Maldives, a series of Indian Ocean islands with an economy centered on tourism. Today, Wataniya Telecom has the widest reach with an EDGE capable network covering all inhabited islands.

Two time winner of the Voice and Data SAARC innovation award for 'Mobile Operator with the Best Consumer Pull in the Maldives' in 2006 and 2007, the operator is recognized as the reliable telecom provider that delivers innovative products and services with the most unique advertising mediums in the country.

Moving forward, Wataniya Telecom Maldives is positioned well to capitalize on the resort economy, providing the high quality services that the hospitality industry demands.

Wataniya in Palestine.

Palestine is a place of great potential and significance and as such Wataniya pursued and won the tender to operate the second mobile operator in late 2006.

Since then, the company has undertaken major steps towards building the second mobile operator, ushering in a new era of competition in the Palestinian telecommunications sector.

Throughout 2007 the team worked hard to prepare for the company's commercial launch in 2008, which included acquiring the company's headquarters in Ramallah and recruiting the company's core team.

Wataniya Mobile will be bringing the latest mobile telecommunications technologies and first class customer care to Palestine, which is expected to have a mobile penetration rate of 70% in the next 10 years.

Wataniya Green.

Today, green is more than a colour. It is a change that needs to become part of our lives. The footprints of our actions can become either a stigma of our generation or a testimonial of our willingness to act. The rapid depletion of natural resources and the pollution of our water and air have begun to impact us both socially and economically. Can we continue to be spectators while our world changes around us?

At Wataniya, being green is not just an in trend. It is an integral part of who we are as an organization. Our interest and concern for the environment is truly a part of our efforts to be a strong contributor to our society. A genuine desire to support and nourish the very society that has made us what we are. Through our actions and not our words, we believe in setting an example for others to follow, a common path to a common goal.

By engraving this into our corporate policy, we ensure that everything we do is a flagship for our cause. Our ongoing Internal Waste Management program recycles a large amount of generated waste and executes checks to minimize excess use of natural resources. A comprehensive community initiative supports the care and maintenance of Kuwait's precious greenery through Plant A Tree campaigns and other projects with the support of government authorities. These are just some of the steps been taken by Wataniya, with several more to begin shortly.

As concerned citizens, not just of Kuwait but of this beautiful planet, together we can make a difference.

Consolidated Financial Statements And Independent Auditors' Report

For the year ended 31 December 2007

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Independent Auditors’ Report

The Shareholders
National Mobile Telecommunications Company K.S.C.

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of National Mobile Telecommunications Company K.S.C., ("the Parent Company") and subsidiaries (together referred to as "the Group"), which comprise the consolidated balance sheet as at 31 December 2007, and the related consolidated statements of income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors’ responsibility for the consolidated financial statements

The Parent Company's directors' are responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error: selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors’ responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

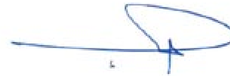
Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2007, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on other legal and regulatory requirements

Furthermore, in our opinion proper books of account have been kept by the Parent Company and the consolidated financial statements, together with the contents of the report of the board of directors relating to these consolidated financial statements, are in accordance therewith. We obtained all the information and explanations that we required for the purpose of our audit and that the consolidated financial statements incorporate all information that is required by the Commercial Companies Law of 1960, as amended, and by the Parent Company's articles of association, that an inventory was duly carried out and that, to the best of our knowledge and belief, no violations of the Commercial Companies Law of 1960, as amended, nor of the articles of association have occurred during the year ended 31 December 2007 that might have had a material effect on the business of the Parent Company or on its financial position.

Jassim Ahmad Al-Fahad
License No. 53-A
Al-Fahad & Co.
Deloitte & Touche



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

Kuwait
20 February 2008

Consolidated Balance Sheet

As of 31 December 2007

	Notes	31 December 2007 KD 000's	31 December 2006 KD 000's
ASSETS			
Current assets			
Cash and bank balances	5	**79,469**	55,863
Trade and other receivables	6	**79,694**	71,226
Inventories		**4,796**	4,541
Due from liquidator	7	**29,377**	-
Total current assets		**193,336**	131,630
Non-current assets			
Available for sale investments	8	**25,003**	51,640
Property and equipment	9	**363,683**	344,650
Intangible assets	10	**147,448**	162,354
Investment in associate		**-**	5,987
Deferred tax relating to subsidiaries	11	**25,330**	20,010
Total non-current assets		**561,464**	584,641
Total assets		**754,800**	716,271
LIABILITIES AND EQUITY			
Current liabilities			
Short term debt	12	**12,079**	8,641
Trade and other payables	13	**215,198**	171,959
Current portion of long term debt	14	**36,516**	19,516
Total current liabilities		**263,793**	200,116
Non-current liabilities			
Provision for staff indemnity		**2,795**	2,098
Long term debt	14	**158,456**	184,654
Total non-current liabilities		**161,251**	186,752
Total liabilities		**425,044**	386,868
CAPITAL AND RESERVES			
Share capital	15	**45,821**	45,821
Treasury shares	15	**(3,598)**	(9,796)
Reserves	15	**263,363**	231,764
Equity attributable to equity holders of the Parent Company		**305,586**	267,789
Minority interest		**24,170**	61,614
Total equity		**329,756**	329,403
Total liabilities and equity		**754,800**	716,271

Abdullah Bin Mohammed Bin Saud Al Thani
Chairman

The notes set out on pages 32 to 61 form an integral part of these consolidated financial statements.

Consolidated Statement of Income

For the year ended 31 December 2007

	Notes	2007 KD 000's	2006 KD 000's
CONTINUING OPERATIONS			
Revenue		**407,569**	323,482
Cost of revenue		**(205,649)**	(168,561)
Gross profit		**201,920**	154,921
Amortisation of intangible assets	7, 10	**(14,254)**	(13,445)
Selling and distribution costs		**(35,023)**	(26,469)
Administrative expenses		**(70,641)**	(50,985)
Other operating (expenses) / income		**(9,505)**	1,216
Share of loss of associate		**(983)**	(3,527)
Dividend income		**1,191**	1,608
Interest income		**3,182**	2,410
Gain on sale of investments available for sale		**11,786**	939
Realised gain / (loss) on investments at fair value through profit or loss		**186**	(5,400)
Finance costs		**(18,142)**	(15,663)
Profit from continuing operations before deferred tax, contribution to Kuwait Foundation for the Advancement of Sciences ("KFAS"), National Labour Support Tax ("NLST"), Zakat and Directors' remuneration		**69,717**	45,605
Deferred tax relating to subsidiaries		**5,247**	5,678
Contribution to KFAS		**(841)**	(684)
Provision for NLST		**(2,107)**	(1,886)
Zakat		**(52)**	-
Directors' remuneration		**(400)**	(300)
Profit for the year from continuing operations		**71,564**	48,413
Profit for the year from discontinued operation	7	**-**	49,675
Profit for the year	19	**71,564**	98,088
Profit attributable to equity holders of the Parent Company from continuing operations		**80,749**	53,294
Profit attributable to equity holders of the Parent Company from discontinued operation	7	**-**	19,870
(Loss) / profit attributable to minority interest		**(9,185)**	24,924
		71,564	98,088
Basic and diluted earnings per share attributable to equity holders of the Parent Company:			
From continuing operations (fils)	18	**177.50**	118.14
From discontinued operation (fils)	7	**-**	44.05

The notes set out on pages 32 to 61 form an integral part of these consolidated financial statements.

