PARTNERSHIP AT WORK

WATANIYA TELECOM

ANNUAL REPORT 2011

H.H. SHEIKH
SABAH AL AHMAD AL JABER AL SABAH

THE AMIR OF THE STATE OF KUWAIT

H.H. SHEIKH
NAWAF AL AHMAD AL JABER AL SABAH

THE CROWN PRINCE

H.H. SHEIKH
JABER AL MUBARAK AL HAMAD AL SABAH

THE PRIME MINISTER

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STRENGTHENING BONDS

BY FULFILLING NEEDS

CHAIRMAN'S MESSAGE

Dear Shareholders,

Wataniya Telecom continued on its journey of profitable growth and customer satisfaction during 2011. We delivered on our promise of improving customer experience, creating products and services that are unique whilst expanding our market leadership position. Over the years, we have developed and invested in a culture that promotes integrity, commitment and transparency by putting the interest of shareholders, customers and employees in the forefront.

Wataniya Telecom has a highly skilled and experienced management team that is executing effectively on the company's growth strategy. Our focus on network improvements, product expansion and customer experience have paid off and enabled us to further strengthen our position within the region.

Global demand for telecom solutions continues to be strong and we are well placed to serve this growing demand. Even though the region faces challenges in terms of political stability, pricing pressures and intense competition; we have an unrivalled track record in this challenging environment. Our continued business growth reflects the inherent strengths of our business model, we have made progress in terms of profit, technological developments and market penetration.

Delivering profits and growth

I'm happy to report that in the financial year of 2011, our total revenue was KD 726.6 million and it has increased by 34.7% in comparison to 2010. Our EBITDA for this year is KD 314.2 million compared to last year's EBITDA of KD 216.6 million. There was also a significant increase in our customer base and today we have 17.8 million subscribers in the region which has grown by 1.2 million since last year. Net Profit has grown by 364.1% [24.1% without the fair value gain recorded due to revaluation of existing held interest in Tunisiana] as compared to last year.

Enhancing customer experience with innovation

The year 2011 has witnessed a substantial growth in broadband penetration. In Kuwait smartphone and mobile internet usage have increased at an extremely fast pace. In response to these growing demands we have further invested in network improvements and infrastructure developments. By adding additional data centers and focusing on network modernization in Kuwait we have laid the foundations of building a more resilient future. Nedjma's core network is now fully 3G ready. We have strengthened Bravo's network by increasing its IDEN penetration in key areas and have worked on making our billing and CRM systems more efficient. In Maldives, our 3G network covers 75% of the most popular tourist islands.

In 2011, subscribers to Tunisiana increased by 700,000 in spite of the tumultuous situation of the country. Wataniya Palestine completed its transition from a private to public company and its shares are now also admitted to the renowned and accessible "Al Quds" Index of the Palestine Exchange.

We have taken several initiatives to enhance our customers' interactions with us. Improvements to our billing systems in Kuwait, launching of a loyalty program in Saudi Arabia, creation of an "App store" with more than 17,000 applications by Tunisiana and last but not the least is that now we have 100 stores in Algeria making Nedjma easily accessible and within reach.

All these initiatives have brought us several awards and recognition such as Wataniya Kuwait was awarded "Middle East Operator of the Year 2011" at the CommsMEA Editor's Awards and "Best Telecom Operator 2011" by Arabian Business. Nedjma won "The Best Voice Mobile Operator" by Africa Telecom People. Most importantly our efforts have enabled us to win the appreciation and trust of our loyal customers.

Qtel Group's Support and Guidance

The partnership between the Qtel Group and Wataniya is mutually beneficial, with common initiatives, transfer of best practices and economies of scale helping both companies grow and maximize their potential. We are confident that this relationship will continue to flourish in the years to come, and will eventually aid us in becoming market leaders not only within the region but in the world.

The Future

At the heart of the future of Wataniya Telecom lies the overriding imperative of continuous innovation in the services we provide to our customers. However, we also look to grow our share of the market within the region through product and service development. Moreover, we shall continue to maintain our investment focus on broadband, mobile and convergent services. We look forward to another year of challenges and opportunities. I would like to thank all Wataniya employees for making 2011 a successful and prosperous year for our shareholders.

Abdullah Bin Mohammed Bin Saud Al Thani
Chairman


CREATING OPPORTUNITIES
BY CHALLENGING THE ORDINARY

MANAGEMENT REPORT

Dear Shareholders,

We have made great strides in terms of product diversification, improving our network capabilities and creating a brand culture which differentiates us from the competition—all with the ultimate aim of improving customer experience. Despite an uncertain regulatory environment, intense competition and pricing pressures, we set ourselves the task of challenging the status quo and creating interactions that go beyond the expectations of our customers.

In 2011, we initiated a series of strategic initiatives to achieve three commercial priorities; to grow and capture data revenue, increase our high value customer base and create a market differentiation centered on enhancing our Customer Experience.

As a result of these strategic initiatives, we saw major growth in our data revenues. Data revenues increased to 26% of our total revenue. Major contribution for the growth came from smartphones and our Net-On-Phone data product.

We anticipated and capitalized on the growing demand for Smartphones in Kuwait. Our strategy was to offer attractive smartphone packages such as BlackBerrys, iPhones, Androids and other mobile internet devices, coupled with lucrative data plans. This helped us grow our revenue and market share.

To create a sustainable market differentiation, we are continually crafting specific initiatives. Internally, we enhanced and automated our processes to expedite and ease customer interactions. Externally, we have invested in our retail outlets by redesigning the layout to achieve a more inviting and modern feel.

Profit and Growth

As a result of the above, Wataniya delivered total revenue of KD 726.6 million for 2011 and a Net Profit of KD 362.1 million which includes a fair value gain of KD 265.3 million recorded due to revaluation of existing held interest in Tunisiana following the increase in the shareholding from 50% to 75% [Net Profit without the fair value gain is KD 96.8 million]. More customers joined the Wataniya family and now we have 17.8 million subscribers compared to last year's 16.6 million. Wataniya Kuwait contributed 34% of revenue to this year's consolidated total followed by Nedjma Algeria which saw an increase in its customer base by more than 259,000 and made a contribution of 31% to the total revenue. In coming years, we will strive to do even better with a focus on market leadership.

Product Innovation

Our innovation strategy is centered upon the development of attractive applications and plans that add value to the customer's life and safeguard the company's competitiveness. We redesigned our internet packages with high-speed for all. The objective behind this transformation was to offer our customers a faster and smoother experience based on their usage.

We enhanced our Loyalty Program by adding features and mechanisms to give our customers a more rewarding experience. We also introduced a new music application for smartphones called Backstage.

Network and System Developments

The dramatic surge in mobile data traffic requires a high-performance network. We began network modernization; the benefits of the modernization are to provide capital efficiency in our Radio Network capacity and to serve as a platform that will enable us to evolve our network to LTE (Long Term Evolution, faster and higher data technology) or other Radio technology for improvements.

We also invested in building our own data centers; data centers will enable us to do faster service deployment and opens doors for possible new growth areas in the future.

We completed the upgrading and modernizing of our Billing system in the fourth quarter of 2011 and it enables us to grow and better serve our post-paid customer base by offering them easy access to new features and giving them the flexibility to manage their services.

To streamline communication we implemented a new SMS Broadcast System which gives us the ability to send text, MMS, USSD, Flash and interactive messages to customers. This new system will help Wataniya customize and prioritize its SMS communication.

Brand Culture and Social Responsibility Initiatives

We believe that direct action and collaboration, not just cash donations, is the path to real change. Popular initiatives of 2011 have ranged from a social media campaign called GiveKuwait to celebrate Kuwait's 50th anniversary to the launch of Wataniya TV Channel for the month of Ramadan. Our contribution towards environmental, educational and social growth has helped us touch the lives of people in Kuwait, and has extended to the drought victims of Somalia.

We recognize that in order to deliver the brand promise, our people must first be able to understand and internalize it. 2011 saw Wataniya's first Wow Team, a team of elected managers who work together on independent projects that they believe will bring the Wow to life within Wataniya.

Another prominent cultural activity was the Wataniya Ambassador Contest, a program that encouraged employees to adapt a self-learning culture by motivating them with the title of Wataniya Ambassador and rewards.

Plans for 2012

Our focus in the year ahead will be on two key areas of opportunity. The first is to continue to drive our data revenue growth. We believe that a combination of our device offering along with service packaging and product positioning will differentiate us from the competition and help us gain profitable outcomes.

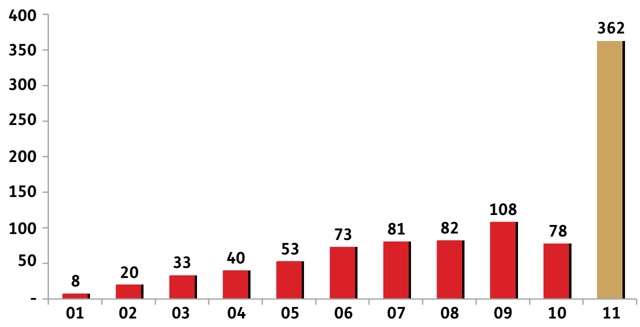
The second area of focus is to broaden our communications offerings to the business market in Kuwait. We want to capture the growing demand for collaboration, data centers and enhanced business class data services.

In 2012, we will further develop several new strategic initiatives that will improve our operational efficiencies while maintaining growth aspirations.

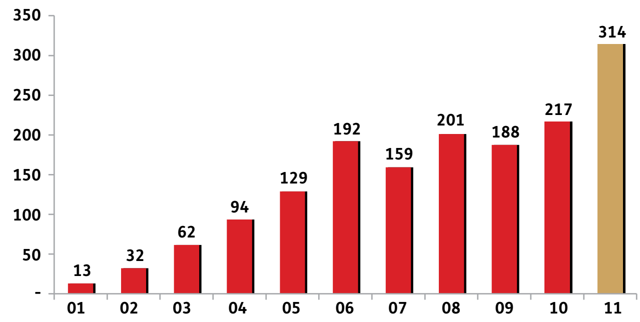
On behalf of the Board and management, I would like to thank all Wataniya employees, business partners and customers for their efforts and support.

M. Scott Gegenheimer
General Manager & CEO

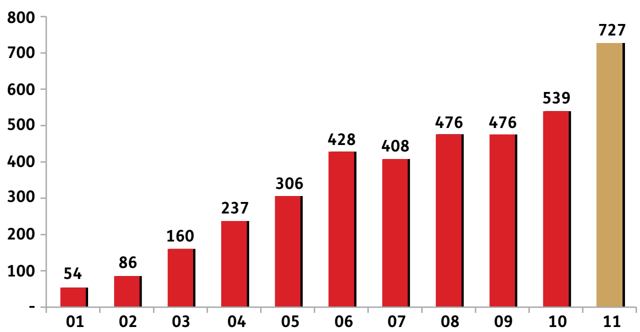
FINANCIAL HIGHLIGHTS
FOR THE YEAR ENDED 31 DECEMBER 2011



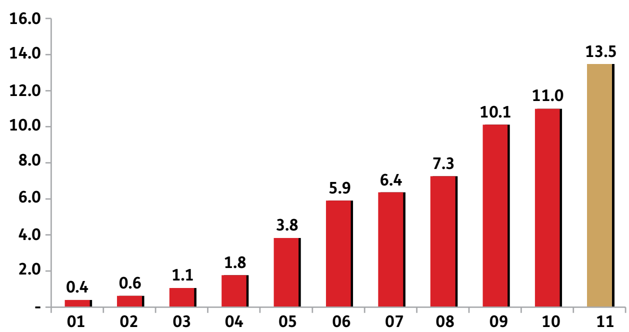
Net Profit (KD Millions)



EBITDA (KD Millions)



Revenue (KD Millions)



Proportional Subscribers (Millions)

FINANCIAL HIGHLIGHTS
FOR THE YEAR ENDED 31 DECEMBER 2011

		Year 2011	Year 2010
		In Millions	In Millions
KUWAIT			
Wataniya Telecom	Total Subscribers	2.0	1.8
	Revenue	243.6	221.6
	EBITDA	111.1	98.9
	% EBITDA	46%	45%
	Net Profit to WT	328.1	69.8
TUNISIA			
Tunisiana			
	Total Subscribers	6.6	5.9
	Revenue	210.0	101.0
	EBITDA	118.8	55.9
	% EBITDA	57%	55%
	Net Profit to WT	39.6	23.6
ALGERIA			
Nedjma	Total Subscribers	8.5	8.2
	Revenue	223.7	174.7
	EBITDA	83.2	65.9
	% EBITDA	37%	38%
	Net Profit to WT	10.3	2.0
SAUDI ARABIA			
Bravo	Total Subscribers	0.2	0.2
	Revenue	19.3	22.1
	EBITDA	(1.5)	1.0
	% EBITDA	-8%	4%
	Net Profit to WT	(6.0)	(3.9)
MALDIVES			
Wataniya Telecom Maldives	Total Subscribers	0.1	0.1
	Revenue	9.4	9.2
	EBITDA	1.6	1.2
	% EBITDA	17%	13%
	Net Profit to WT	(2.7)	(4.7)
PALESTINE			
Wataniya Telecom Palestine	Total Subscribers	0.5	0.4
	Revenue	20.6	10.9
	EBITDA	1.0	(6.2)
	% EBITDA	5%	-
	Net Profit to WT	(3.5)	(9.1)
Wataniya - Consolidated			
	Total Subscribers	17.8	16.6
	Revenue	726.6	539.4
	EBITDA	314.2	216.6
	% EBITDA	43%	40%
	Net Profit to WT	362.1	78.0

Note 1. In Q1 2011, A fair value gain (non- cash) of KD 265.3 million was recorded due to a revaluation of the existing held interest in Tunisiana following the increase in the shareholding from 50% to 75%.