Consolidated Statement of Changes Equity

For the year ended 31 December 2007

	Attributable to equity holders of the Parent Company										Minority interest	Total equity
	Share capital	Treasury shares	Share premium	Statutory reserve	General reserve	Gain on sale of treasury shares	Fair value reserve	Foreign currency translation reserve	Retained earnings	Sub total		
	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's
Balance at 1 January 2006	43,639	(9,796)	66,634	16,181	16,181	803	492	(456)	93,664	227,342	26,898	254,240
Net loss on available for sale investments	-	-	-	-	-	-	(446)	-	-	(446)	-	(446)
Transfer to statement of income on sale of available for sale investments	-	-	-	-	-	-	2,154	-	-	2,154	-	2,154
Net exchange differences	-	-	-	-	-	-	-	(55)	-	(55)	-	(55)
Net income / (expense) recognised directly in equity	-	-	-	-	-	-	1,708	(55)	-	1,653	-	1,653
Profit for the year	-	-	-	-	-	-	-	-	73,164	73,164	24,924	98,088
Total recognised income and expense for the year	-	-	-	-	-	-	1,708	(55)	73,164	74,817	24,924	99,741
Dividends paid (Note 15)	-	-	-	-	-	-	-	-	(34,370)	(34,370)	-	(34,370)
Issue of bonus shares (Note15)	2,182	-	-	-	-	-	-	-	(2,182)	-	-	-
Transfer to reserves	-	-	-	7,604	7,604	-	-	-	(15,208)	-	-	-
Contribution by minority	-	-	-	-	-	-	-	-	-	-	9,792	9,792
Balance at 1 January 2007	**45,821**	**(9,796)**	**66,634**	**23,785**	**23,785**	**803**	**2,200**	**(511)**	**115,068**	**267,789**	**61,614**	**329,403**
Net loss on available for sale investments	-	-	- -	-	-	-	(2,127)	-	-	(2,127)	-	(2,127)
Transfer to statement of income on sale of available for sale investments	-	-	-	-	-	-	(724)	-	-	(724)	-	(724)
Net exchange differences	-	-	-	-	-	-	-	(2,294)	-	(2,294)	-	(2,294)
Net expense recognised directly in equity	-	-	-	-	-	-	(2,851)	(2,294)	-	(5,145)	-	(5,145)
Profit for the year	-	-	-	-	-	-	-	-	80,749	80,749	(9,185)	71,564
Total recognised income and expense for the year	-	-	-	-	-	-	(2,851)	(2,294)	80,749	75,604	(9,185)	66,419
Dividends paid (Note 15)	-	-	-	-	-	-	-	-	(50,116)	(50,116)	-	(50,116)
Sale of treasury shares	-	6,198	-	-	-	6,111	-	-	-	12,309	-	12,309
Issue of bonus shares	-	-	-	-	-	-	-	-	-	-	-	-
Transfer to reserves	-	-	-	8,415	8,415	-	-	-	(16,830)	-	-	-
Changes in minority	-	-	-	-	-	-	-	-	-	-	(28,259)	(28,259)
Balance at 31 December 2007	**45,821**	**(3,598)**	**66,634**	**32,200**	**32,200**	**6,914**	**(651)**	**(2,805)**	**128,871**	**305,586**	**24,170**	**329,756**

The accompanying notes set out on pages 32 to 61 form an integral part of these consolidated financial statements

Consolidated Statement of Cash Flows

For the year ended 31 December 2007

	Notes	2007 KD 000's	2006 KD 000's
OPERATING ACTIVITIES			
Profit for the year		71,564	98,088
Adjustments for: Share of loss of associate		983	3,527
Interest income		(3,182)	(2,410)
Realised (gain)/loss on investments at fair value through profit or loss		(186)	5,400
Allowance for doubtful receivables / (release of allowance)		3,626	(309)
Deferred tax relating to subsidiaries		(5,247)	(5,678)
Dividend income		(1,191)	(1,608)
Depreciation and amortisation		68,046	62,351
Loss on disposal of property and equipment		-	(573)
Finance costs		18,142	15,663
Provision for NLST		2,107	1,886
Provision for staff indemnity		530	580
		155,192	176,917
Decrease in investments at fair value through profit or loss		-	22,390
Increase in trade and other receivables		(14,970)	(8,233)
Decrease in inventories		209	25
Increase / (decrease) in trade and other payables		49,084	(21,645)
Net cash generated from operating activities		189,515	169,454
INVESTING ACTIVITIES			
(Increase) / decrease in term deposits		(4,872)	2,540
Sales / (purchases) of available for sale investments		23,786	(27,864)
Proceeds from sale of property and equipment		-	939
Dividend received		1,191	1,608
Acquisition of subsidiary	16	(1,624)	-
Purchases of property and equipment		(112,953)	(89,061)
Disposal of property and equipment		530	-
Purchases of intangible assets		(1,716)	(5,488)
Investment in associate		-	(4,190)
Interest received		3,182	2,467
Net cash used in investing activities		(92,476)	(119,049)
FINANCING ACTIVITIES			
Dividends paid		(50,116)	(34,370)
Finance costs paid		(18,142)	(15,663)
Decrease in short term debt		3,438	(8,785)
(Decrease) / increase in long-term debt		(31,041)	9,160
Proceeds from sale of treasury shares		12,309	-
Minority interest movement		4,809	9,792
Net cash used in financing activities		(78,743)	(39,866)
Effect of foreign currency translation		13,004	(1,005)
Cash and cash equivalents classified as due from liquidator		(12,566)	-
Net increase in cash and cash equivalents		18,734	9,534
Cash and cash equivalents at beginning of the year		43,206	33,672
Cash and cash equivalents at end of the year	5	61,940	43,206

The accompanying notes set out on pages 32 to 61 form an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

1. INCORPORATION AND ACTIVITIES

National Mobile Telecommunications Company K.S.C. ("the Parent Company" or "NMTC") is a Kuwaiti Shareholding Company incorporated by Amiri Decree on 10 October 1997. The Parent Company and its subsidiaries (together referred to as "the Group") are engaged in the provision of mobile telephone and pager systems and services in Kuwait under a licence from the Ministry of Communications, Kuwait and also elsewhere through subsidiaries and joint venture in the Middle East and North Africa (MENA) region. The Parent Company is also permitted to invest surplus funds in shares and other securities and acquire interests in related businesses in Kuwait and similar businesses abroad. Its shares were listed on the Kuwait Stock Exchange in July 1999 and commercial operations began in December 1999.

On 15 March 2007, Qtel International Investment L.L.C., a wholly owned subsidiary of Qatar Telecommunication Company Q.S.C. ("QTEL"), a Qatari Shareholding Company listed on the Qatar Stock Exchange acquired 51% of the shares of the Parent Company. As a result the Parent Company is now a subsidiary of QTEL.

The address of the Parent Company's registered office is Wataniya Telecom Tower, Sharq Area, Plot 1/A,

Ahmed Al-Jaber Street, Kuwait City, Kuwait. These consolidated financial statements were approved for issue by the Board of Directors of the Parent Company on 20th February 2008 and are subject to the approval of the Annual General Assembly of the shareholders.

2. ADOPTION OF NEW AND REVISED STANDARDS

In the current year, the Group has adopted IFRS 7 "Financial Instruments: Disclosures" which is effective for annual reporting periods beginning on or after 1 January 2007, and the amendments to IAS 1 "Presentation of Financial Statements".

The impact of the adoption of IFRS 7 and the changes to IAS 1 has resulted in additional disclosures provided in these consolidated financial statements regarding the Group's financial instruments and management of capital (see note 25).

Standards and Interpretations in issue not yet adopted

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

- IAS 1 (Revised) Presentation of Financial Statements — Effective for annual periods beginning on or after 1 January 2009
- IAS 23 (Revised) Borrowing Costs — Effective for annual periods beginning on or after 1 January 2009
- IFRS 8 Operating Segments — Effective for annual periods beginning on or after 1 January 2009

2. ADOPTION OF NEW AND REVISED STANDARDS (Continued)

• IFRIC 11 IFRS 2: Group and Treasury Share Transactions	Effective for annual periods beginning on or after 1 March 2007
• IFRIC 12 Service Concession Arrangements	Effective for annual periods beginning on or after 1 January 2008
• IFRIC 13 Customer Loyalty Programmes	Effective for annual periods beginning on or after 1 July 2008
• IFRIC 14 IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	Effective for annual periods beginning on or after 1 January 2008

The revisions to IAS 23 will have a significant impact on the Group's accounting policies. The principal change to the Standard, which was to eliminate the previously available option to expense all borrowing costs when incurred, will have an impact on the consolidated financial statements because it has always been the Group's accounting policy to expense borrowing costs incurred on qualifying assets.

The directors anticipate that the adoption of the other Standards and Interpretations in future periods will have no material financial impact on the consolidated financial statements of the Group in the period of initial application.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis, except for the measurement at fair value of "investments at fair value through profit or loss" and "available for sale investments". The accounting policies have been applied consistently by the Group and are consistent with these used in the previous year, except for changes resulting from amendments to IFRS as mentioned in note 2.The principle accounting policies are stated below.

Statement of compliance

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Parent Company and its subsidiaries (see note 16). Subsidiaries are those enterprises controlled by the Parent Company. Control exists when the Parent Company has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of the subsidiaries are included in the consolidated financial statements on a line by line basis from the date that control effectively commences until the date that control effectively ceases. Inter-company balances and transactions, including inter-company profits and unrealised profits and losses are eliminated on

consolidation. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group. Minority interests in the net assets (excluding goodwill) of consolidated subsidiaries are identified separately from the Group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 "Business Combinations" are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations", which are recognised and measured at fair value less costs to sell. Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in the consolidated statement of income. The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Share based payments

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 20.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest.

Financial assets

Investments are recognised and derecognised on the trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned.

Financial assets at fair value trough profit or loss ("FVTPL")

Financial assets are classified as at FVTPL when the financial asset is held for trading.A financial asset is classified as held for trading if:

i) it has been acquired principally for the purpose of selling in the near future; or

ii) it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or Financial assets at FVTPL are stated at fair value, with any resultant gain or loss recognised in the consolidated statement of income. The net gain or loss recognised in the consolidated statement of income incorporates any dividend or interest earned on the financial asset. Fair value is determined in the manner described in note 27.

Available for sale financial assets ("AFS")

These are financial assets that are principally acquired to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rate or equity prices. Available for sale financial assets are initially measured at fair value of the consideration given plus transaction costs. After initial recognition, available for sale investments are remeasured at fair value and resulting unrealised gains and losses are reported as a separate component of equity until the investment is sold or otherwise disposed of, or the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the consolidated statement of income for the period.

Trade and other receivables (including due from liquidator)

Trade and other receivables (including due from liquidator) are initially measured at fair value, and are subsequently measured at amortised cost using the effective interest rate method, less any impairment. Appropriate allowances for estimated irrecoverable amounts are recognised in the consolidated statement of income when there is objective evidence that the asset is impaired.

Derecognition of financial asset

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For unlisted shares classified as AFS, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment. For trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience

of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 30 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. When trade and other receivables are considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the consolidated statement of income.

In respect of AFS equity securities, impairment losses previously recognised through consolidated statement of income are not reversed through consolidated statement of income. Any increase in fair value subsequent to an impairment loss is recognised directly in equity.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the consolidated balance sheet 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.

Financial liabilities

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Group.

All financial liabilities are initially recognised at fair value less directly attributable transaction costs. After initial recognition the financial liabilities are subsequently measured at amortised cost using the effective interest method. "Trade and other payables", "Short term debt" and "Long term debt" are classified as financial liabilities.

Derecognition of financial liabilities

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

Inventories

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Cost includes the purchase price and directly associated costs of bringing the asset to a working condition for its intended use. Depreciation is calculated based on the estimated useful lives of the applicable assets on a straight-line basis commencing when the assets are ready for their intended use. The estimated useful lives, residual values and depreciation methods are reviewed at each year end, with the effect of any changes in estimate accounted for on prospective basis. Maintenance and repairs, replacements and improvements of minor importance are expensed as incurred. Significant improvements and replacements of assets are capitalised. Gains and losses on retirement or disposal of assets are included in the consolidated statement of income in the period in which they occur.

Intangible assets

Identifiable non-monetary assets without physical substance acquired in connection with the business and from which future benefits are expected to flow are treated as intangible assets. Intangible assets consist of GSM license fees paid by the subsidiaries and the joint venture. Intangibles with definite life are carried at cost less accumulated amortisation and any accumulated impairment losses. The GSM license fee is being amortised on a straight-line basis over its life. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Investment in associate

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations". Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Parent Company's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Parent Company's interest in that associate (which includes any long-term interests that, in substance, form part of the Parent Company's net investment in the associate) are recognised only to the extent that the Parent Company has incurred legal or constructive obligations or made payments on behalf of the associate.

Unrealised gains or losses on transactions with associate are eliminated to the extent of the Group's share in the associate.

Interest in joint venture

Joint venture arrangements that involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities. The Group reports its interests in jointly controlled entities using proportionate consolidation, except when the investment is classified as held for sale, in

which case it is accounted for in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. The Group's share of the assets, liabilities, income, and expenses of jointly controlled entities are combined with the equivalent items in the consolidated financial statements on a line-by-line basis. Unrealised gains or losses on transactions with the joint venture are eliminated to the extent of the Group's share in the joint venture.

Taxation

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

Current tax

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

Deferred tax

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements of the relevant subsidiaries and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet 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 balance sheet 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 balance sheet 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.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

Kuwait Foundation for the Advancement of Sciences

The Group is legally required to contribute to the Kuwait Foundation for the Advancement of Sciences ("KFAS"). The Group's contributions to KFAS are recognised as an expense in the period during which the company's contribution is legally required.

National Labour Support Tax

The company is legally required to contribute to the National Labour Support Tax ("NLST"). The Group's contribution to NLST are recognised as an expense in the period during which the Group's contribution is legally required.

Zakat

Effective 10 December 2007, the Group has provided for Zakat in accordance with the requirements of Law No. 46 of 2006. The Zakat charge calculated in accordance with these requirements is charged to the consolidated statement of income.

Finance costs

Finance costs are calculated on the accrual basis and are recognised in the consolidated statement of income in which they are incurred.

Provision for staff indemnity

The provision for staff indemnity is payable on completion of employment. The provision is calculated in accordance with applicable labour law based on employees' salaries and accumulated periods of service or on the basis of employment contracts, where such contracts provide extra benefits. The provision, which is unfunded, is determined as the liability that would arise as a result of the involuntary termination of staff at the balance sheet date, on the basis that this computation is a reliable approximation of the present value of this obligation.

With respect to its national employees, the Group makes contributions to Public Authority for Social Security calculated as a percentage of the employees' salaries. The Group's obligations are limited to these contributions, which are expensed when due.