GROWING TOGETHER

REACHING FURTHER

WATANIYA IN KUWAIT

About Wataniya in Kuwait

Wataniya is the second largest mobile telecommunications operator in Kuwait serving a significant share of Kuwait's mobile customers. Wataniya has built its success on three strategic pillars: offering innovative services, providing excellent network quality and delivering outstanding customer service.

Wataniya Kuwait delivers a wide range of pre and post-paid mobile voice and data services to both individual and corporate customers. In addition, Wataniya also offers a suite of business efficiency tools for corporate customers under the WPro product as well as a number of segment-specific programs and plans, such as Wink for youth and InTouch for foreigners living in Kuwait. Wataniya has introduced a range of value added services such as "MyDiggly," "Facebook via SMS" and "Prepaid Voice Bundles" that enable customers to optimize their user experience.

Ownership

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

Wataniya in Kuwait: Achievements

Kuwait continues to represent one of the most competitive mobile marketplaces in the Gulf region. Success here requires a commitment to excellence, continuous innovation, and an unrelenting ability to anticipate the needs of consumers. The Wataniya team has delivered on each one of these requirements this year, strengthening the Company's competitive position by expanding its data offering, capturing the exciting opportunities offered by Smartphone growth, and delivering unparalleled customer experiences over an enhanced network.

Quick to realize the potential in 2011 for growth in Smartphone usage, Wataniya launched a device strategy to drive the adoption and acceptance of Smartphone devices across its customer base. By lowering barriers to entry through intelligent pricing, and by offering a broad range of devices including the iPhone, BlackBerry and Android based phones; Wataniya has delivered impressive growth in data usage and revenue. Wataniya's Net-on-Phone plans have been a tremendous success since their launch at the beginning of this year, making it Wataniya's fastest growing data product in 2011. Data has also driven new opportunities in the corporate segment, with the launch this year of a Machine-to-Machine (M2M) service that allows business customers to connect multiple machines over a high-speed internet connection.

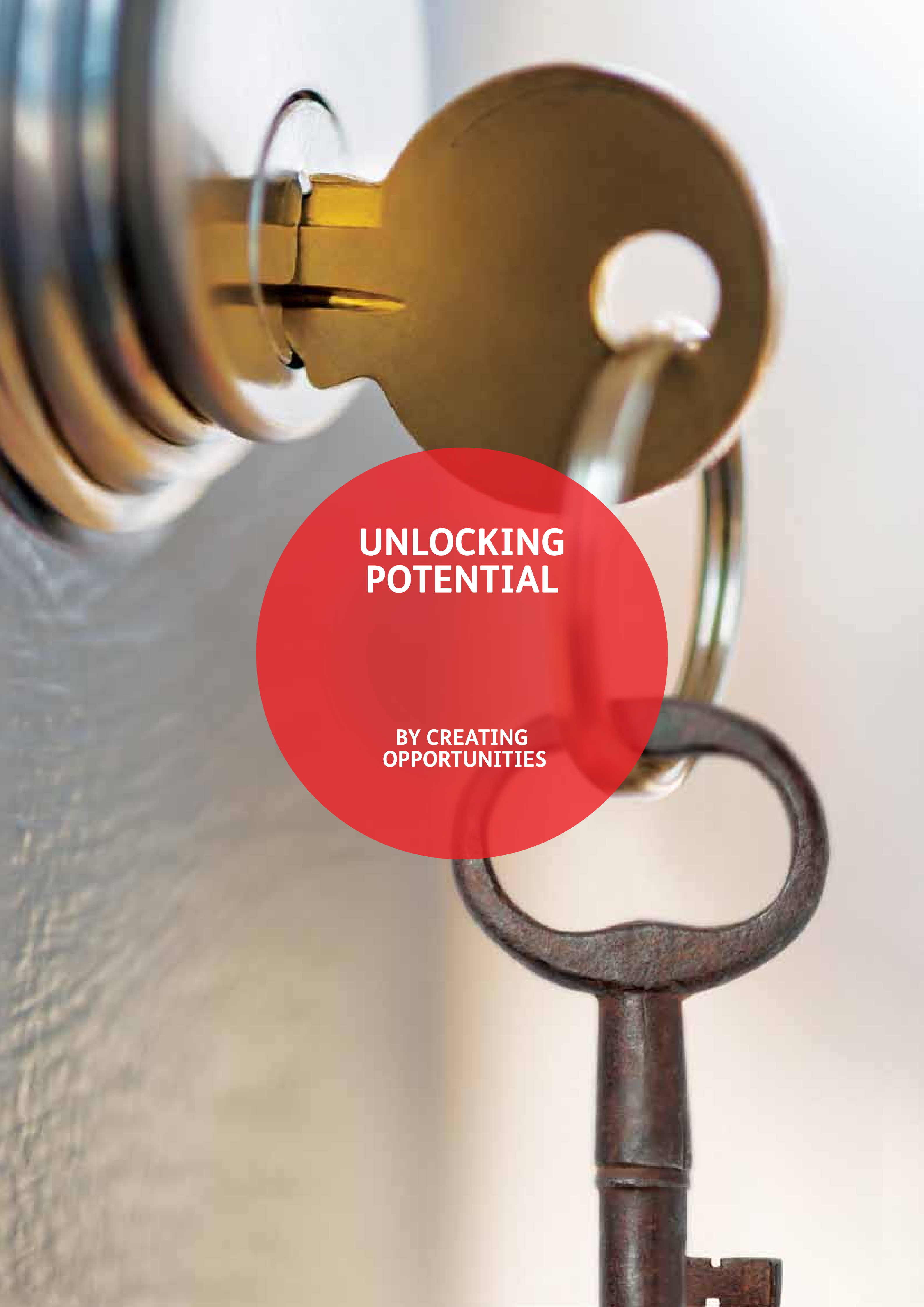
Enhancements to the Wataniya network this year have focused on maintaining Wataniya's reputation for excellent service and reliability. A new billing system for post-paid subscribers enables to speed up and improve the accuracy of customer billing. This introduces the opportunity for Wataniya to promote and position new services. Such infrastructure enhancements, as well as a significant refresh of the Company's loyalty program, have translated into industry awards and recognition. This year, Wataniya was proud to be named not only Best Telecom Operator 2011 by Arabian Business Kuwait, but also as Middle East Operator of the Year 2011 at the CommsMEA Editor's Awards.

Wataniya in Kuwait: The Year Ahead

Wataniya starts 2012 in a strong position, with a number of clear opportunities for growth ahead. The first of these is data. Wataniya intends to continue its pursuit of growth in data uptake, usage and revenue, ensuring at the same time that its network remains resilient and flexible in order to support these exciting new services. Another clear focus in 2012 will be the business market, where Wataniya intends to expand the range of services it provides to corporate customers including unified communications and enhanced business voice and data offerings.

Executive Quote

"Remaining close to our customers keeps us closely aligned with the ever-changing needs, demands and desires of local consumers. This year we have moved quickly to identify those changes and deliver the right products, at the right time to capture our customers' imagination and loyalty. We will continue to take this approach in the year ahead and look forward to the next exciting stage in Wataniya's development."


UNLOCKING POTENTIAL
BY CREATING OPPORTUNITIES

WATANIYA IN TUNISIA

About Tunisiana

Launched in 2002 as Tunisia's first privately owned Telecommunications Company, Tunisiana's arrival marked a big change in the country's communications market. Since that time, Tunisiana has grown to become not only the country's number one mobile operator but also one of the country's most trusted and recognized brands. Each day Tunisiana's truly national network delivers a range of prepaid and post-paid voice and data services to more than five million individual and business customers across this North African nation.

Ownership

The Qtel Group has a 52.5 percent stake in Wataniya (NMTC). In January 2011, Wataniya added to its existing 50 percent holding in Tunisiana by acquiring an additional 25 percent stake. This gives the Qtel Group a 39.37 percent effective economic stake in Tunisiana.

Tunisiana: Achievements

In a year of challenge and change within Tunisia, the Tunisiana team has not only defended its market position but also launched new products, advanced its digital and social offerings, and won clear recognition for the strength and reliability of its services.

In April, Tunisiana was proud to become the first telecommunications company in Tunisia to launch a BlackBerry "On Demand" service. This service allows Tunisiana customers to pay for day-by-day access to BlackBerry services and is a key part of Tunisiana's aim to build on the product's existing strength in the corporate segment and expand usage among personal customers. In May, Tunisiana also launched its own branded "App Store", with more than 17,500 apps downloaded by over 5,300 customers since the service's launch. These actions and many others contributed to Tunisiana being named this year, by its customers, as the best operator in its peer group.

While delivering a successful outcome to 2011, Tunisiana has also continued to look to the future. During the year, Tunisiana has taken actions to boost its ability to offer new, innovative services in the years ahead. The clearest example of this is the Company's acquisition in September of a 49 percent stake in Tunet: an Internet Service Provider (ISP). This strategic acquisition will allow Tunisiana to expand its business into the growing broadband internet services market, opening up the opportunity to offer a range of convergent services to corporate and residential customers.

Tunisiana: The Year Ahead

The growth, flexibility and resilience that Tunisiana has demonstrated this year, against a backdrop of significant change, underline the Company's strengths and its prospects. In the year ahead Tunisiana will continue to focus its attention on attractive market segments, such as the large and dynamic youth segment, as well as broadening the availability and reach of new services, such as mobile payments. The Company will also continue to invest in the strength and resilience of its network, building on the already significant work completed this year to increase network capacity.

Executive Quote

"We have been presented with many challenges this year: socially, economically and politically. We have responded quickly and decisively to each one of those challenges and maintained our market position by following and meeting our customers' rapidly changing needs. We therefore enter 2012 in good shape. We have the respect of our customer base along with the same steadfast commitment to provide excellent service and innovative products; and a clear ambition to make further progress in the year ahead."

HAND IN HAND

TOWARDS A NEW TOMORROW

WATANIYA IN ALGERIA

About Nedjma in Algeria

Branded as Nedjma, Wataniya Telecom Algeria commenced operations in 2004. Starting out life as Algeria's third mobile operator, today Nedjma commands second place in this populous and exciting North African mobile marketplace. As one of the most instantly recognisable brands in the country, Nedjma offers its subscribers value-for-money mobile voice, data and multimedia services delivered across a nationwide EDGE-ready network.

Ownership

The Qtel Group controls Wataniya (NMTC) by owning a 52.5 percent stake. The Qtel Group, through its own entities and indirectly through NMTC, holds an 80 percent stake in the operations of Nedjma. This gives the Qtel Group a 46.3 percent effective economic stake in Nedjma.

Nedjma in Algeria: Achievements

Over the course of this year, Nedjma has moved forward with a number of initiatives, each designed to ensure that customer experience and satisfaction remain at the heart of Nedjma's strategic focus and operational ambitions. From network strength to service and product choice, Nedjma has worked hard in 2011 to retain its customers' loyalty and trust and to gain market share.

Both Nedjma's infrastructure and retail networks have been expanded this year. In terms of infrastructure, concerted efforts to make Nedjma's network ready for projected increases in future 3G data traffic have continued apace. The core network is now fully 3G-ready, with a significant swap-out program also completed on the radio-access infrastructure. These important extensions have been matched by progress in building out Nedjma's retail platform. During the year Nedjma crossed the important "100 stores" mark, complementing the direct relationship the Company has with over 2000 wholesalers across key regions. Today, Nedjma's services – and its strong brand – are visible and accessible to more people, in more places across Algeria than ever before.