Treasury shares

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

Revenue recognition

Revenue comprises amounts charged to customers in respect of subscription charges, airtime usage, messaging, the provision of other mobile telecommunication, services, including data services, revenue from sale of equipment including mobile phones, pagers and accessories.

Subscription charges are recognized as revenue on a time proportion basis. Revenue from airtime usage and messaging is recognized on actual usage and revenue related to unused prepaid credit is accounted for as deferred revenue. Deferred revenue related to unused prepaid credit is recognised as revenue when utilised by the customer or upon termination of the customer relationship.

Revenue from sale of mobile phones, pagers and accessories are recognised on delivery of goods. Revenue from data services is recognised when the Group has performed the related service. Interest income is recognised on a time basis by reference to the principal outstanding and the effective interest rate applicable, which is the rate that exactly discounts estimates future cash receipts through the expected life of the financial asset to that assets carrying amount. Dividend and other income are recognised when the right to receive payment is established.

Foreign currencies

Foreign currency transactions are recorded at the rate of exchange ruling at the date of transactions. Monetary assets and liabilities denominated in foreign currencies outstanding at the year-end are re-translated into Kuwaiti Dinars at the rates of exchange ruling at the balance sheet date. Any resultant gains or losses are taken to the consolidated statement of income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Translation difference on non-monetary investments at fair value through profit or loss are reported as part of the fair value gain or loss in the consolidated statement of income whilst those for available for sale non-monetary assets are included in the cumulative changes in fair value in equity, unless it is part of an effective hedging strategy, using exchange rates when the fair value was determined. Translation differences arising on consolidation of the subsidiaries are taken to foreign currency translation reserve in equity.

Impairment of tangible and intangible assets

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the consolidated statement of income.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the consolidated statement of income.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgements in applying accounting policies

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

Classification of investments

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

The Group classifies investments as "held for trading" if they are acquired primarily for the purpose of short term profit making. All other investments are classified as "available for sale".

Impairment of investments

The Group treats the investments as impaired when there has been a significant or prolonged decline in the fair value below its cost. The determination of what is "significant" or "prolonged" requires judgment. In addition, the Group also evaluates among other factors, normal volatility in the share price for quoted investments and the future cash flows and the discount factors for unquoted investments.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

Key sources of estimation uncertainty

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

Fair value of unquoted equity investments

If the market for a financial asset is not active or not available, the Group establishes fair value by using valuation techniques which include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models refined to reflect the issuer's specific circumstances. This valuation requires the Group to make estimates about expected future cash flows and discount rates that are subject to uncertainty.

5. CASH AND BANK BALANCES

	2007 KD 000's	2006 KD 000's
Cash and bank balances	**26,079**	43,206
Deposits	**53,390**	12,657
Cash and bank balances in consolidated balance sheet	**79,469**	55,863
Deposits with original maturity over three months	**(17,529)**	(12,657)
Cash and cash equivalents in the consolidated statement of cash flows	**61,940**	43,206

The effective interest rate on interest earning time deposits ranged from 1% to 7.5% (2006: 1% to 6.375%) per annum. Cash and bank balances include KD 1,153 thousand (2006: KD 32 thousand) held as part of a managed portfolio.

6. TRADE AND OTHER RECEIVABLES

	2007 KD 000's	2006 KD 000's
Trade and billing receivables	**38,902**	28,293
Unbilled revenue	**8,344**	7,049
Prepayments	**15,828**	5,003
Interest receivable	**3,293**	882
Other receivables	**20,884**	34,036
	87,251	75,263
Less: allowance for doubtful debts	**(7,557)**	(4,037)
	79,694	71,226

Other receivables include KD 8,710 thousand advance paid to equipment suppliers (2006: KD 13,259 thousand)

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Movement in the allowance for doubtful debts

	2007 KD 000's	2006 KD 000's
Balance at beginning of the year	**4,037**	4,482
Charged for the year	**4,873**	1,673
Amounts written off as uncollectible	**(106)**	(136)
Amounts recovered during the year	**(1,247)**	(1,982)
Balance at end of the year	**7,557**	4,037

7. DISCONTINUED OPERATION

The regulatory authorities in Iraq did not renew Asia-Cell's GSM licence after 31 December 2006. As a result, the majority shareholder of Asia-Cell (a company incorporated in Cayman Islands) filed for voluntary liquidation of Asia-Cell in the Grand Court of the Cayman Islands.

On 1 April 2007, the Parent Company's (NMTC) Board of Directors resolved to discontinue its operations in Asia-Cell, Iraq with effect from 1 January 2007 and re-classify its investment in and advances to Asia-Cell as 'assets held for sale' (subsidiary under liquidation). The court ordered the appointment of PricewaterhouseCoopers ("the Liquidator") as a liquidator on 17th May 2007. Representatives of all shareholders have since met with the liquidators and have submitted arguments in support of their case. On 15 August 2007 Asia-cell, the Liquidator and Asia-cell for Communications L.L.C. entered into an Asset Sale Agreement to dispose the net assets of Asia-cell to Asia-cell for Communications L.L.C. The sale has since been completed. As per the liquidator report dated 21 September 2007, the liquidator has offered the Parent Company (NMTC) US$ 107 Million being the Parent Company's (NMTC) share for the total net assets of Asia-Cell amounting to US$225 Million. The Parent Company's (NMTC) Board of Directors have decided to accept the offered price of US$ 107 Million resulting in a gain of US$798 thousand (KD 224 thousand). US$90 Million will be distributed as a dividend distribution to the Parent Company (NMTC) in its capacity as a shareholder of Asia-Cell and the remaining US$17 Million would represent the settlement of a debt due to the Parent Company (NMTC) by Asia-Cell.

The Group has classified the receivable of US$ 107 Million (KD 29,377 thousand) as receivable from liquidator in the consolidated balance sheet. The settlement of US$ 90 Million is subject to three conditions, the first of which has been satisfied. The other two conditions are the issuance of a bank guarantee by another party to the transaction and the publication in Iraq of a general notice to creditors. Satisfaction of these conditions is anticipated in the first quarter of 2008. The pre-conditions set for releasing the US$ 17 Million have already been complied with and the payment of this amount is expected to be settled soon.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

7. DISCONTINUED OPERATION (*Continued*)

The profit for the period from discontinued operations is analysed below

	2007 KD 000's	2006 KD 000's
Revenue	-	104,944
Cost of revenue	-	(20,904)
Depreciation on equipment	-	(10,990)
Gross profit	-	73,050
Amortisation of intangible assets	-	(622)
Selling and distribution costs	-	(4,032)
Administrative expenses	-	(16,408)
Other operating expenses	-	(2,313)
Profit for the period from discontinued operations	-	49,675
Profit attributable to equity holders of the Parent Company from discontinued operations	-	19,870
Profit attributable to minority interest from discontinued operations	-	29,805
Basic and diluted earnings per share attributable to the equityholders of the Parent Company from discontinued operations	-	44.05

8. AVAILABLE FOR SALE INVESTMENTS

Available for sale investments include the following:

	2007 **KD 000's**	2006 KD 000's
Listed equity securities	**6,049**	28,370
Unlisted equity securities	**13,383**	16,246
Unlisted debt securities	**5,571**	7,024
	25,003	51,640

At 31 December 2007, certain investments amounting to KD 8,933 thousand (2006: KD 10,058 thousand) are carried at cost due to the non-availability of quoting market prices or other reliable measures of its fair value.

9. PROPERTY AND EQUIPMENT

	Network equipment	Network infrastructure	Office & computer equipment	Furniture & fixtures	Capital work-in progress	Total
Cost						
As at 1 January 2006	332,042	34,685	9,531	8,656	20,196	405,110
Transfers	11,338	991	180	-	(12,509)	-
Additions	61,832	4,793	10,167	4,420	7,849	89,061
Disposals	(13,401)	(49)	(66)	(117)	(28)	(13,661)
Currency translation effects	557	(184)	(79)	(37)	(251)	6
As at 1 January 2007	392,368	40,236	19,733	12,922	15,257	480,516
Transfers	10,148	(3,751)	44	(35)	(6,406)	-
Additions	90,315	3,571	6,237	5,879	6,951	112,953
Disposals relating to discontinued operations	(87,954)	(17,749)	(214)	(799)	(8,748)	(115,464)
Disposals	(244)	(396)	(21)	(188)	-	(849)
Acquisition through business combination	26,209	-	1,136	389	4,655	32,389
Currency translation effects	(8,532)	(73)	(1,029)	(480)	19	(10,095)
As at 31 December 2007	422,310	21,838	25,886	17,688	11,728	499,450
Accumulated depreciation						
As at 1 January 2006	88,993	4,806	3,111	3,079	-	99,989
Charge for the year	40,085	1,747	4,183	2,269	-	48,284
Related to disposals	(13,114)	(4)	(87)	(90)	-	(13,295)
Currency translation effects	712	(6)	118	64		888
As at 1 January 2007	116,676	6,543	7,325	5,322	-	135,866
Transfers	345	(304)	(5)	(36)	-	-
Charge for the year	45,284	1,620	4,166	2,294	428	53,792
Disposals relating to discontinued operations	(50,319)	(2,141)	(107)	(964)	-	(53,531)
Related to disposals	(121)	(71)	(7)	(120)	-	(319)
Currency translation effects	-	(43)	(9)	11	-	(41)
As at 31 December 2007	111,865	5,604	11,363	6,507	428	135,767
Carrying amount						
As at 31 December 2007	**310,445**	**16,234**	**14,523**	**11,181**	**11,300**	**363,683**
As at 31 December 2006	**275,692**	**33,693**	**12,408**	**7,600**	**15,257**	**344,650**
Annual depreciation rates	**12.5% to 16.67%**	**5%**	**33.33%**	**12.5%**		

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9. PROPERTY AND EQUIPMENT (*Continued*)

The property and equipment of the subsidiaries WTA, WTM and the joint venture Tunisiana amounting to KD 230,980 thousand (2006: KD 198,189 thousand) are subjected to registered mortgage to secure bank loans (See Note 14).

10. INTANGIBLE ASSETS

	Goodwill	Other intangible assets	Total
	KD 000's	KD 000's	KD 000's
Cost			
As at 1 January 2006	-	200,563	200,563
Additions	-	5,488	5,488
Currency translation effects and adjustments	-	2,237	2,237
As at 1 January 2007	-	208,288	208,288
Additions	-	1,716	1,716
Disposal	-	(5,385)	(5,385)
Acquisition through business combinations	3,288	-	3,288
Currency translation effects and adjustments	(165)	(6,816)	(6,981)
As at 31 December 2007	3,123	197,803	200,926
Accumulated amortisation			
As at 1 January 2006	-	31,005	31,005
Charge for the year	-	14,067	14,067
Currency translation effects	-	862	862
As at 1 January 2007	-	45,934	45,934
Charge for the year	-	14,254	14,254
Disposal	-	(5,046)	(5,046)
Currency translation effects	-	(1,664)	(1,664)
As at 31 December 2007	-	53,478	53,478
Carrying amount			
As at 31 December 2007	3,123	144,325	147,448
As at 31 December 2006	-	162,354	162,354
Amortization rate	-	6.67%	

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11. DEFERRED TAX RELATING TO SUBSIDIARIES

The deferred tax asset of KD 25,330 thousand as at 31 December 2007 (31 December 2006: KD 20,010 thousand) is recognised on account of accumulated tax losses incurred by the subsidiary WTA and the joint venture Tunisiana, which are expected to be deductible against taxable profits in the foreseeable future.

12. SHORT TERM DEBT

Short term debt comprises loans due to local banks of subsidiaries namely WTA, WTM, PTC and the joint venture Tunisiana and are repayable within one year from the date of borrowing. The loans are denominated in Algerian Dinars (DZ), U.S. Dollars and Tunisian Dinars (TND) and bear an average interest rate ranging from LIBOR plus 1.25% to 8.5% (2006: LIBOR plus 1.25% to 8.5%) per annum and are unsecured.

13. TRADE AND OTHER PAYABLES

	2007 **KD 000's**	2006 KD 000's
Trade payables	**16,018**	16,833
Due to equipment suppliers and contractors	**36,950**	59,197
Accruals	**130,952**	67,554
Other payables	**31,278**	28,375
	215,198	171,959

During 2003, the Ministry of Communications, Kuwait ("MOC") filed a case against the Parent Company claiming network license fees on its subscriber base, under the Ministerial decision No. 16897/. The case was dismissed by the Court of first instance and subsequently dismissed by the Court of Appeal. MOC has filed a cessation motion against the verdict seeking the appointment of an expert to determine the entitlement arising from the above ministerial decision and such decision not yet cancelled or annulled. The Parent Company, based on management's best estimate, has recognised an accrual of KD 48,813 thousand at 31 December 2007 (2006: KD 37,130 thousand) towards the amount required to settle the present obligation for network license fees to MOC.

The foreign currency exposure relating to the above balances amounted to the equivalent of KD 10,158 thousand as at 31 December 2007 (31 December 2006: KD 3,644 thousand). The Group has sound financial risk management policies in place to ensure that all payables are paid within the credit time frame.

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For the year ended 31 December 2007

14. LONG TERM DEBT

	Current		Non-current	
	2007	2006	**2007**	2006
	KD 000's	KD 000's	**KD 000's**	KD 000's
Due to local banks	**5,354**	15,626	**16,063**	-
Due to foreign banks	**31,162**	3,890	**142,393**	184,654
	36,516	19,516	**158,456**	184,654

The details of long term debt are as follows:

Description	2007	2006
	KD 000's	KD 000's
(i) The loans bear interest rates of Algerian Reporate plus 0.80% to 2.65% per annum and LIBOR plus 3.25% to 3.45% per annum. The repayment term is over a period of 5 years in instalments starting from March 2008.	139,375	131,178
(ii)The loans bear interest rates of EURIBOR plus 1.15% to 6.39% per annum The repayment term is over a period of 4 years in instalments starting from March 2008.	47,849	61,510
(iii)The loans bear interest rates of 6 months LIBOR plus 3.5% per annum The repayment term is over a period of 5 years in instalments starting from November 2008.	7,413	11,482
(iv)The loans bear interest rates of LIBOR plus 3% to 4% and the repayment terms are not specified.	335	-
	194,972	204,170

The term debt is secured by pledges on the respective subsidiaries and joint venture's assets and their shares.

15. EQUITY

Share capital

The authorised, issued and fully paid up share capital consists of 458,212 thousand shares of 100 fils each (31 December 2006: 458,212 thousand shares of 100 fils each).

On 17 March 2007, the Annual General Assembly of the shareholders' approved the annual audited consolidated financial statements for the year ended 31 December 2006 and payment of a cash dividend of 110 fils per share as of the date of the General Assembly.