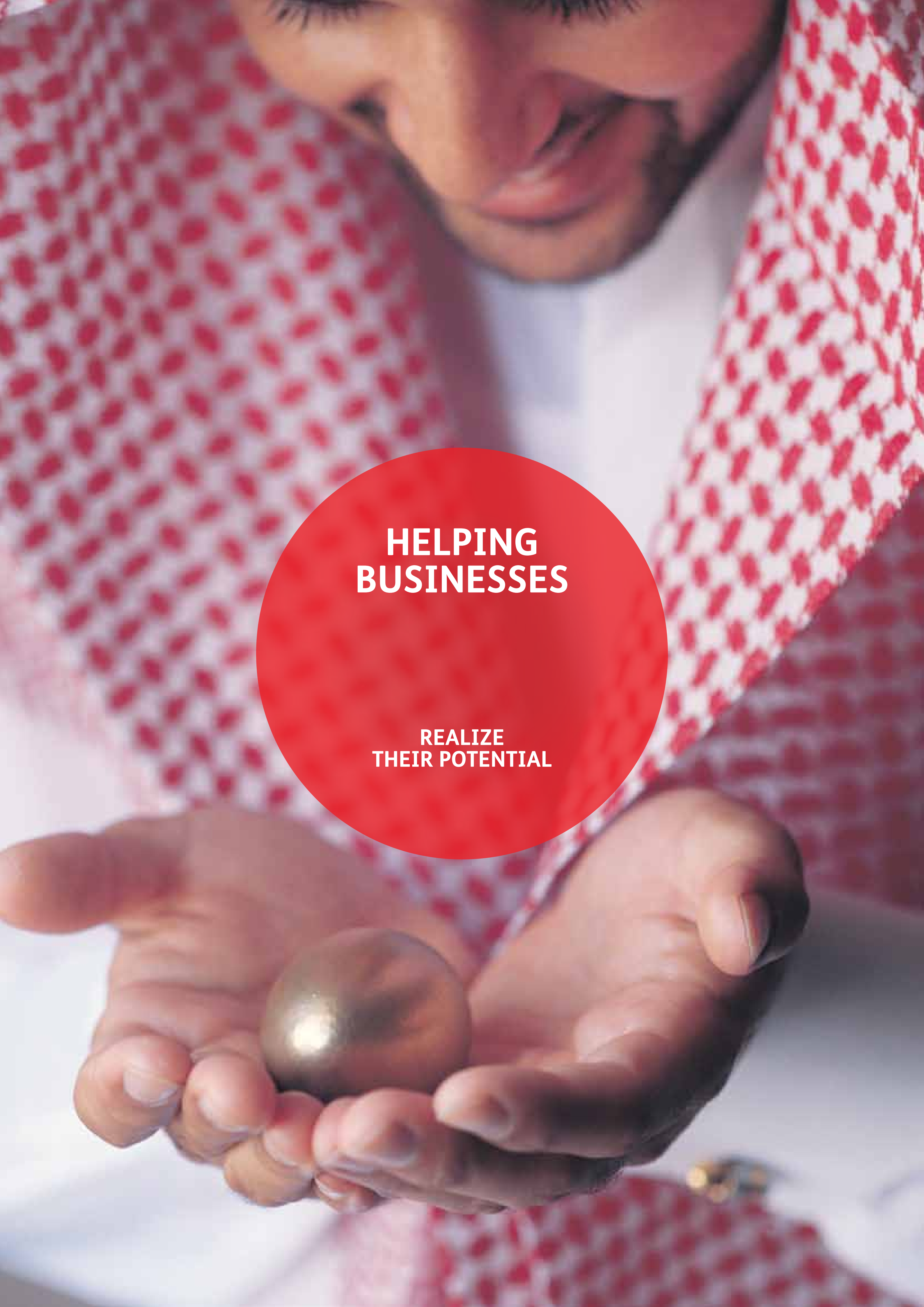
During the year, Nedjma has devoted considerable effort to targeting a number of exciting and important customer segments: particularly mid and high-end customer groups. Promotions and products specifically tailored to these segments have been launched during the year, each with a clear focus on transparency of service and price. Together, these initiatives have enabled Nedjma to maintain its reputation as a trusted telecom brand in Algeria. This year, Nedjma was recognized not only as the Best Voice Mobile Operator by Africa Telecom People, but also as the Best African Mobile Operator of the Year by Communications Middle East and Africa.

Nedjma in Algeria: The Year Ahead

The year ahead offers further opportunity for Nedjma to develop and deepen its connection with its customer base. One of the main opportunities of 2012 is data. Early experiments with data services and dongle-based broadband access offerings have already begun. The ever-increasing strength and data-readiness of the network will, as time passes, further strengthen Nedjma's position in this arena. Customer segmentation also continues to offer possible opportunities for growth in 2012, with recently improved CRM systems opening up the potential for Nedjma to introduce loyalty programs for those most important and valuable customer groups in its portfolio.

Executive Quote

"Nedjma has gone from strength to strength this year, made possible by the continuing hard work and dedication of the Nedjma team. Our network, our service offering and customer connection are all stronger; thanks to increased investments in the business and deep understanding of the market that has made a real difference to our customers and their Nedjma experience. We will retain this focus in the year ahead, taking every opportunity to stay close to our customers and maintain Nedjma's reputation for excellence and innovation."


HELPING BUSINESSES
REALIZE THEIR POTENTIAL

WATANIYA IN THE KINGDOM OF SAUDI ARABIA

About Bravo

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

Ownership

The Qtel Group has a 52.5 percent stake in Wataniya (NMTC), which holds a 55.6 percent stake in the operations of Bravo. This gives the Qtel Group a 29.2 percent effective economic stake in Bravo.

Bravo: Achievements

Bravo continues to occupy a strong, differentiated position in the competitive Saudi communications market. This position was first secured and continues to be defended thanks to Bravo's unrelenting focus on delivering excellent service to its unique and demanding customer base. In 2011, Bravo took this focus to a new level, launching new devices and new rewards to further entrench its position. Four new segment specific devices were launched this year, each targeted at specific customer needs both in current segments and in new ones, such as Health. A new customer loyalty program was also initiated, helping to reward and retain customers across the base. Alongside these initiatives, the Bravo network was further strengthened through work on enhancing its iDEN penetration in key areas, as well as improvements to billing and CRM systems.

Bravo: The Year Ahead

Bravo is well positioned to retain its strong market position. The Saudi Arabian economy continues to display growth and dynamism that creates opportunities for the services Bravo is able to offer. It remains Bravo's aim to become the PTT provider of choice for the government and business sectors of Saudi Arabia. By building upon the achievements made in the last twelve months, both in terms of service and product, Bravo will continue to work steadily and successfully toward this goal.

Executive Quote

"The value and application of our offer to business and government in Saudi Arabia is undiminished. Bravo offers an exceptional, unique and targeted service to help even the largest organizations communicate simply and effectively across their employee base to increase productivity. We will continue to put the real-life needs of our customers first, I am confident that Bravo will retain both its strong position and unparalleled reputation in this important marketplace."

FORGING AHEAD

BY EXPLORING NEW FRONTIERS

WATANIYA IN THE MALDIVES

About Wataniya in the Maldives

From small beginnings in 2005, Wataniya is today able to offer mobile and data services across all of the Maldives' inhabited islands. Supporting what is a vibrant economy centered on tourism, Wataniya provides a range of mobile services to the numerous international visitors and local inhabitants of this Indian Ocean nation, delivered across the country's first ever 3G and HSDPA-ready network. Wataniya Maldives is pursuing a defined, long-term strategy focused on increasing network coverage, expanding network reach, and the ongoing nationwide roll-out of broadband services.

Ownership

The Qtel Group has a 52.5 percent stake in Wataniya (NMTC), which holds 100 percent of the operations of Wataniya in the Maldives. This gives the Qtel Group a 52.5 percent effective economic stake in Wataniya Maldives.

Wataniya in the Maldives: Achievements

Wataniya Maldives has made clear and noticeable progress this year across its operations. This progress has been achieved thanks to an unrelenting emphasis on the delivery of exceptional service across an ever-expanding network. The Company's 3G coverage now extends to 75 per cent of the Maldives' important tourist resorts, helping to drive revenue and usage from both local customers and international roamers. Visitors are now able to access a wide range of social and mobile media services following the launch this year of innovative Gmail and Twitter SMS capabilities in addition to high quality mobile services. Supported by the increasing strength of its mobile broadband and data network, 2011 also saw the launch – by Wataniya Maldives – of the country's first ever BlackBerry service.

Wataniya in the Maldives: The Year Ahead

In the coming twelve months, Wataniya Maldives will continue to focus on developments and services that appeal to its two core customer groups – local Maldivians and tourist visitors. Both of these customer groups are demanding ever more sophisticated, data driven and feature rich user experiences. Wataniya Maldives remains focused on providing these experiences, supported – in particular – by a broadband ready network capable of delivering a fast, reliable and high quality level of service.

Executive Quote

"We remain keenly focused on the new opportunities open to us in the Maldives, and we are taking the right strategic steps towards realizing our goals. This year we have upgraded our network, broadened our footprint and launched platforms that allow our customers to access the very latest mobile social media services. These enhancements are making a real and positive difference to our customers' daily lives: both those who live and work here and the many thousands who visit our islands every year."

LAYING THE FOUNDATION

FOR A SUCCESSFUL FUTURE

WATANIYA IN PALESTINE

About Wataniya Mobile Palestine

Wataniya is the second licensed mobile operator in Palestine. Awarded its license in 2007 through a competitive process, 2010 saw Wataniya's first full year of commercial operations after the successful launch of services in the West Bank in November 2009. Following the highly successful completion in January 2011 of the Company's initial public offering, Wataniya is today one of Palestine's largest public companies and a significant player in the Palestinian mobile market. Through a range of services and products, the Company offers a population of approximately four million people the opportunity to enjoy a communications service based on network quality, reliability and choice.

Ownership

The Qtel Group has a 52.5 percent stake in Wataniya (NMTC), which following the initial public offering, now holds a 48.5 percent stake in the operations of Wataniya Mobile Palestine. This gives the Qtel Group a 25.4 percent effective economic stake in Wataniya Mobile Palestine.

Wataniya Mobile Palestine: Achievements

Wataniya's most significant achievement this year was the completion, in January 2011, of its transition from a private to a public company. During the course of the year, the Company's public status was further enhanced when its shares were admitted in late December 2011 to the internationally renowned and widely accessible 'Al Quds' index of the Palestine Exchange.

During 2011, Wataniya has done much to build on the heightened status and increase local awareness of its brand that the initial public offering has generated. First, the Company has strengthened the reliability and extended the reach of its network to now cover more than 96 percent of Palestinian territories in the West Bank: a significant achievement. Second, Wataniya has continued to deepen its social connection with the Palestinian people it serves. Wataniya Palestine has been sponsoring and enabling a wide range of sporting, cultural, educational and social initiatives in 2011 to help bring communities together, to develop talent and to create opportunities.

Thanks to these and many other efforts, the Wataniya brand is today synonymous with innovation and excellence. By continuing to offer customized services for targeted cross-sections of the Palestinian community, such as students and young people, and through the introduction of innovative new services such as mobile social networking and international credit transfer, Wataniya has been able to maintain its competitive advantage and strong market position.

Wataniya Mobile Palestine: The Year Ahead

The Palestinian communications market continues to offer strong long-term prospects for growth. Within that market, certain groups and population segments represent particularly exciting opportunities for a strong, well respected brand such as Wataniya. In particular, the percentage of population under the age of 19 comprises almost 53% of Palestine's entire population. By targeting new value-added services at this vibrant and early-adopter group, clear opportunity exists for Wataniya to further strengthen its market position, in addition to its affinity with the people it serves.

Executive Quote

"We close 2011 and enter 2012 as a strong, successful and proud Palestinian company. By building on our new, more visible position as a public company, we have been able this year to increase awareness of our brand, extend the reach of our network and deepen our connection with some of the most exciting segments of Palestinian society. This is evident in our 2011 positive EBITDA for the first time since 2009. We look forward to the year ahead and to meeting the ever-changing needs of our customers with the kind of innovative, exciting services they have come to expect of us."

CELEBRATING UNITY

NURTURING TALENT

WATANIYA - CREATING A BETTER TOMORROW

Wataniya Telecom has always taken a keen interest in the development and mutual enrichment of society. Our CSR initiatives for this year offer an insight into our approach to being a responsible business which has focused on four key areas of social welfare:

- Supporting our communities
- Protecting our environment
- Encouraging the youth
- Promoting transparency and business ethics

We believe we have a positive impact on the health of our society and that is why we will continue with passion and dedication to contribute towards the growth and progress of the region.

Supporting our communities

Wataniya Telecom is strongly committed to the success of our communities. Investing in our communities is something we are passionate about and it is a key part of our Corporate & Social Responsibility program.

Our investments in community programs are extensive. They range from creating a special donation platform for children with heart problems in Maldives to providing assistance in refugee camps for Libyans in Tunisia. In Algeria, we have worked with the Red Crescent consistently for the last couple of years providing food packages in the interior parts of the country. Furthermore, Bravo in Saudi Arabia won an award for its contribution towards the development of infrastructure in the country.

In Kuwait, we have undertaken several initiatives to promote the development of the local residents. In the beginning of 2011, to celebrate the country's National and Liberation Days we launched the biggest social media campaign called GiveKuwait which gave people a chance to showcase their talents. We also launched a free-to-air TV channel in the month of Ramadan to engage and entertain our customers during this auspicious time of the year. Another unique event which further highlights our commitment to social development is the internal educational program for employees called the Wataniya Ambassador Contest. This internal contest encouraged a culture of self-learning and promoted education amongst Wataniya employees. Over and above this, Wataniya has actively sponsored several events for people with special needs, made generous donations to Bayt Abdullah, a hospice for terminally ill children, encouraged contributions for victims of drought and famine in Somalia and supported health programs by providing equipment for the walkway in the Mishref Park.

Protecting our environment

Wataniya is always looking for innovative solutions to minimize its carbon footprints, managing the waste it generates, and reducing the impact of its products by adopting an environmentally conscious attitude. Wataniya, for the first time in the Maldives, installed environment friendly Single Radio Access Network (Single RAN) equipment, with over 54% reduction in power consumption and more than 80% reduction in footprint, for every individual site.

In Kuwait, Wataniya has always been in the forefront incorporating sustainability practices. By sponsoring environmental events revolving around recycling such as "Our Logo is Green" and "Environment Day" in Kuwait University, Wataniya continues to work towards creating a future that is free of pollution and toxins for the future generations.