Treasury shares

At 31 December 2007, the Parent Company held 2,610 thousand (2006: 7,105 thousand) of its own shares equivalent to 0.57% (2006: 1.55%) of the total issued share capital.

These shares were acquired for KD 3,598 thousand (2006: KD 9,796 thousand) and their fair value at 31 December 2007 was KD 6,890 thousand (2006: KD 17,904 thousand). Reserves equivalent to the cost of the Parent Company's own shares held are not available for distribution.

Statutory reserve

As required by the Kuwait Commercial Companies Law and the Parent Company's Articles of Association, 10% of profit for the year before KFAS, Zakat, Directors' remuneration and NLST is to be transferred to the statutory reserve until the reserve reaches a minimum of 50% of the paid up share capital. This reserve is not available for distribution except for payment of a dividend of 5% of paid up share capital in years when retained earnings are not sufficient for the payment of such dividends.

General reserve

In accordance with the Parent Company's Articles of Association, 10% of profit for the year before KFAS, Zakat, Directors' remuneration and NLST is required to be transferred to the general reserve until the shareholders decide to discontinue the transfer on distributions from the general reserve.

Proposed dividends

The Board of Directors proposed a cash dividend of 50 fils (2006: 110 fils per share) per share and bonus shares of 10% (2006: Nil) of paid up share capital for the year ended 31 December 2007. This proposal is subject to the approval of the shareholders' General Assembly.

16. SUBSIDIARIES

The principal subsidiaries of the Group are as follows:

Name of subsidiary	Country of operation	Voting capital held 31.12.2007	Voting capital held 31.12.2006
Wataniya Telecom Algerie S.P.A. (WTA)	Algeria	71%	71%
Wataniya International FZ - LLC (WTI)	U.A.E	100%	100%
Wataniya Telecom Maldives (WTM) (subsidiary of WTI)	Maldives	100%	100%
WARF Telecom International Private Limited (WARF) (subsidiary of WTM)	Maldives	65%	65%
Public Telecommunication Company Ltd. (PTC) (subsidiary of WTI)	Saudi Arabia	55.61%	47%
Wataniya Palestine Mobile Telecom Limited (WPT) (subsidiary of WTI)	Palestine	57%	40%

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16. SUBSIDIARIES (*Continued*)

Under the license conditions imposed by the Palestinian Ministry of Telecommunications and Information Technology, WTI is required to keep at all times 40% of the shareholding in WPT, 30% shall be held by the Palestinian Investment Fund (PIF) and 30% shall be held by the Public. During the year, the Parent Company increased its shareholding in WPT from 40% to 57% by subscribing to additional capital for KD 799 thousand.

Since the public offering did not take place yet, which is envisaged to take place within six months from the allocation of frequency, WTI will in the meantime own 57% of the shares and the PIF shall own 43%. Once the public offering take place, the percentage of WTI's ownership shall be diluted to 40%.

Acquisition of subsidiary

On 7 March 2007, the Group increased its holding in PTC from 47% to 55.61%. As a consequence PTC, which was accounted for as an associate company until 6 March 2007, has been fully consolidated from the date the Group obtained control.

The fair value of the identifiable assets and liabilities of PTC as at the date of acquisition are:

	KD 000's
Cash and cash equivalents	3,757
Trade and other receivables	5,248
Inventories	1,576
Property and equipment	32,389
	42,970
Trade and other payables	(8,036)
Long-term debt	(21,764)
Provision for staff indemnity	(167)
Long term payables	(79)
Fair value of net assets	12,924
Less: Assets previously acquired	(5,094)
Less: Minority interest	(5,737)
Net assets acquired	2,093
Consideration	5,381
Goodwill arising on acquisition	3,288
New cash outflow on acquisition	
Purchase consideration settled in cash	5,381
Less: Cash and cash equivalents in subsidiary acquired	(3,757)
	1,624

The initial accounting for the above acquisition is only provisional at the period end as the fair value to be assigned to the acquiree's identifiable assets and liabilities was determined provisionally. The Group will recognise any adjustments to those provisional values as a result of completing the initial accounting within twelve months and from the acquisition date.

From the date of acquisition, PTC has contributed a loss of KD 9,582 thousand to the results of the Group. If the combination had taken place at the beginning of the period, the loss for the Group would have been a further KD 998 thousand higher and revenue would have been KD 599 thousand higher.

17. JOINT VENTURE

The Group has a 50% equity shareholding with equivalent voting power in Orascom Telecom Tunisie ("Tunisiana"), a joint venture established in Tunisia. Under the terms of a shareholders' agreement dated 15 October 2002, the Parent Company is entitled to nominate four of the directors on the board of Orascom Telecom Tunisie ("Tunisiana") out of eight, and pursuant to the shareholders' agreement, the right to nominate a jointly appointed ninth Director (who is also the Chairman) will be rotated between the shareholders every three years. Therefore the Parent Company's management decided to proportionately consolidate the financial results of Tunisiana in these consolidated financial statements.

The following amounts are included in the consolidated financial statements as a result of the proportionate consolidation of Tunisiana:

	2007	2006
	KD 000's	KD 000's
Current assets	25,237	28,726
Non-current assets	101,176	103,479
Current liabilities	37,056	27,348
Non-current liabilities	35,727	55,258
	Year ended 31/12/07	Year ended 31/12/06
	KD 000's	KD 000's
Income	80,606	67,052
Expenses	67,676	58,265

18. BASIC AND DILUTED EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY FROM CONTINUING OPERATIONS

Basic and diluted earnings per share attributable to equity holders of the Parent Company from continuing operations is calculated as follows: 2007 2006

	2007	2006
Profit for the period attributable to equity holders of the Parent Company from continuing operations (KD 000's)	80,749	53,294
Number of shares outstanding		
Weighted average number of paid up shares (thousands)	458,212	458,212
Weighted average number of treasury shares (thousands)	(3,286)	(7,105)
Weighted average number of outstanding shares (thousands)	454,926	451,107
Basic and diluted earnings per share attributable to equity holders of the Parent Company from continuing operations (fils)	177.50	118.14

19. PROFIT FOR THE YEAR

Staff costs and depreciation charges are included in the consolidated statement of income under the following categories: 2007 2006 KD 000's KD 000's

	2007	2006
	KD 000's	KD 000's
Staff costs:		
Cost of revenue	2,188	7,570
Administrative expenses	26,300	15,255
Selling and distribution costs	1,482	4,703
	29,970	27,528
Depreciation:		
Cost of revenue	53,244	47,796
Administrative expenses	371	307
Selling and distribution costs	177	181
	53,792	48,284

20. EMPLOYEE SHARE OPTION PLAN

During the year, the Group established an Employee share option plan ("ESOP") to reward the performance of employees. Under the plan, certain permanent employees of the Parent Company and WTI are eligible to purchase the Parent Company's shares from its treasury shares. Pursuant to the plan, the Board of Directors has resolved to grant 4,580 thousand shares which was duly approved by the relevant regulatory authorities and the shareholders general assembly on 17 March 2007.

During the current year 2,472 thousand shares were granted under the above scheme. The stock options granted during the year have been vested and exercised by the employees; accordingly the fair value of the stock options of KD 1,124 thousand is expensed in the consolidated financial statements

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21. RELATED PARTY TRANSACTIONS

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

	Parent	Total 2007	Total 2006
	KD 000's	KD 000's	KD 000's
Consolidated balance sheet			
Investments at fair value through profit or loss *	-	-	3,039
Available for sale investments *	-	-	51,640
Loan to associated company *	-	-	9,492
Loan from related party (see note 14) *	-	-	29,060
Receivable from Qtel Investment Holding B.S.C.	1,491	1,491	-
Payables to QTEL	1,847	1,847	-
Consolidated statement of income			
Management fees paid	-	-	307
Finance costs	-	-	218
Key management compensation:			
Short term benefits	760	760	885
Termination benefits	1,414	1,414	1,305
	2,174	2,174	2,190

* These balances ceased to be recognised as related party balances in 2007 as QTEL acquired the Parent Company (see note 1).

22. SEGMENTAL INFORMATION

The Group operates in a single business segment, telecommunications and related services. The Parent Company's operations are entirely in the state of Kuwait and its joint venture and subsidiaries operate in Tunisia, Algeria, United Arab Emirates (U.A.E.), Maldives, Saudi Arabia and Palestine. This forms the basis of the geographical segments.

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22. SEGMENTAL INFORMATION (*Continued*)

	Inside Kuwait	Outside Kuwait						Total
		Tunisia	Algeria	U.A.E.	Maldives	Saudi Arabia	Palestine	
	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's
31 December 2007								
Segment revenues	212,154	80,606	101,707	-	4,620	8,482	-	407,569
Segment results	73,265	15,559	(4,666)	1,024	(3,018)	(8,803)	(1,847)	71,514
Profit / (loss)	87,658	12,930	(9,652)	1,143	(3,963)	(6,311)	(1,056)	80,749
Segment assets	224,230	125,180	282,896	6,672	22,624	42,046	819	704,467
Investments and other assets	25,003	1,233	24,097	-	-	-	-	50,333
Total assets	249,233	126,413	306,993	6,672	22,624	42,046	819	754,800
Segment liabilities	118,582	24,934	61,483	97	407	9,207	488	215,198
Debt and other obligations	2,537	47,849	139,376	-	8,534	11,204	346	209,846
Total liabilities	121,119	72,783	200,859	97	8,941	20,411	834	425,044
Other information								
Purchases of property and equipment	27,864	11,180	67,241	-	1,174	5,138	356	112,953
Purchases of intangible assets	-	-	-	-	1,716	-	-	1,716
Depreciation of property and equipment	13,966	9,145	25,028	158	2,339	3,134	22	53,792
Amortisation of intangible assets	-	5,209	8,528	-	495	22	-	14,254
Provision for staff indemnity	440	-	-	-	-	55	35	530

	Inside Kuwait	Outside Kuwait					Total
		Tunisia	Iraq	Algeria	U.A.E.	Maldives	
	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's
31 December 2006							
Segment revenues	178,440	67,052	104,944	73,851	-	4,139	428,426
Segment results	67,442	12,578	49,675	(11,713)	(323)	(2,746)	114,913
Profit / (loss)	63,833	8,787	19,870	(11,929)	(3,904)	(3,493)	73,164
Segment assets	129,931	131,689	80,813	255,835	17,959	25,634	641,861
Investments and other assets	51,640	516	-	19,494	2,760	-	74,410
Total assets	181,571	132,205	80,813	275,329	20,719	25,634	716,271
Segment liabilities	89,901	21,024	10,801	47,341	785	4,132	173,984
Debt and other obligations	-	61,582	-	138,445	-	12,857	212,884
Total liabilities	89,901	82,606	10,801	185,786	785	16,989	386,868
Other information							
Purchases of property and equipment	24,933	14,125	2,617	44,750	119	2,517	89,061
Purchases of intangible assets	-	38	-	-	-	5,450	5,488
Depreciation of property and equipment	7,481	7,589	10,990	19,912	136	2,176	48,284
Amortisation of intangible assets	-	5,107	622	8,318	-	20	14,067
Profit on disposal of property and equipment	573	-	-	-	-	-	573
Provision for staff indemnity	580	-	-	-	-	-	580

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23. TAX CLAIM

The joint venture Tunisiana has received a tax claim relating to the new tax issued in 2006 for the electronic recharge sales. The total amount claimed by the Tunisian Tax Authority is around Tunisian Dinar 13.5 million (equivalent to KD 3 million) without penalties.

In May 2007, Tunisiana received the first judgement related to the inspection for the period covering January 2006 to May 2006. The judgement confirmed the tax claim for a total amount of Tunisian Dinar 4 million (equivalent to KD 898 thousand).

On June 29, 2007 and October 8, 2007 Tunisiana has filed an appeal against the judgement. Tunisiana has made a total provision of Tunisian Dinar 7 million (equivalent to KD 1.57 million) with regards to this claim. On the basis of the information available at the balance sheet date, management believes that the provision is adequate.

24. COMMITMENTS AND CONTINGENT LIABILITIES

	2007	2006
	KD 000's	KD 000's
Capital commitments		
For the acquisition of property and equipment	46,804	41,198
For the acquisition of Palestinian mobile license	38,986	41,100
Investment in associate	-	5,334
Contingent liabilities		
Under letters of guarantee	5,302	2,469

Operating lease commitments

The Group has a number of operating leases over properties for the erection of communication towers, office facilities and warehouses. Minimum operating lease commitments under these leases are as follows:

	2007	2006
	KD 000's	KD 000's
Not later than one year	3,752	3,467
Later than one year but not later than five years	16,191	12,873
	19,943	16,340

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25. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Strategy in using financial instruments

The Group's Finance function provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including currency risk and fair value interest rate risk), credit risk, liquidity risk and cash flow interest rate risk.

25.1 Market risk

Market risk is the risk that changes in market prices, such as foreign 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

25.1.1 *Foreign currency risk*

Foreign currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Group had the following significant net exposures denominated in foreign currencies:-

	2007	2006
	KD 000's Equivalent Long / (short)	KD 000's Equivalent Long / (short)
US Dollar	(155,780)	(154,300)
Euro	(27,070)	(38,728)
Tunisian Dinar	(8,456)	(14,772)
Others	2,519	8,325

Foreign currency sensitivity analysis

The Group is maintaining exposure mainly to the US Dollar, Euro and Tunisian Dinar. The following table details the Group's sensitivity to a 10% increase and decrease in the KD against US Dollar, Euro, Tunisian Dinar and others. 2007 2006

	2007	2006
	KD 000's	KD 000's
Impact on consolidated statement of income		
US Dollar	15,578	15,430
Euro	2,707	3,873
Tunisian Dinar	846	1,477
Others	(252)	(832)

25.1.2 *Interest rate risk management*

The Group is exposed to interest rate risk as it borrows funds at floating interest rates.

Interest rate sensitivity analysis

The Group's exposures to interest rates on assets and liabilities are detailed in the liquidity risk management section of this note.

25.1.2 *Interest rate risk management*

The following table illustrates the sensitivity of the profit for the year to a reasonably possible change in interest rates of + 1% (2006: + 1%) with effect from the beginning of the year. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on the Group's financial instruments held at each balance sheet date. All other variables are held constant. A positive number below indicates an increase in profit and negative number indicates decrease in profit.