Encouraging the youth

As part of its efforts to promote the sound nurturing of youth, Wataniya has undertaken several activities and sponsored a wide range of events which will give young people a chance to grow and become future leaders. In 2011, Wataniya Mobile in Palestine and Algeria has continued its commitment by supporting many sport clubs, cultural and educational activities. Popular events that received Wataniya's patronage included the Algerian Football Federation, Football Championship 2011 and International Festival 2011 in Palestine.

In Kuwait, Wataniya went beyond the usual by sponsoring and participating in the Q8ivity Exhibition, Qararat Exhibition, WE Expo and GUST Spring 2011 Job Fair which were all aimed at promoting young entrepreneurs. On the entertainment front, Wataniya organized a concert to encourage local artists during the National and Liberation Day celebration. For the first time ever, an international artist like Ne-Yo was invited to perform in Kuwait for the promotion of Wataniya music application called Backstage, which was developed keeping the taste and needs of the youth in mind. Wataniya has also made efforts to encourage sports in the country by sponsoring football and handball clubs. Safe driving and motorsports through Gulf Run were also endorsed by Wataniya during 2011.

Promoting transparency and business ethics

Wataniya participated and promoted the cause of transparency and honesty in business. This event was hosted by the Kuwaiti Chamber of Commerce and Industry (KCCI) under the theme of "Transparency in the Private Sector".

It is the core responsibility of Wataniya Telecom to society to pursue its corporate value enhancement through innovation and sound business practice. In the coming years, we will continue to relentlessly pursue our goal of sustainability and contribute towards social welfare. Our commitment to our stakeholders, customers, investors, employees and the local communities remains steadfast and reliable as we move closer towards becoming market leaders within the region.

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

Consolidated Financial Statements And Independent Auditors' Report For The Year Ended 31 December 2011

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INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF NATIONAL MOBILE TELECOMMUNICATIONS COMPANY K.S.C.

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of National Mobile Telecommunications Company K.S.C. (the "Parent Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2011 and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

INDEPENDENT AUDITORS' REPORT (Continued)

Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material aspects of, the consolidated financial position of the Group as at 31 December 2011, and 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

We further report that we have obtained the information and explanations that we required for the purpose of our audit and that the consolidated financial statements include the information required by the Kuwait Commercial Companies Law of 1960, as amended, and the Parent Company's articles and memorandum of association. In our opinion, proper books of account have been kept by the Parent Company, an inventory count was carried out in accordance with recognised procedures and the accounting information given in the board of directors' report agrees with the books of account. We have not become aware of any contravention, during the year ended 31 December 2011, of the Kuwait Commercial Companies Law of 1960, as amended, or of the Company's articles and memorandum of association, that might have had a material effect on the Group's activities or on its consolidated financial position.

PRICEWATERHOUSECOOPERS
Al-Shatti & Co.

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

Khalid Ebrahim Al-Shatti
License No. 175 "A"
PricewaterHouseCoopers
(Al-Shatti and Co.)

Kuwait: 21 February 2012

صافي عبدالعزيز المطوع
مرخص تحت رقم (١٣٨) فئة أ

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

As at 31 December 2011

	Note	**2011 KD 000's**	2010 KD 000's
ASSETS			
Current assets			
Cash and cash equivalents and deposits	4	**118,355**	242,361
Trade and other receivables	5	**136,112**	117,746
Inventories		**14,047**	9,595
		268,514	369,702
Non-current assets			
Available for sale financial assets	6	**10,994**	12,889
Property and equipment	7	**484,593**	419,826
Intangible assets	8 & 9	**647,577**	183,063
Deferred tax relating to subsidiaries	10	**11,255**	19,681
		1,154,419	635,459
Total assets		**1,422,933**	1,005,161
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables	11	**362,612**	278,188
Current portion of long term debts	12	**22,012**	22,913
		384,624	301,101
Non-current liabilities			
Provision for staff indemnity		**3,792**	2,804
Long term debts	12	**97,881**	139,595
Other liabilities		**21,066**	21,466
		122,739	163,865
Total liabilities		**507,363**	464,966
Equity			
Share capital	13	**50,403**	50,403
Treasury shares	13	**(3,598)**	(3,598)
Reserves	13	**166,473**	163,988
Retained earnings		**592,285**	291,798
Equity attributable to equity holders of the Parent Company		**805,563**	502,591
Non-controlling interests		**110,007**	37,604
Total equity		**915,570**	540,195
Total liabilities and equity		**1,422,933**	1,005,161

WATANIYA TELECOM

Abdullah Bin Mohammed Bin Saud Al Thani
Chairman

The accompanying notes set out on pages 31 to 75 form an integral part of these consolidated financial statements.

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

For the year ended 31 December 2011

	Note	2011 KD 000's	2010 KD 000's
Revenue		**726,605**	539,437
Cost of revenue		**(338,047)**	(245,327)
		388,558	294,110
Network construction revenue		**2,064**	10,722
Network construction costs		**(2,064)**	(10,722)
		-	-
Gross profit		**388,558**	294,110
Selling and distribution costs		**(73,564)**	(57,003)
Administrative expenses		**(103,672)**	(111,024)
Gain on previously held interest in a joint venture	14	**277,835**	-
Amortization of intangible assets	8	**(35,951)**	(22,564)
Other operating expenses		**(29,724)**	(578)
Dividend income		**68**	127
Interest income		**2,242**	3,185
Gain / (loss) on sale of available for sale financial assets		**39**	(89)
Impairment loss on financial assets		**(1,225)**	(1,998)
Impairment loss on intangible assets	8	**-**	(2,835)
Finance costs		**(10,309)**	(10,276)
Profit before taxation, contribution to Kuwait Foundation for the Advancement of Sciences ("KFAS"), National Labour Support Tax ("NLST"), Zakat and Directors' remuneration		**414,297**	91,055
Taxation relating to subsidiaries	10	**(40,818)**	(18,744)
Provision for contribution to KFAS		**(603)**	(827)
Provision for NLST		**(1,691)**	(2,278)
Provision for Zakat		**(801)**	(1,099)
Directors' remuneration		**(581)**	(459)
Profit for the year		**369,803**	67,648
Attributable to:			
Equity holders of the Parent Company		**362,125**	78,020
Non-controlling interests		**7,678**	(10,372)
		369,803	67,648
Earnings per share attributable to equity holders of the Parent Company (fils)	16	**722.57**	155.68

The accompanying notes set out on pages 31 to 75 form an integral part of these consolidated financial statements.

NATIONAL MOBILE TELECOMMUNICATIONS COMPANY K.S.C. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

	2011	2010
	KD 000's	KD 000's
Profit for the year	**369,803**	67,648
Other comprehensive (loss) / income		
Change in fair value of available for sale financial assets	**(1,631)**	1,269
Net (gain) / loss on sale of available for sale financial assets transferred to the consolidated statement of income	**(39)**	89
Impairment loss on available for sale financial assets transferred to the consolidated statement of income	**1,225**	592
Foreign currency translation differences of foreign operations	**(39,152)**	(8,403)
Other comprehensive loss for the year	**(39,597)**	(6,453)
Total comprehensive income for the year	**330,206**	61,195
Attributable to:		
Equity holders of the Parent Company	**328,030**	72,290
Non-controlling interests	**2,176**	(11,095)
	330,206	61,195

The accompanying notes set out on pages 31 to 75 form an integral part of these consolidated financial statements.

NATIONAL MOBILE TELECOMMUNICATIONS COMPANY K.S.C. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2011

	Share capital KD 000's	Treasury shares KD 000's	Reserves: Share premium KD 000's	Reserves: Statutory reserve KD 000's	Reserves: General reserve KD 000's	Reserves: Gain on sale of treasury shares KD 000's	Reserves: Fair value reserve KD 000's	Reserves: Foreign currency translation reserve KD 000's	Reserves: Other reserves KD000's	Reserves: Total reserves KD 000's	Retained earnings KD 000's	Equity attributable to equity holders of the Parent Company KD 000's	Non-controlling interests KD 000's	Total equity KD 000's
Balance at 1 January 2010	50,403	(3,598)	66,634	32,200	52,267	6,914	540	(517)	-	158,038	247,104	451,947	33,147	485,094
Comprehensive income (loss)														
Profit (loss) for the year	-	-	-	-	-	-	-	-	-	-	78,020	78,020	(10,372)	67,648
Other comprehensive income / (loss) for the year	-	-	-	-	-	-	1,950	(7,680)	-	(5,730)	-	(5,730)	(723)	(6,453)
Total comprehensive income (loss) for the year	-	-	-	-	-	-	1,950	(7,680)	-	(5,730)	78,020	72,290	(11,095)	61,195
Ownership change in a subsidiary (Note 14)	-	-	-	-	-	-	-	-	3,412	3,412	-	3,412	15,552	18,964
Dividends (Note 13)	-	-	-	-	-	-	-	-	-	-	(25,058)	(25,058)	-	(25,058)
Transfer to general reserve	-	-	-	-	8,268	-	-	-	-	8,268	(8,268)	-	-	-
Balance at 31 December 2010	50,403	(3,598)	66,634	32,200	60,535	6,914	2,490	(8,197)	3,412	163,988	291,798	502,591	37,604	540,195
Comprehensive income (loss)														
Profit for the year	-	-	-	-	-	-	-	-	-	-	362,125	362,125	7,678	369,803
Other comprehensive loss for the year	-	-	-	-	-	-	(445)	(33,650)	-	(34,095)	-	(34,095)	(5,502)	(39,597)
Total comprehensive (loss) / income for the year	-	-	-	-	-	-	(445)	(33,650)	-	(34,095)	362,125	328,030	2,176	330,206
Ownership change in a subsidiary	-	-	-	-	-	-	-	-	-	-	-	-	70,227	70,227
Dividends (Note 13)	-	-	-	-	-	-	-	-	-	-	(25,058)	(25,058)	-	(25,058)
Transfer to general reserve	-	-	-	-	36,580	-	-	-	-	36,580	(36,580)	-	-	-
Balance at 31 December 2011	**50,403**	**(3,598)**	**66,634**	**32,200**	**97,115**	**6,914**	**2,045**	**(41,847)**	**3,412**	**166,473**	**592,285**	**805,563**	**110,007**	**915,570**

The accompanying notes set out on pages 31 to 75 form an integral part of these consolidated financial statements.

NATIONAL MOBILE TELECOMMUNICATIONS COMPANY K.S.C. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2011

	Note	**2011 KD 000's**	2010 KD 000's
Cash flows from operating activities			
Profit for the year		**369,803**	67,648
Adjustments for:			
Depreciation and amortization	7 & 8	**123,834**	99,539
Dividend income		**(68)**	(127)
Interest income		**(2,242)**	(3,185)
(Gain)/loss on sale of available for sale financial assets		**(39)**	89
Impairment loss on financial assets		**1,225**	1,998
Impairment loss on intangible assets	8	**-**	2,835
Allowance for doubtful debts	5	**11,792**	7,183
Reversal of impairment loss on receivables	5	**-**	(653)
Gain on previously held interest in joint venture	14	**(277,835)**	-
Taxation relating to subsidiaries		**40,818**	18,744
Loss on disposal of property and equipment		**-**	642
Finance costs		**10,309**	10,276
Provision for NLST		**1,691**	2,278
Provision for staff indemnity		**1,535**	1,493
		280,823	208,760
Changes in working capital:			
Trade and other receivables		**(15,643)**	(38,484)
Inventories		**(4,394)**	(2,107)
Trade and other payables		**31,299**	27,811
Cash generated from operations		**292,085**	195,980
Staff indemnity paid		**(547)**	(212)
Net cash generated from operating activities		**291,538**	195,768
Cash flows from investing activities			
Decrease / (increase) in term deposits		**19,954**	(32,650)
Purchase of available for sale financial assets	6	**(6,165)**	(152)
Proceeds from sale of available for sale financial assets		**6,429**	4,210
Acquisition of a subsidiary, net of cash acquired	14	**(186,202)**	-
Purchase of property and equipment	7	**(140,592)**	(94,622)
Proceeds from disposal of property and equipment		**998**	179
Purchase of intangible assets	8	**(71,268)**	(10,722)
Dividend income received		**68**	127
Interest income received		**2,372**	2,440
Net cash used in investing activities		**(374,406)**	(131,190)
Cash flows from financing activities			
Dividends paid		**(24,807)**	(25,058)
Finance costs paid		**(10,309)**	(10,276)
Net movement in term debts		**(48,049)**	16,830
Net movement in non-controlling interests		**70,227**	18,964
Net cash (used in) / generated from financing activities		**(12,938)**	460
Effect of foreign currency translation		**(8,246)**	9,413
Net (decrease) / increase in cash and cash equivalents		**(104,052)**	74,451
Cash and cash equivalents at 1 January		**208,799**	134,348
Cash and cash equivalents at 31 December	4	**104,747**	208,799

The accompanying notes set out on pages 31 to 75 form an integral part of these consolidated financial statements.

1. REPORTING ENTITY

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

The address of the Parent Company's registered office is Wataniya Telecom Tower, Sharq Area, Plot 1/A, Ahmed Al-Jaber Street, Kuwait City, Kuwait.

These consolidated financial statements were approved for issue by the Board of Directors of the Parent Company on 15 February 2012 and are subject to the approval of the Annual General Assembly of the shareholders.

As at 31 December 2011, total number of employees of the Parent Company is 996 (2010: 1,008)

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies have been applied consistently by the Group and are consistent with those used in the previous year except for the adoption of the new and revised standards as discussed below.

a) Basis of preparation

These consolidated financial statements have been prepared on the historical cost basis, except for the measurement at fair value of "available for sale financial assets".

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

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

b) Statement of compliance

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

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Changes in accounting policies and disclosures

i) New and amended standards adopted by the Group

The following amendments to standards are mandatory for the first time for the financial year beginning 1 January 2011.

- Revised IAS 1 "Presentation of Financial Statements", effective for annual periods beginning on or after 1 January 2011. The revised standard clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. This amendment did not have any impact on the financial position or performance of Group for the year ended 31 December 2011.
- Amendment to IAS 17 "Leases", effective for annual periods beginning on or after 1 July 2010. An entity shall reassess the classification of land elements of unexpired leases at the date it adopts the amendments on the basis of information existing at the inception of those leases. It shall recognize a lease newly classified as a finance lease retrospectively.
- Revised IAS 24 (revised), 'Related Party Disclosures', effective for annual periods beginning on or after 1 January 2011. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. In addition, the Group will need to disclose any transactions between its subsidiaries. This amendment did not have any impact on the financial position or performance of Group for the year ended 31 December 2011.
- Amendments to IFRS 7, Financial Instruments: Disclosures, effective for annual periods beginning on or after 1 January 2011. The Board addressed a perceived lack of clarity in the intended interaction between the qualitative and quantitative disclosures of the nature and extent of risks arising from financial instruments. The Board emphasised the interaction between qualitative and quantitative disclosures about the nature and extent of risks arising from financial instruments. This enables users to link related disclosures and hence form an overall picture of the nature and extent of risks arising from financial instruments. The Board concluded that an explicit emphasis on the interaction between qualitative and quantitative disclosures will contribute to disclosure of information in a way that better enables users to evaluate an entity's exposure. The application of this amendment has no major effect on the consolidated financial statements.

The above mentioned amendments did not have any significant impact on the financial position or performance of the Group for the year ended 31 December 2011.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Changes in accounting policies and disclosures (continued)

ii) New standards issued but not effective for the financial year beginning 1 January 2011 and not early adopted by the Group:

• Amendments to IFRS 7, Financial Instruments: Disclosures	Effective for annual periods beginning on or after 1 July 2011
• Revised IAS 1 "Presentation of Financial Statements"	Effective for annual periods beginning on or after 1 July 2012
• IAS 12 "Deferred Taxes"	Effective for annual periods beginning on or after 1 January 2013
• Amendments to IFRS 9 Financial Instruments: Classification and Measurement	Effective for annual periods beginning on or after 1 January 2015
• IFRS 10 Consolidated Financial Statements	Effective for annual periods beginning on or after 1 January 2013
• IFRS 11 Joint Arrangements	Effective for annual periods beginning on or after 1 January 2013
• IFRS 12 Disclosure of Interests in Other Entities	Effective for annual periods beginning on or after 1 January 2013
• IFRS 13 Fair Value Measurement	Effective for annual periods beginning on or after 1 January 2013

The directors anticipate that the adoption of these standards and interpretations once they become effective in future periods will have no significant financial impact on the financial statements of the Group in the period of initial application.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Basis of consolidation

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

Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable. The Group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control. De-facto control may arise in circumstances where the size of the Group's voting rights relative to the size and dispersion of holdings of other shareholders give the Group the power to govern the financial and operating policies, etc.

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

The Group measures goodwill at the acquisition date as:

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

When the excess is negative, a bargain purchase gain is recognized immediately in the consolidated statement of income.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts generally are recognized in the consolidated statement of income.

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

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

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Basis of consolidation (continued)

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

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

Acquisitions of non-controlling interests

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

Subsidiaries

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

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

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

Loss of control

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

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Basis of consolidation (continued)

Jointly controlled entity

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

e) Foreign currency

Foreign currency transactions

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

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate prevailing at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortized cost in foreign currency translated at the exchange rate prevailing at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on retranslation are recognized in consolidated statement of income, except for the differences which are recognized in consolidated statement of comprehensive income arising on the retranslation of available-for-sale equity investments (except on impairment in which case foreign currency differences that have been recognized in other comprehensive income are reclassified to the consolidated statement of income).

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e) Foreign currency (continued)

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Kuwaiti Dinar at exchange rates prevailing at the reporting date. Income and expenses of foreign operations are translated to Kuwaiti Dinar at exchange rates prevailing at the dates of the transactions.

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

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

f) Financial instruments

i) Non-derivative financial assets

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

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

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

- Loans and receivables; and
- Available for sale financial assets.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f) Financial instruments (continued)

Loans and receivables

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

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

Cash and cash equivalents

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

Available-for-sale financial assets

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

Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses (see note 6), are recognized in the consolidated statement of comprehensive income and presented in the fair value reserve in the consolidated statement of changes in equity. When an investment is derecognized, the gain or loss accumulated in the consolidated statement of changes in equity is reclassified to the consolidated statement of income.

Available-far-sale financial assets comprise of equity securities and debt securities.

ii) Non-derivative financial liabilities

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

The Group derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

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

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

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

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f) Financial instruments (continued)

Trade payables

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

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

Offsetting

Financial assets and liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

g) Inventories

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

h) Property and equipment

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

Depreciation is calculated based on the estimated useful lives of the applicable assets (See note 7) on a straight-line basis commencing when the assets are ready for their intended use.

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

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

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

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i) Leased assets

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

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

Lease payments

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

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

j) Intangible assets

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

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

Goodwill arising on the acquisition of a subsidiary is recognized as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously-held equity interest (if any) in the entity over the net fair value of the identifiable net assets recognized.

If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously-held equity interest (if any), the excess is recognized immediately in the consolidated statement of income as a bargain purchase gain.

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

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

j) Intangible assets (continued)

A summary of the useful lives and amortization methods of Group's intangible assets other than goodwill are as follows:

	Concession intangible assets	GSM License costs	Customer relationships	Brand names
Useful lives	Finite (15 years)	Finite (25 years)	Finite (12 years)	Finite (6 years)
Amortization method	Straight line	Straight line	Straight line	Straight line
Internally generated or acquired	Acquired	Acquired	Acquired	Acquired

k) Service concession arrangements

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

The Group accounts for revenue and costs relating to the services in accordance with IAS 18 as described in the accounting policy for revenue recognition. Borrowing costs attributable to the arrangement are recognized as an expense in the period in which they are incurred, unless the Group has a contractual right to receive an intangible asset (a right to charge user of the public service). If the Group has a contractual right to receive an intangible asset, borrowing costs attributable to the arrangement are capitalized during the construction phase of the arrangement.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

l) Provisions

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

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

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

m) Impairment

i) Non-derivative financial assets

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

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

Financial assets measured at amortized cost

The Group considers evidence of impairment for financial assets measured at amortized cost (loans and receivables) at both a specific asset and collective level. All individually significant assets are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

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

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

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

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

m) Impairment (continued)

Available-for-sale financial assets

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

ii) Non- financial assets

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

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

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

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

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

n) Term debts

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

o) Provision for staff indemnity

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

p) Treasury shares

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

Any 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.

q) Revenue recognition

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

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

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

q) Revenue recognition (continued)

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

Revenue from rendering of services:

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

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

Interconnection, roaming and post-paid revenue:

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

Sales of prepaid cards:

Sale of prepaid cards is recognized as revenue based on the actual utilization of the prepaid cards sold. Sales relating to unutilized prepaid cards are accounted for as deferred income. Deferred income related to unused prepaid cards is recognized as revenue when utilized by the customer or upon termination of the customer relationship.

Sales of equipment:

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

Multiple element arrangements:

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

Other income:

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

- Interest income:

  Interest income is recognized on an accrual basis using effective interest rate method.

- Dividend income:

  Dividend income is recognized when the Group's right to receive dividend is established.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

r) Customer loyalty program

The Company has implemented a customer loyalty program since the end of 2010, whereby the subscribers may earn loyalty points that are redeemable in the form of discounts against the purchase price of handsets or credits for free service usage. The Company records the loyalty program in accordance with IFRIC 13 since the inception of the program, and therefore maintains a deferred revenue balance for the fair value of loyalty points earned and not yet redeemed.

Deferred revenue is released to revenue when it is no longer considered probable that the credit awards will be redeemed.

s) Taxation

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

Current tax

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

Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements of the relevant subsidiaries and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are generally recognized 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 utilized. Such assets and liabilities are not recognized if the temporary difference arises from Goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

t) Zakat, KFAS and NLST

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

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

u) Finance costs

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

v) Contingencies

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

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

3. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized 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.

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

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 recognized in the consolidated financial statements.

Impairment of inventories

Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realizable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on historical selling prices. As at the financial position date, provision for obsolete inventory items was KD 331 thousand (2010: KD 169 thousand).

Impairment of receivables

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

At the date of financial position, gross trade, billing and other receivables were KD 126,330 thousand (2010: KD 93,818 thousand), and the allowance for doubtful debts was KD 30,293 thousand (2010: KD 20,162 thousand). Any difference between the amounts actually collected in future periods and the amounts expected will be recognized in the consolidated statement of income.

Classification of investments

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

Impairment of investments

The Group treats available for sale financial assets as impaired when there has been a significant or prolonged decline in the fair value below its cost. The determination of what is "significant" or "prolonged" requires judgment. In addition, the Group also evaluates among other factors, normal volatility in the share price for quoted investments and the future cash flows and discount factors for unquoted investments. During the year, the Group has recorded an impairment loss on value of available for sale financial assets amounting to KD 1,225 thousand (2010: KD 592 thousand).

Impairment of Goodwill

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

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

Key sources of estimation uncertainty

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

Fair value of unquoted equity investments

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

Impairment of non-financial assets and useful lives

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

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

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

Deferred Tax

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

Were the actual final outcome (on the judgement areas) of expected cash flows to differ by 10% from management's estimates, the Group would need to increase the income tax liability by KD 5,546 thousand and the deferred tax liability by KD 12,381 thousand if unfavourable; or decrease the income tax liability by KD 4,537 thousand and the deferred tax liability by KD 10,130 thousand if favourable.

4. CASH AND CASH EQUIVALENTS AND DEPOSITS

	2011	2010
	KD 000's	KD 000's
Cash and bank balances	**59,163**	175,331
Deposits	**59,192**	67,030
Cash and cash equivalents and deposits in the consolidated statement of financial position	**118,355**	242,361
Deposits with original maturity over three months	**(13,608)**	(33,562)
Cash and cash equivalents in the consolidated statement of cash flows	**104,747**	208,799

The effective interest rate on interest-earning time deposits ranged from 0.5% to 2.875% (2010: 0.76% to 2.875%) per annum. Cash and bank balances include KD 111 thousand (2010: KD 243 thousand) held as part of a managed portfolio.

Included in cash and bank balances is an amount of KD 2,631 thousand (2010: nil) restricted in accordance with one of the subsidiary's syndicated loan agreement.

5. TRADE AND OTHER RECEIVABLES

	2011	2010
	KD 000's	KD 000's
Trade and billing receivables	**113,669**	84,927
Unbilled revenue	**8,524**	5,639
Advances and prepayments	**30,936**	37,706
Interest receivable	615	745
Other receivables	**12,661**	8,891
	166,405	137,908
Less: provisions for doubtful debts	**(30,293)**	(20,162)
	136,112	117,746

Advances and prepayments include advance payments to suppliers amounting to KD 16,070 thousand (2010: KD 19,676 thousand).

In prior year, the Group recorded an impairment loss of KD 1,406 thousand directly against other receivables that are no longer recoverable. There is no impairment loss recognized during the year.

5. TRADE AND OTHER RECEIVABLES (CONTINUED)

Movement in the allowance for doubtful debts is as follows:

	2011	2010
	KD 000's	KD 000's
Balance at beginning of the year	**20,162**	14,039
Charge for the year (included under selling and distribution costs)	**11,792**	7,183
Amounts written off as uncollectible	**(1,661)**	(407)
Amounts recovered during the year (included under other operating expenses)	**-**	(653)
Balance at end of the year	**30,293**	20,162

6. AVAILABLE FOR SALE FINANCIAL ASSETS

Available for sale financial assets include the followings:

	2011	2010
	KD 000's	KD 000's
Listed equity securities	**2,129**	3,816
Unlisted equity securities	**8,865**	9,023
Unlisted debt securities	**-**	50
	10,994	12,889

Movement in available for sale financial assets is as follows:

	2011	2010
	KD 000's	KD 000's
Balance at beginning of the year	**12,889**	15,678
Additions	**6,165**	152
Disposals	**(6,390)**	(4,299)
Impairment loss on value of financial assets	**(1,225)**	(592)
Net unrealized (loss) / gain transferred to equity	**(445)**	1,950
Balance at end of the year	**10,994**	12,889

At 31 December 2011, certain unlisted equity investments with a net amount of KD 2,021 thousand (2010: KD 2,021 thousand) are carried at cost less impairment due to the non-availability of quoted market prices or other reliable measures of their fair value.

During the year, the Group has recorded an impairment loss of KD 1,225 thousand (2010: KD 592 thousand) on certain quoted and unquoted equity securities. In the opinion of the management, based on the currently available information, there is no evidence of further impairment in the value of available for sale financial assets.

At 31 December 2011, available for sale financial assets amounting to KD 10,930 thousand (2010: KD 12,825 thousand) and KD 64 thousand (2010: KD 64 thousand) are dominated in Kuwaiti Dinars and US dollars respectively.