	2007	2006
	KD 000's	KD 000's
Impact on consolidated statement of income		
US Dollar	(1,091)	(1,107)
Euro	(648)	(387)
Tunisian Dinar	(211)	(228)
Others	(105)	(406)

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

25.1.3 *Equity price risk*

Equity price risk is the risk that the fair values of equities will fluctuate as a result of changes in the level of equity indices or the value of individual share prices. Equity price risk arises from the change in fair values of equity investments. The Group manages the risk through diversification of investments in terms of industry concentration. The effect of equity price risk on profits of the Group is not significant as its exposure to equity securities classified as investments at fair value through profit or loss is minimum. The effect on equity (as a result of a change in the fair value of equity investments held as investments available for sale) at the year end due to an assumed 5% change in market indices, with all other variables held constant, is as follows:

		2007	2006
Market indices	% change in equity price	Effect on equity	Effect on equity
		KD 000's	KD 000's
Kuwait stock exchange	+5	52	188

25.2 Credit risk management

Credit risk refers to the risk that 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 and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the management annually.

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

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

25.2.2 *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	
	2007	2006
	KD 000's	KD 000's
Bank balances	79,469	55,863
Trade and other receivables	53,524	50,800
Due from liquidator	29,377	-
Available for sale investments	5,571	7,024
	167,941	113,687

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

	Carrying amount	
	2007	2006
	KD 000's	KD 000's
Kuwait	116,046	54,438
Tunisia	23,615	27,428
Iraq	-	14,452
Algeria	13,477	11,429
United Arab Emirates	7,172	2,890
Maldives	1,248	3,050
Saudi Arabia	5,926	-
Palestine	457	-
	167,941	113,687

Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

The average credit period is 30 days. No interest is charged on the trade receivables. The Group has provided fully for all receivables over 365 days because historical experience is such that receivables that are past due beyond 365 days are generally not recoverable. Trade receivables between 30 days and 364 days are provided for based on estimated irrecoverable amounts determined by reference to past default experience.

As of 31 December 2007, trade receivables of KD 31,345 thousand (2006: KD 24,256 thousand) were fully performing.

Included in the Group's trade receivables balance are debtors with a carrying amount of KD 10,941 thousand (2006: KD 11,481 thousand) which are past due at the reporting date for which the Group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

The Group has fully provided for all impaired trade receivables.

25.3 Liquidity risk management

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

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

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

Financial Liabilities At 31 December 2007	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total	Weighted average effective interest rate
	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	%
Short term debt	1,558	-	-	-	1,558	8.88
Trade and other payables	215,198	-	-	-	215,198	-
Long term debt	51,305	57,950	102,988	43,721	255,964	8.78
	268,061	57,950	102,988	43,721	472,720	

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

25. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (*Continued*)

Commitments

At 31 December 2007	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's
Acquisition of property plant and equipments	46,804	-	-	-	46,804
Acquisition of Palestinian mobile license	-	38,986	-	-	38,986
Operating lease	3,752	16,191	-	-	19,943
	50,556	55,177	-	-	105,733

Financial Liabilities

At 31 December 2006	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total	Weighted average effective interest rate
	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	%
Short term debt	9,232	-	-	-	9,232	6.84
Trade and other payables	171,959	-	-	-	171,959	-
Long term debt	20,974	67,580	118,396	43,953	250,903	7.47
	202,165	67,580	118,396	43,953	432,094	

Commitments

At 31 December 2006	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's
Acquisition of property plant and equipments	41,198	-	-	-	41,198
Acquisition of Palestinian mobile license	-	41,100	-	-	41,100
Operating lease	3,467	12,873	-	-	16,340
	44,665	53,973	-	-	98,638

26. OPERATIONAL RISK

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2007

27. FAIR VALUE OF FINANCIAL INSTRUMENTS

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 balance sheet 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 balance sheet date.

As at the consolidated balance sheet date, the fair value of all of the Group's financial assets and financial liabilities approximate their carrying value in the consolidated balance sheet except for certain available for sale investments carried at cost (see note 8).

28. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from 2006.

The capital structure of the Group consists of equity comprising issued capital, reserves and retained earnings as disclosed in note 15.

Gearing ratio

The gearing ratio at year end was as follows:

	2007	2006
	KD 000's	KD 000's
Debt (i)	207,051	212,811
Cash and cash equivalents	(79,469)	(55,863)
Net debt	127,582	156,948
Equity (ii)	305,586	267,789
Net debt to equity ratio	42%	59%

(i) Debt is defined as short term debts and long-term debt, as detailed in note 12 and 14.
(ii) Equity includes all capital and reserves of the Group excluding minority interest.

29. COMPARATIVE FIGURES

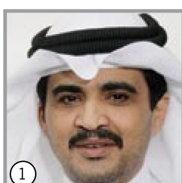
Certain comparative figures related to the discontinued operation (see note 7) have been reclassified to conform to the current year's presentation.

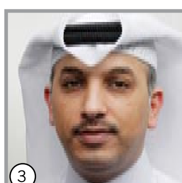
Board of Directors/Executive Management

Board of Directors

Wataniya Telecom

Sheikh Abdullah Bin Mohammed Bin Saud Al-Thani
Chairman of the Board





1. **Sheikh Mohammed Bin Suhaim Al Thani**
   Vice Chairman
2. **Dr. Nasser Mohammed Marafih**
   Member of the board
3. **Ali Shareef Al-Emadi**
   Member of the board
4. **Waleed Abdulla Al-Roudhan**
   Member of the board
5. **Fahad Othman Al-Saed**
   Member of the board
6. **Rashed Al-Mijrin Al-Roumi**
   Member of the board

1. **Salah Fahad Al-Sultan**
   Chairman's Advisor

Executive Management

Wataniya Telecom Kuwait

1. **Scott Gegenheimer**
   General Manager & CEO
2. **Fuad A.D.A Al-Ablani**
   Deputy General Manager
3. **Leif Niklas Mikael Sonkin**
   Chief Strategy Officer & Director of B2B
4. **Francesco Ricotta**
   Chief Technical Officer
5. **Balbinder Ranbir Singh Panesar**
   Director, Finance
6. **Zeyad A.A Al-Omar**
   Director, Human Recourses & Admin services
7. **Sean Stephen Rabbitte**
   Director, Customer Care
8. **Hamza Taqi**
   Director, Marketing

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Email: wataniya@wataniya-maldives.com

Wataniya in Palestine

Wataniya Palestine Mobile Telecommunications Company

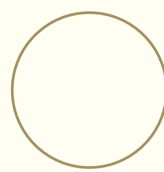
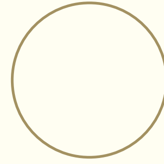
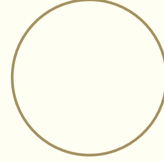
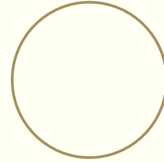
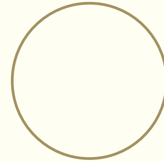
Tri-Fitness Centre, 3rd Floor

Satah Merhaba Al Bira

West Bank

Palestine

Website: www.wataniyapalestine.com

WATANIYA TELECOM

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About Qtel

Qtel, officially established in 1987, is the incumbent mobile, fixed, cable and internet provider in Qatar. 2007 marked another excellent performance. Qtel has seen growth in all key financial metrics.

These excellent financials are the result of their singular pursuit of focusing on their customers. Qtel provided their customers with leading edge telecommunications services - and continue to drive innovation into the market by launching such services as 3G video calling, MOZAIC - its world class entertainment gateway, mobile email and internet, and a host of enterprise productivity enablers.

The Qtel Group today operates in 16 countries in the Middle East, North Africa, the Subcontinent, and South East Asia through its subsidiary and associate companies and has successfully grown its consolidated total subscriber base to nearly 16 million as of March 2008. The Group generated consolidated operating revenues of more than QR 10 billion in 2007. The enlarged Qtel Group is well positioned to drive value creation across all its group companies.