7. PROPERTY AND EQUIPMENT

	Network equipment	Network infrastructure	Office & computer equipment	Lease hold land, Furniture, fixtures & others	Capital work-in progress	Total
	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's
Cost						
As at 1 January 2010	536,526	32,280	44,003	21,124	21,573	655,506
Transfers	2,151	129	-	86	-	2,366
Additions	42,864	27,087	5,879	1,511	17,281	94,622
Disposals	(2,174)	-	(54)	(1,380)	(54)	(3,662)
Currency translation effects	(10,242)	(5,492)	(1,567)	(523)	(1,783)	(19,607)
As at 31 December 2010	569,125	54,004	48,261	20,818	37,017	729,225
Change in ownership & reclassification	**81,918**	**2,818**	**(21,864)**	**1,420**	**7,950**	**72,242**
Transfers	**(163,301)**	**137,650**	**263**	**988**	**13,917**	**(10,483)**
Additions	**49,823**	**27,717**	**5,393**	**4,245**	**40,749**	**127,927**
Disposals	**(672)**	**(517)**	**(329)**	**(1,216)**	**(13)**	**(2,747)**
Currency translation effects	**(12,262)**	**(4,984)**	**(2,920)**	**(545)**	**(1,744)**	**(22,455)**
As at 31 December 2011	**524,631**	**216,688**	**28,804**	**25,710**	**97,876**	**893,709**
Accumulated depreciation						
As at 1 January 2010	200,063	8,304	22,340	11,660	-	242,367
Transfers	1,159	69	-	46	-	1,274
Charge for the year	48,151	18,192	7,614	3,018	-	76,975
Related to disposals	(1,510)	-	(54)	(1,277)	-	(2,841)
Currency translation effects	(9,758)	(1,001)	2,288	95	-	(8,376)
As at 31 December 2010	238,105	25,564	32,188	13,542	-	309,399
Change in ownership & reclassification	**46,835**	**1,041**	**(13,844)**	**668**	**-**	**34,700**
Transfers	**(48,575)**	**38,778**	**(161)**	**875**	**-**	**(9,083)**
Charge for the year	**61,929**	**19,162**	**3,657**	**3,135**	**-**	**87,883**
Related to disposals	**(320)**	**(172)**	**(325)**	**(932)**	**-**	**(1,749)**
Currency translation effects	**(7,864)**	**(2,262)**	**(1,484)**	**(424)**	**-**	**(12,034)**
As at 31 December 2011	**290,110**	**82,111**	**20,031**	**6,864**	**-**	**409,116**
Carrying amount						
As at 31 December 2011	**234,521**	**134,577**	**8,773**	**8,846**	**97,876**	**484,593**
As at 31 December 2010	331,020	28,440	16,073	7,276	37,017	419,826
Annual depreciation rates	12.5%-16.67%	5% - 15%	33.33%	12.5%		

Property and equipment of the subsidiaries WTA, WTM and WPT totalling to KD 245,906 thousand (2010: KD 291,463 thousand) are under registered mortgage to secure certain bank loans (See note 12).

Certain assets classified under leasehold land, furniture, fixtures and others amounting to KD 4,465 thousand (2010: KD 175 thousand) were acquired under finance lease agreements for which the current portion of the respective obligations amounting to KD 703 thousand (2010: KD 121 thousand) is included under trade and other payables and the non-current portion from 1 to 5 years amounting KD 3,762 thousand (2010: KD 54 thousand) is included under non-current liabilities.

8. INTANGIBLE ASSETS

	Goodwill	Concession intangible assets	Licence and Other intangible assets	Brand names	Total
	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's
Cost					
As at 1 January 2010	-	49,941	251,280	-	301,221
Transfers	-	(3,322)	956	-	(2,366)
Additions	-	10,722	-	-	10,722
Impairment loss	-	-	(2,835)	-	(2,835)
Currency translation effects	-	(678)	(10,845)	-	(11,523)
As at 31 December 2010	-	56,663	238,556	-	295,219
Change in ownership & reclassification	-	-	96,300	-	96,300
Transfers	-	2,506	7,977	-	10,483
Additions	145	2,064	11,165	-	13,374
Acquisition of subsidiary	*313,869	-	145,285	14,947	474,101
Currency translation effects	(16,564)	(683)	(9,477)	-	(26,724)
As at 31 December 2011	**297,450**	**60,550**	**489,806**	**14,947**	**862,753**
Accumulated amortization and impairment					
As at 1 January 2010	**-**	**14,293**	**81,511**	**-**	**95,804**
Transfers	-	(2,230)	956	-	(1,274)
Charge for the year	-	5,576	16,988	-	22,564
Currency translation effects	-	1,256	(6,194)	-	(4,938)
As at 31 December 2010	-	18,895	93,261	-	112,156
Change in ownership & reclassification	-	-	55,840	-	55,840
Transfers	-	-	9,083	-	9,083
Acquisition of subsidiary	-	-	8,432	-	8,432
Charge for the year	-	5,715	27,599	2,637	35,951
Currency translation effects	-	(175)	(5,965)	(146)	(6,286)
As at 31 December 2011	**-**	**24,435**	**111,204**	**2,491**	**215,176**
Carrying amount					
As at 31 December 2011	**297,450**	**36,115**	**301,556**	**12,456**	**647,577**
As at 31 December 2010	-	37,768	145,295	-	183,063
Amortization rate	-	6.67%	4% to 30%	16.67%	

* Goodwill is pertaining to new acquisition as stated in note 14.

During the current year, the Group has reassessed useful life of GSM Licence included under "Licence and other intangible assets" to be 25 years (2010: 15 years).

9. BUILD-OPERATE-TRANSFER AGREEMENT

On 9 January 2002, PTC has signed a Build-Operate-Transfer (“BOT”) agreement with Saudi Telecom Company (“STC”) to offer digital radio network services based on IDEN technology (“the Project”) to the public sector and the corporate sector in the Kingdom of Saudi Arabia (“KSA”). The services offered include call services, data services, control & monitoring services and other optional services. The key features of the BOT agreement are as described below:

a) The BOT agreement is for a concession period of 15 years from 2005 to 2020 subject to termination as discussed in (d) below and renewal in accordance with the terms of the agreement.

b) PTC will be responsible for the Project (including the completion of each Project Phase), building and maintaining the network during the term of the BOT agreement. PTC is liable to pay performance penalties to STC in the event of any failure by STC to comply with specified Network Performance Requirements.

c) The prices to be charged from users by PTC are subject to regulation by STC.

d) At the end of the agreement period, PTC shall transfer the network to STC at fair market value based on an independent valuation. The network shall be transferred in a condition that enables it to be used for at least the next 5 years.

e) PTC shall pay STC revenue fees (which are calculated at 20% of PTC’s revenues, excluding revenues earned from government customers), site rental payments, equipment commission fees and link licence fees during the term of the BOT agreement. The fees can be revised by STC if the telecommunications market in KSA is deregulated such that STC is obliged to provide services, rights, access or licenses of a comparable type or nature to third parties. In such event the revised payments shall reflect the market rate for services, rights, access or licenses of a comparable type and nature (and in assessing such market rate the amounts previously paid by PTC shall not be taken into account).

f) The agreement may be terminated by STC if PTC fails to perform its obligations or if PTC is declared bankrupt or insolvent or goes into liquidation (except for the purposes of amalgamation or reconstruction approved in advance by STC). The agreement may be terminated by PTC if STC fails to perform its obligations or if STC is dissolved or goes into liquidation.

g) The agreement may be modified in writing signed by the duly authorized representatives of STC and PTC.

The assets under BOT agreement are shown separately as “concession intangible assets” (See note 8). Each item of the concession intangible asset is amortized over the period from the date of its addition to 2020 (as the BOT agreement expires in 2020).

In the opinion of management, PTC does not have any contractual obligations to fulfill as a condition of its licence:

i. to maintain the infrastructure to a specified level of serviceability, or

ii. to restore the infrastructure to a specified condition before it is handed over to STC at the end of the BOT arrangement. The future network enhancements will be able to sustain the network on transferring to STC as mentioned in (d) above.

10. TAXATION RELATING TO SUBSIDIARIES

The income tax represents amounts recognized by subsidiary companies.

The major components of the income tax expense for the years 2011 and 2010 are as follows:

	2011	2010
	KD 000's	KD 000's
Current income tax		
Current income tax charge	**30,961**	**14,161**
Deferred income tax		
Relating to origination and reversal of temporary differences	**9,857**	**4,583**
Income tax included in the consolidated statement of income	**40,818**	18,744

Income tax

The Company is not subject to income tax in the State of Kuwait . The tax rate applicable to the taxable subsidiary companies is 32.85% (2010: 35%). For the purpose of determining the taxable results for the year, the accounting profit of the companies were adjusted for tax purposes. Adjustments for tax purposes included items relating to both income and expense. The adjustments are based on the current understanding of the existing laws, regulations and practices of each subsidiaries jurisdiction. In view of the operations of the Group being subject to various tax jurisdictions and regulations, it is not practical to provide a detailed reconciliation between accounting and taxable profits together with the details of the effective tax rates. As a result, the reconciliation includes only the identifiable major reconciling items.

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

	2011	2010
	KD 000's	KD 000's
Accounting consolidated profit before tax	**414,297**	91,055
The Parent Company and its subsidiaries that are not subject to corporate income tax	**(329,691)**	(53,291)
Accounting profit of subsidiaries that are subject to corporate income tax	**84,606**	37,764
Add:		
Allowances, accruals and other temporary differences	**1,050**	(413)
Expenses and income that are not subject to corporate tax	**9,771**	4,845
Deduct:		
Unutilized tax losses brought forward	**(2,009)**	(1,736)
Taxable profit of subsidiaries that are subject to corporate income tax	**93,418**	40,460
Current income tax charge at the effective income tax rate of 32.85% (2010: 35%)	**30,687**	14,161
Prior year tax adjustment	**274**	-
Current income tax charge	**30,961**	14,161

10. TAXATION RELATING TO SUBSIDIARIES (CONTINUED)

Deferred tax

The deferred tax assets of KD 11,255 thousand as at 31 December 2011 (31 December 2010: KD 19,681 thousand) are recognized on account of accumulated tax losses incurred by the subsidiaries, Wataniya Telecom Algerie S.P.A. (WTA) and Tunisiana, which are expected to be deductible against taxable profits in the foreseeable future.

Movement in deferred income tax assets during the year:

	2011	2010
	KD 000's	KD 000's
Opening balance	**19,681**	24,990
Effect of change in ownership (note 14)	**1,785**	-
Charged to the consolidated statement of income	**(9,857)**	(4,583)
Foreign exchange differences	**(354)**	(726)
Closing balance	**11,255**	19,681

11. TRADE AND OTHER PAYABLES

	2011	2010
	KD 000's	KD 000's
Trade payables	**63,984**	51,733
Accruals	**161,352**	111,633
Deferred revenue	**32,053**	20,809
Staff payable	**13,056**	13,760
Other payables	**44,410**	45,984
Tax payable	**21,112**	13,859
Dividends payable	**3,206**	2,955
Amounts due to related parties (note 17)	**23,439**	17,455
	362,612	278,188

The foreign currency exposure relating to trade and other payables balances amounted to the equivalent of KD 4,965 thousand as at 31 December 2011 (31 December 2010: KD 7,656 thousand).

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

Included in other payables is an amount of KD 27,326 thousand (2010: KD 22,707 thousand) due to STC which comprises amounts due for the usage of network which is net of costs incurred to setup and install the network equipment in STC's facilities as per the BOT agreement.

12. LONG TERM DEBTS

	Current		Non-current	
	2011	2010	**2011**	2010
	KD 000's	KD 000's	**KD 000's**	KD 000's
Due to local banks	**7,728**	8,591	**21,088**	72,494
Due to foreign banks	**14,284**	14,322	**63,527**	67,101
Due to Qtel	**-**	-	**13,266**	-
	22,012	22,913	**97,881**	139,595

The details of long term debts are as follows:

Description	**2011 KD 000's**	2010 KD 000's
a) The loans bear interest rates of Algerian Repo rate plus 1.3% to 3.4% per annum and LIBOR plus 1.10% to 4.15% per annum (2010: Algerian Repo rate plus 0.5% to 6.5% per annum and LIBOR plus 1.1% to 4% per annum). The repayment term is made in instalments varying over a period from December 2005 up to March 2015. These loans are supported by third party guarantees and secured by pledges on WTA's assets and shares. In addition, WTA is subject to various obligations and financial covenants over the terms of those debts.	**86,353**	97,223
b) The loans bear interest rates of 3 months EURIBOR plus 1% per annum and Tunisia money market rate plus 2% per annum (2010: 3 months EURIBOR plus 1% per annum and Tunisia money market rate plus 2% per annum). The repayment term is over a period of 4 years in quarterly instalments starting from March 2008. Tunisiana's tangible and intangible assets, exclusive of the GSM license, were pledged as security for the loan agreements. In addition, the loan arrangements contain financial covenants to be tested on a quarterly basis. During the current year, the debt has been repaid in full.	**-**	10,835
c) The loans bear interest rates of 6 months LIBOR plus 3.5% (2010: 6 months LIBOR plus 3.5%) per annum. The repayment term is over a period of 5 years in instalments starting from November 2008. These loans are secured by the pledge of WTM shares held by WTI and mortgage cover over core network assets.	**1,665**	3,369
d) The loans bear annual interest rates ranging from LIBOR plus 5.31% to 6.34% per annum (2010: LIBOR plus 5.31% to 6.34% per annum) and are repayable in semi annual instalments commencing 15 January 2011 and ending 15 January 2016. These loans are secured by WPT's assets.	**18,609**	22,939
e) The loan bears annual interest rate of 1% (2010: 1%) per annum over the Central Bank of Kuwait discount rate repayable on instalments or at maturity by 15 December 2013. The management has settled the loan during the year. The Parent Company had signed promissory notes in favour of a local financial institution as guarantee of the loan.	**-**	28,142
f) A long term loan obtained from Qatar Telecom Q.S.C ("QTEL"). This loan carries an interest rate of 3.25% per annum and will mature on 4 January 2014.	**13,266**	-
	119,893	162,508

13. EQUITY

a) Share capital

The authorized, issued and fully paid up share capital as at 31 December 2011 consists of 504,033 thousand shares (31 December 2010: 504,033 thousand shares) of 100 fils each.

b) Treasury shares

	2011	2010
Number of shares (000's)	**2,871**	2,871
Percentage of issued shares	**0.57%**	0.57%
Cost (KD 000's)	**3,598**	3,598
Market value (KD 000's)	**5,569**	5,455

c) Statutory reserve

In accordance with the Kuwait Commercial Companies Law and the Parent Company's Articles of Association, 10% of profit for the year attributable to equity holders of the Parent Company before KFAS, NLST, Zakat and Directors' remuneration is required to be transferred to the statutory reserve until the reserve reaches a minimum of 50% of the paid up share capital. This reserve is not available for distribution except for the amount in excess of 50% of share capital or payment of a dividend of 5% of paid up share capital in years when retained earnings are not sufficient for the payment of such dividends. The Parent Company has discontinued further transfers to the statutory reserve as it has exceeded 50% of the authorized, issued and fully paid up share capital.

d) General reserve

In accordance with the Parent Company's Articles of Association, 10% of profit for the year attributable to equity holders of the Parent Company before KFAS, NLST, Zakat and Directors' remuneration is required to be transferred to the general reserve until the shareholders decide to discontinue the transfer to the general reserve. During the current year, an amount of KD 36,580 thousand has been transferred to general reserve (2010: KD 8,268 thousand).

e) Proposed dividends

The Board of Directors proposed a cash dividend of 50 fils per share for the year ended 31 December 2011 (2010: 50 fils per share). This proposal is subject to the approval of the shareholders in the Annual General Assembly and has not been accounted for in these consolidated financial statements.

The Annual General Assembly of the Parent Company held on 24 March 2011 approved the annual consolidated financial statements of the Group for the year ended 31 December 2010 and the payment of cash dividend of 50 fils per share for the year ended 31 December 2010 (2009: cash dividend of 50 fils per share) to the Parent Company's equity shareholders existing as at 24 March 2011.

14. SUBSIDIARIES

The significant subsidiaries of the Parent Company are as follows:

Name of subsidiary	Country of operation	Voting capital held 2011	Voting capital held 2010
Wataniya Telecom Algerie S.P.A. (WTA)	Algeria	**71%**	71%
Wataniya International FZ – L.L.C. (WTI)	U.A.E	**100%**	100%
Wataniya Telecom Maldives (WTM) (subsidiary of WTI)	Maldives	**100%**	100%
WARF Telecom International Private Limited (WARF) (subsidiary of WTM)	Maldives	**65%**	65%
Public Telecommunication Company Ltd. (PTC) (subsidiary of WTI)	Saudi Arabia	**55.61%**	55.61%
Wataniya Palestine Mobile Telecom Limited (WPT) (subsidiary of WTI)	Palestine	**48.45%**	48.45%
Al-Bahar United Company WL.L.	Kuwait	**99%**	99%
Tunisiana S.A,*	Tunisa	**75%**	50%
Carthage Consortium Ltd *	Malta	**100%**	-
Qtel Tunisia Holding Company Ltd *	Malta	**100%**	-

*** Acquisition of subsidiaries**

On 4 January 2011 ("the acquisition date"), the Group has fully acquired (and obtained control over) the following entities:

- Carthage Consortium Company Limited incorporated in Malta and engaged in providing services ranging from acting as agents, consultants, importers and exporters of various industrial products.
- Qtel Tunisia Holding Limited incorporated in Malta and engaged in buying, selling of movable and immovable properties and managing funds realized from those properties.

The above newly acquired entities own 10% and 15% interests in Tunisiana S.A. respectively. As a result of the above, the Group's ownership and voting interests in Tunisiana S.A. (formerly "Orascom Telecom Tunisie"), previously treated as a joint venture and accounted for under the proportionate consolidation method, increased from 50% to 75% and consequently, Tunisiana S.A. is fully consolidated within the Group's consolidated financial statements for the year ended 31 December 2011, starting from the date control was obtained.

Moreover, the Group re-measured its previously held interests in Tunisiana S.A. (formerly "Orascom Telecom Tunisie") at fair value and recognized a revaluation gain of KD 277,835 thousand in the consolidated statement of income. The revaluation of previously held interest was based on the price that was paid for the additional controlling interests acquired during the year, adjusted for control premium.

The total consideration for the acquisition of the above entities amounts to KD 335,036 thousand, out of which an amount of KD 148,834 thousand representing cash and bank balances lying in the entities' statement of financial position at the acquisition date, which resulted in a net cash outflow of KD 186,202 thousand.

14. SUBSIDIARIES (CONTINUED)

During the current year, the Group has appointed an independent third party to perform Purchase Price Allocation for the consideration paid for acquiring the 25 percent additional stake in Tunisiana.

The fair value of the net identifiable assets acquired and liabilities assumed were as follows:

Identifiable assets acquired and liabilities assumed	**KD' 000's**
Assets	
Cash and bank balances	148,834
Trade and other receivables	14,646
Inventories	58
Property and equipment	24,876
Intangible assets	54,345
Deferred tax	895
	243,654
Liabilities	
Trade and other payables	18,752
Borrowings (current & non-current portion)	5,434
Other non-current liabilities	534
	24,520
Total net identifiable assets acquired	218,934
Details of net assets acquired and goodwill are as follows:	
Gross purchase consideration	335,036
Fair value of net assets acquired	(218,934)
Effect of fair value re-measurement of previously held interest	277,835
Previously held interest share in fair value of newly identified intangible assets (50%)	(80,068)
Goodwill	313,869
Net cash outflow on acquisition of subsidiaries	
Purchase consideration paid	338,220
Less: Liabilities settled	(3,184)
	335,036
Less: cash and bank balances acquired	(148,834)
Net cash outflow	186,202

The following amounts were included in the consolidated financial statements for the year ended 31 December 2010 as a result of the proportionate consolidation of Tunisiana:

	2010
	KD 000's
Current assets	27,386
Non-current assets	81,846
Current liabilities	48,036
Non-current liabilities	998
Income	101,504
Expenses	77,900

15. PROFIT FOR THE YEAR

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

	2011	2010
	KD 000's	KD 000's
Staff costs:		
Cost of revenue	**12,404**	11,933
Selling and distribution costs	**15,650**	15,564
Administrative expenses	**24,766**	24,385
	52,820	51,882
Depreciation and amortization:		
Cost of revenue	**81,092**	66,343
Administrative expenses	**6,791**	10,632
	87,883	76,975

16. EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY

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

	2011	2010
Profit for the year attributable to equity holders of the Parent Company (KD 000's)	**362,125**	78,020
Number of shares outstanding		
Weighted average number of paid up shares (thousands)	**504,033**	504,033
Weighted average number of treasury shares (thousands)	**(2,871)**	(2,871)
Weighted average number of outstanding shares (thousands)	**501,162**	501,162
Earnings per share attributable to equity holders of the Parent Company (fils)	**722.57**	155.68

17. RELATED PARTY TRANSACTIONS

Related parties represent major shareholders, directors and key management personnel of the Group and QTEL (the ultimate parent) 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 with related parties are as follows:

	As at 31 December	
	2011	2010
	KD 000's	KD 000's
a) Balances included in the consolidated statement of financial position		
Payables to QTEL	**13,298**	12
Payable to Qtel International L.L.C.	**23,439**	17,443
	36,737	17,455

	Year ended December 31	
	2011	2010
	KD 000's	KD 000's
b) Transactions included in the consolidated statement of income		
Management fees payable to Qtel International L.L.C.	**15,575**	14,075
Other expenses paid to QTEL	**2,004**	1,247
Other expenses paid to Qtel International L.L.C	**1,026**	-
c) Compensation of key management personnel:		
Short term benefits	**1,605**	1,373
Termination benefits	**572**	509
	2,177	1,882

18. SEGMENTAL INFORMATION

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

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

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

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

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

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

18. SEGMENTAL INFORMATION (CONTINUED)

	Inside	Outside Kuwait							
	Kuwait	Tunisia	Algeria	U.A.E.	Maldives	Saudi Arabia	Palestine	Others	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
31 December 2011									
Segment revenues	**243,623**	**209,959**	**223,715**	**-**	**9,401**	**19,276**	**20,631**	**-**	**726,605**
Network construction revenue	**-**	**-**	**-**	**-**	**-**	**2,064**	**-**	**-**	**2,064**
Segment results	**330,399**	**78,179**	**31,236**	**463**	**(2,069)**	**(9,016)**	**(5,684)**	**(26)**	**423,482**
Profit / (loss)	**328,099**	**47,932**	**14,450**	**39**	**(2,747)**	**(10,746)**	**(7,198)**	**(26)**	**369,803**
Segment assets	**195,696**	**692,234**	**344,231**	**11,233**	**25,413**	**51,713**	**79,959**	**205**	**1,400,684**
Investments and other assets	**10,994**	**2,562**	**8,693**	**-**	**-**	**-**	**-**	**-**	**22,249**
Total assets	**206,690**	**694,796**	**352,924**	**11,233**	**25,413**	**51,713**	**79,959**	**205**	**1,422,933**
Segment liabilities	**127,175**	**86,090**	**84,258**	**20,818**	**3,759**	**39,478**	**22,074**	**26**	**383,678**
Debt and other obligations	**15,718**	**-**	**86,353**	**-**	**1,665**	**820**	**19,129**	**-**	**123,685**
Total liabilities	**142,893**	**86,090**	**170,611**	**20,818**	**5,424**	**40,298**	**41,203**	**26**	**507,363**
Other information									
Impairment loss on value of financial assets	**1,225**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,225**
Purchases of property and equipment	**32,991**	**37,976**	**48,287**	**-**	**5,185**	**93**	**3,395**	**-**	**127,927**
Purchases of intangible assets	**-**	**1,364**	**9,383**	**-**	**59**	**2,406**	**162**	**-**	**13,374**
Depreciation of property and equipment	**24,848**	**25,292**	**31,462**	**-**	**2,571**	**326**	**3,384**	**-**	**87,883**
Amortization of intangible assets	**137**	**14,796**	**11,743**	**-**	**367**	**6,034**	**2,874**	**-**	**35,951**
Provision for staff indemnity	**1,067**	**-**	**-**	**-**	**-**	**253**	**215**	**-**	**1,535**

18. SEGMENTAL INFORMATION (CONTINUED)

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

19. TAX CLAIM

In 2007, a tax claim was made to the subsidiary, Tunisiana, relating to the electronic recharge sales made in 2006. The total amount claimed by the Tunisian Tax Authority was around Tunisian Dinars 70,200 thousand equivalent to KD 13,033 thousand without penalties (2010: Tunisian Dinars 70,200 thousand equivalent to KD 13,717 thousand).

In May 2007, Tunisiana received the first judgement which reduced the claimed amount to Tunisian Dinars 15,255 thousand equivalent to KD 2,832 thousand (2010: Tunisian Dinars 15,255 thousand equivalent to KD 2,981 thousand). In 2007, Tunisiana filed an appeal against the first judgement.

Tunisiana has made a total provision of Tunisian Dinar 15,255 thousand equivalent to KD 2,832 thousand (2010: Tunisian Dinars 15,255 thousand equivalent to KD 2,981 thousand) with regards to this claim and deposited the amount claimed with the Public Treasury in 2008. In 2009, the court of appeal confirmed its first judgement. Tunisiana has appealed to the cessation court and awaits the decision.

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

20. COMMITMENTS AND CONTINGENT LIABILITIES

	2011	2010
	KD 000's	KD 000's
a) Capital commitments		
For the acquisition of property and equipment	**51,105**	71,572
For the acquisition of Palestinian mobile license	**43,869**	39,758
	94,974	111,330

b) Operating lease commitments

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

Minimum operating lease commitments under these leases are as follows:

	2011	2010
	KD 000's	KD 000's
Not later than one year	**6,219**	5,407
Later than one year but not later than five years	**21,814**	20,790
	28,033	26,197

c) Contingent liabilities

Letters of guarantee	**2,676**	2,710

21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Strategy in using financial instruments

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

Risk management is carried out by a central treasury department (group treasury) under policies approved by the board of directors. Group treasury identifies, evaluates financial risks in close co-operation with the Group's operating units. The board of directors provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of non-derivative financial instruments, and investment of excess liquidity.

Market risk

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

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

i. Foreign currency exchange risk

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

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

	2011	2010
	KD 000's Equivalent	KD 000's Equivalent
US Dollar	**(92,773)**	(90,570)
Euro	**(27,123)**	(10,149)
Tunisian Dinar	**313,143**	66,423
Algerian Dinar	**268,667**	153,674
Saudi Riyal	**(37,493)**	(26,967)

21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Foreign currency sensitivity analysis

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

	2011		2010	
	Effect on profit KD 000's	**Effect on equity KD 000's**	Effect on profit KD 000's	Effect on equity KD 000's
US Dollar	**10,205**	**9,277**	11,115	9,057
Euro	**2,984**	**2,712**	1,015	1,015
Tunisian Dinar	**34,446**	**31,314**	4,756	126
Algerian Dinar	**29,553**	**26,867**	380	11
Saudi Riyal	**4,124**	**3,749**	703	15

ii. Interest rate risk management

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

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

The following table illustrates the sensitivity of the profit for the year before KFAS, NLST, Zakat and directors remunerations as well as equity to a reasonably possible change in interest rates of 1% (2010: 1%) with effect from the beginning of the year. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on the Group's financial instruments held at each financial position date. A positive number below indicates an increase in profit/ equity and a negative number indicates a decrease in profit before KFAS, NLST, Zakat and directors remunerations / equity.

		2011		2010	
	Increase	**Effect on profit KD 000's**	**Effect on equity KD 000's**	Effect on profit KD 000's	Effect on equity KD 000's
KD	+1	**21**	**21**	215	215
US Dollar	+1	**(1,429)**	**(1,429)**	(912)	(912)
Euro	+1	**(355)**	**(355)**	(103)	(103)
Tunisian Dinar	+1	**389**	**389**	(47)	(47)
Algerian Dinar	+1	**(108)**	**(108)**	(283)	(283)

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

21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

iii. Equity price risk

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

		2011	2010
Market index		**Effect**	Effect
	% change in	**on equity**	on equity
	equity price	**KD 000's**	KD 000's
Kuwait Stock Exchange	±15	**±635**	±1,066

Credit risk management

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

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

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

i. Exposure to credit risk

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

	Carrying amount	
	2011	2010
	KD 000's	KD 000's
Bank balances	**116,265**	240,745
Trade and other receivables	**105,176**	80,040
Available for sale financial assets (debt instruments)	**-**	50
	221,441	320,835

21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

i. Exposure to credit risk (continued)

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

	Carrying amount	
	2011	2010
	KD 000's	KD 000's
Kuwait	**67,177**	218,711
Tunisia	**83,850**	25,042
Algeria	**37,487**	24,775
Maldives	**5,188**	7,848
Saudi Arabia	**9,429**	12,297
Palestine	**18,310**	32,162
	221,441	320,835

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

	2011	2010
	KD 000's	KD 000's
Industry sector		
Banks and other financial institutions	**116,265**	240,745
Others	**105,176**	80,090
Total	**221,441**	320,835

Credit quality of financial assets

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

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

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

As of 31 December 2011, trade and billing receivables of KD 54,053 thousand (2010: KD 32,014 thousand) were fully performing.

Included in the Group's trade and billing receivables balances are debtors with a carrying amount of KD 12,217 thousand (2010: KD 14,471 thousand) which are past due at the reporting date for which the Group has not provided for as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Aging of past due but not impaired

	2011	2010
	KD 000's	KD 000's
31 – 60 days	**6,306**	7,470
61 – 90 days	**1,048**	1,241
91 – 120 days	**751**	890
More than 120 days	**4,112**	4,870
Total	**12,217**	14,471

Aging of past due and impaired

	2011	2010
	KD 000's	KD 000's
31 – 60 days	**24,883**	9,901
61 – 90 days	**11,078**	7,766
91 – 120 days	**4,922**	5,571
More than 120 days	**28,316**	30,479
	69,199	53,717
	(30,293)	(20,162)
Total	**38,906**	33,555

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

31 December 2011	**Rated**	**Unrated**		
	A2 KD 000's	**High grade KD 000's**	**Standard grade KD 000's**	**Total KD 000's**
Bank balances	**108,196**	**8,069**	**-**	**116,265**
Trade and other receivables	**-**	**38,918**	**15,135**	**54,053**
Total	**108,196**	**46,987**	**15,135**	**170,318**

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

21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Financial assets by class of financial assets

	2011	2010
	KD 000's	KD 000's
Loans and receivables	**221,441**	320,785
Available for sale financial assets	**-**	50
Total	**221,441**	320,835

Liquidity risk management

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

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

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

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

At the reporting date, the Group held short term deposits of KD 45,584 thousand (2010: KD 33,468 thousand) and other liquid assets of KD 208,240 thousand (2010: KD 309,095 thousand) that are expected to readily generate cash inflows for managing liquidity risk.

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

21. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

At 31 December 2011

	Less than 1 year KD 000's	Between 1 and 2 years KD 000's	Between 2 and 5 years KD 000's	Over 5 years KD 000's	Total KD 000's	Weighted average effective interest rate %
Financial liabilities						
Trade and other payables	**349,578**	**-**	**-**	**-**	**349,578**	
Long term debts	**41,909**	**31,605**	**53,287**	**693**	**127,494**	**8.60%**
Other non-current liabilities	**752**	**22,935**	**3,010**	**-**	**26,697**	**7.4%**
	392,239	**54,540**	**56,297**	**693**	**503,769**	
Commitments and contingencies						
Acquisition of property and equipment	**34,901**	**8,671**	**7,533**	**-**	**51,105**	
Acquisition of Palestinian mobile license	**-**	**-**	**-**	**43,869**	**43,869**	
Operating leases	**5,321**	**5,222**	**17,490**	**-**	**28,033**	
Letters of guarantee	**2,137**	**539**	**-**	**-**	**2,676**	
	42,359	**14,432**	**25,023**	**43,869**	**125,683**	

At 31 December 2010

	Less than 1 year KD 000's	Between 1 and 2 years KD 000's	Between 2 and 5 years KD 000's	Over 5 years KD 000's	Total KD 000's	Weighted average effective interest rate %
Financial liabilities						
Trade and other payables	278,188	-	-	-	278,188	
Long term debts	24,699	100,955	71,739	905	198,298	7.54%
Other non-current liabilities	-	23,812	-	-	23,812	6.5%
	302,887	124,767	71,739	905	500,298	
Commitments and contingencies						
Acquisition of property and equipment	68,882	2,690	-	-	71,572	
Acquisition of Palestinian mobile license	-	-	-	39,758	39,758	
Operating leases	5,407	4,990	15,800	-	26,197	
Letters of guarantee	2,168	542	-	-	2,710	
	76,457	8,222	15,800	39,758	140,237	

22. OPERATIONAL RISK

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

23. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

	2011 KD 000's Fair value	2011 KD 000's At amortized cost	2010 KD 000's Fair value	2010 KD 000's At amortized cost
Financial assets				
Cash and bank balances	-	118,355	-	242,361
Trade and other receivables	-	105,176	-	80,040
Available for sale financial assets	8,973	2,021	10,868	2,021
	8,973	225,552	10,868	324,422
Financial liabilities				
Trade and other payables	-	349,578	-	273,195
Long term debts	-	119,893	-	162,508
Other non-current liabilities	-	21,066	-	21,466
	-	490,537	-	457,169

Fair value measurements recognized in the consolidated statement of financial position

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

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

23. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

	2011			
	Level 1 KD 000's	Level 2 KD 000's	Level 3 KD 000's	Total KD 000's
Available for sale financial assets				
Listed equity securities	2,129	-	-	2,129
Unlisted equity securities	-	-	6,844	6,844
	2,129	-	6,844	8,973

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

There were no transfers between Levels 1 and 2 during the years ended 31 December 2011 and 31 December 2010.

Valuation techniques and assumptions for the purpose of measuring fair value

a) Listed securities

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

b) Unlisted securities

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

<u>Reconciliation of Level 3 fair value measurements of financial assets</u>

	Available for sale		
	Unlisted equity securities 2011 KD 000's	Unlisted debt securities 2011 KD 000's	Total 2011 KD 000's
Opening balance	7,002	50	7,052
Total gains or losses			
- in the consolidated statement of other comprehensive income	(158)	-	(158)
Sales	-	(50)	(50)
Closing balance	6,844	-	6,844

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

There are no transfers out of level 3 during the years ended 31 December 2011 and 31 December 2010.

24. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balances. The Group's overall strategy remains unchanged from 2010.

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

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and noncurrent borrowings' as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated statement of financial position plus net debt.

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

Gearing ratio

The gearing ratio at year end was as follows:

	2011	2010
	KD 000's	KD 000's
Debts (i)	**119,893**	162,508
Cash and cash equivalents	**(118,355)**	(242,361)
Net debts	**1,538**	-
Equity (ii)	**915,570**	540,195
Net debts to equity ratio	**0.16%**	-

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

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

25. FINANCIAL STATEMENTS OF SUBSIDIARY COMPANIES

Public Telecommunication Company Ltd. (PTC)

As at the date of approving these consolidated financial statements, the financial statements of PTC for the years 2008, 2009, 2010 and 2011 have been issued. The Parent Company has subsequently acquired additional stake of 44.39%, subject to completion of the legal formalities. This transaction is expected to be completed during first quarter of 2012 as mentioned in Note 26. Moreover, the financial statements of PTC are prepared under going concern basis as the Company's current liabilities exceeded its current assets.

Wataniya Telecom Maldives (WTM)

The financial statements of WTM are prepared under going concern basis even though it has incurred continuous losses. However, the Group is committed to providing the necessary financial support to WTM to be able to continue its operations as according to the business plan WTM is expected to achieve profitability. The total assets and revenue of WTM approximate 1.7% (2010: 2.6%) and 1.3% (2010: 1.7%) of the Group's respective consolidated totals.

26. SUBSEQUENT EVENT

Subsequent to the year end, the Parent Company has initiated the process to purchase an additional interest of 44.39% in Public Telecommunication Company Ltd ("PTC") from its previous shareholders. The share purchase and sale agreement is signed on 15 January 2012 and the legal formalities in respect of this transaction are expected to be completed during first quarter of 2012.

BOARD OF DIRECTORS

Sheikh Abdulla Bin Mohammad Al Thani
Chairman

Mr. Ali Shareef Al Emadi
Vice Chairman

Dr. Nasser Marafih
Board Member

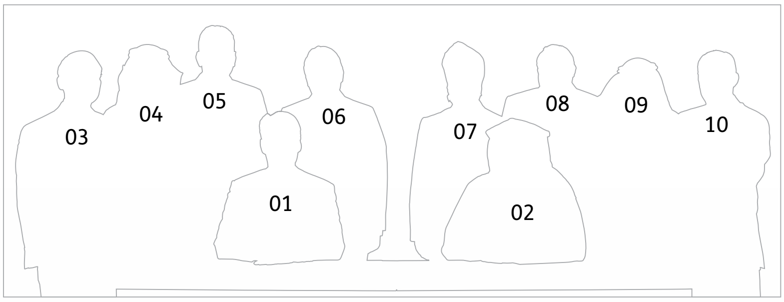
Dr. Mahmoud Ahmed Mahmoud
Board Member (KIA)

Mr. Saleh Al Sagoubi
Board Member (KIA)

Sheikh Mohammad Bin Abdulla Al AbdulRahman Al Thani
Board Member

Mr. Fahad Othman Al Saeed
Board Member

EXECUTIVE MANAGEMENT



01 Scott Gegenheimer
General Manager & CEO

02 Fuad Al-Ablani
Deputy General Manager

03 Luis Leon
Chief Strategy Officer

04 Saleh Al-Houti
Chief Regulatory Officer

05 Hisham Siblini
Chief Technical Officer

06 Juha Korhonen
Chief Commercial Officer

07 Balbinder Panesar
Chief Finance Officer

08 Majdi Ghannam
Chief HR & Admin Services Officer

09 Fouad Al-Awadhi
Chief Audit Executive

10 Michael Cooper
Chief Business Support Officer (Acting)

CONTACT DIRECTORY

How to find us

Wataniya in Kuwait

Wataniya Telecom
P.O. Box 613, Safat 13007
Kuwait
Tel: +965 1 80 55 55
Fax: +965 2 242 33 69
Website: www.wataniya.com

Wataniya in Tunisia

Tunisiana
P.O. Box 641 Tunis Cedex
Tunisia
Tel: +216 22 12 00 00
Fax: +216 22 12 00 09
Website: www.tunisiana.com

Wataniya in Algeria

Nedjma
P.O. Box 74 Cheraga, Algiers
Algeria
Tel: +213 50 00 03 33
Fax: +213 54 50 19 02
Website: www.nedjma.dz

Wataniya in the Kingdom of Saudi Arabia

Bravo
P.O. Box 62660, Riyadh 11595
Kingdom of Saudi Arabia
Tel: +966 1 455 22 99
Fax: +966 1 455 77 44
Website: www.bravo.net.sa

Wataniya in the Maldives

Wataniya Telecom Maldives
P.O. Box 2196 Halhumale, Male
Republic of Maldives
Tel: +960 961 10 00
Fax: +960 961 10 01
Website: www.wataniya.mv

Wataniya in Palestine

Wataniya Telecom Palestine
P.O.Box 4236
Palestine
Tel: +970 (0) 2 241 5000 *
Fax: +970 (0) 2 242 3044 *
Website: www.wataniya-palestine.com

* For calls from outside the Gulf region please replace the international code 970 with the code 972.