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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One vision, one focus, one goal: Let’s enrich people’s lives

CHAIRMAN'S MESSAGE

Dear Shareholders,

Introduction

2013 has been a year of transformation for the Wataniya Group K.S.C.P. We developed a new identity in some markets and invested heavily in expanding our network and customer experience.

Our transformation strategy is focused on reshaping the business to live out our shared vision, which is to enrich people's lives. Our future as a Group will be based on transforming that vision into reality, and meeting our customers' evolving communications needs and helping them to lead fuller and richer lives.

To do this, we are deepening our customer engagement to compete effectively in the rapidly merging telecoms and internet space. It is crucial to our success as a Group that we connect meaningfully with the communities we serve in all of the markets in which we operate. By helping others grow, Wataniya will be helping its own business grow.

Financial Achievements

In 2013, we grew our customer base by 3.7% to 19.9m customers. On the revenue and profitability front the year has been a challenging year for us, but we managed to grow our Revenue by 0.9% to KD731.1m and profit by 0.8% to KD 76.1m.

Accomplishments for 2013

Wataniya Kuwait

The modernization of Wataniya Kuwait's network was one of the biggest and most challenging projects undertaken in 2013. The result has been a noticeable improvement in the coverage and performance of Wataniya's networks, and has enabled the launch of 4G-LTE network, that will support growth in revenues and subscribers well into the future.

Wataniya has also benefited from a new focus on delivering the best possible customer experience, and the early feedback from customers has been extremely encouraging.

Tunisiana, Tunisia

Tunisiana made a number of investments aimed at diversifying customer services, adding value and improving the quality of its networks in 2013. The company launched its first fixed line service, enabling it to offer a wider variety of bundled services, and its new Customer Experience Program is enabling a newfound ability to listen to the needs of customers, anticipate demand and increase the level of direct engagement.

Ooredoo Algeria

A major focus for Ooredoo Algeria in 2013 was to make the successful transition to the new Ooredoo brand from the old Nedjma name, and to build brand awareness with its customer base. Behind the scenes, every core element of Ooredoo Algeria's network was modernized and replaced in 2013 as part of the company's commitment to the very highest levels of network quality and reach. This is a crucial investment for the company's ability to grow market share in an increasingly competitive Algerian telecoms market.

Wataniya Palestine

In 2013, Wataniya Palestine's major focus was on improving the quality of its services, extending the reach of its network and building IT systems that will enable the company to offer its customers a better experience. The company has seen a dramatic rise in customer engagement since embracing social and digital marketing channels, reducing traditional marketing spend in the process, and has driven a strategic focus on the youth market in Palestine by signing partnership agreements with major Palestinian Universities and launching an array of youth-oriented services.

Ooredoo Maldives

Since becoming the first Wataniya company to embrace the Ooredoo brand in 2013, Ooredoo Maldives has modernized its network and enhanced its service offering to customers,

including the launch of 4G-LTE mobile services. These developments have significantly strengthened the company's market position, and have already resulted in strong subscriber growth and customer engagement.

The Future

In the coming year, our main focus will be to complete the process of unifying all of Wataniya's subsidiaries across the world into a single, cohesive brand that speaks with one voice, is driven by the same vision and provides a similar level of customer engagement - wherever in the world it happens to be.

Our customers around the world are demanding the experiences that are unlocked by the combination of the mobile internet and related services. Our period of intensive modernization of our networks means that we are in a better position than ever to offer our customers the products,

services and experiences that will enrich their lives and make Wataniya their preferred telecoms partner. We look forward to a year in which we build on the transformation and gains of 2013 and to maintain our reputation as a company known for speed, reliability and an unparalleled focus on the customer.

Sheikh Abdulla Bin Mohammad Al Thani
Chairman

CEO'S MESSAGE

Introduction

2013 was a year of transformation for the Company. Faced with a number of challenges across the business and a rapidly changing marketplace, we emerged stronger, more competitive and more flexible than ever before.

We prepared to embrace a new identity, and have invested heavily in building a modern, highly-advanced network that will give our customers the best possible experience as we make the transition to the new brand. We focused strongly on cost-savings to free up our resources to be able to offer a range of unique products that provide our customers with unparalleled value and choice. We made significant strides in our goal to be seen as an employer of choice, and continue to attract extremely talented people, both from Kuwait and abroad, to our company in a highly-competitive global market.

As data revenues have grown exponentially, so too has the demand for faster connectivity. Our extensive programme of network upgrades means we now have the most advanced network not only in Kuwait, but the broader region. This has significantly improved connectivity speeds and quality and reach of coverage, and is core to our overarching strategic focus of providing the best possible experience for our customers.

This focus on the quality of the customer experience was relentless in 2013. At the same time, we made a clear shift towards becoming leaner and smarter in how the Company operates. We have taken a number of measures to use resources more efficiently, including the development of new products and services in-house. This has improved both our flexibility and our profitability.

Wataniya is confident that this hard work leaves the Company in excellent shape as a world-class, leading telecommunications company.

Revenue and Customer Growth

"In a challenging market environment, we grew revenue by 0.9% to KD731.1m in 2013 and profit by 0.8% to KD76.1m. Our total customer base has increased by 3.7% to 19.9m customers."

Network Modernization

The highlight of 2013 was the completion of our network modernization project, at a cost of more than $400 million, with our partners Ericsson and Huawei. This included the expansion of our 3G and 4G network capabilities, which has enabled us to deliver higher speeds of up to 42Mbps, along with state-of-the-art services such as 4G-LTE internet.

By rebuilding our network, we are now in a position to fulfill the needs and requirements of our customers today and into the future. An important aspect of the modernization was the fact that Wataniya is the only telecoms company in Kuwait to use 3G technology over the 900 MHz frequency, which provides far better coverage indoors. This means fewer dropped calls, better indoor coverage and faster connections, wherever our customers are.

An independent audit by Omnitel has shown our network to be performing better than international standards and we are excited to be able to develop new products and services in 2014 that will enable our customers to enjoy the best speeds at unbeatable prices.

The ability to provide our customers with outstanding network coverage wherever they are is a key differentiator that will help us regain market share in what is a highly competitive market.

Customer Experience Transformation Program

The Customer Experience Transformation Program (CETP) was launched in 2013 as the foundation for our new customer experience strategy. The overriding purpose of CETP was to bring to life our brand values (Caring, Connecting & Challenging) by identifying customer expectations in Kuwait and translating them into a customer promise. We conducted extensive customer research to find what customers look for in their ideal telecoms operator, and used the learnings to develop a platform for a strategic culture change.

Building clear external and internal promises puts us in a strong position from which we can offer the very best experience to our customers and deliver a market-leading working environment for all our employees.

Products and Services

A key focus in 2013 was to enhance the customer experience by offering a number of new ways in which customers could interact with the Company more efficiently, providing better value, greater choice and more convenience.

Our launch of 4G-LTE services led to the indirect monetization of premium services, giving customers the choice of paying more for faster connectivity which reflected a rise in revenues. Simultaneously, we enlarged the target market by increasing smartphone penetration as a main medium to boost data usage, and drove further revenue growth by launching products and services aimed at specific communities within Kuwait.

With our device-centric proposition, both on prepaid and postpaid, we have maintained our profitability levels despite strong competition and major investments. Our focus on innovation, customer service and efficiency savings will remain central to our strategic direction.

We are also working on new products, packages and services that will be exclusively available online as a priority as we move forward.

People

As part of our drive to become a world-class telecoms operator, we are investing heavily in making Wataniya a great place to work. Apart from a host of behind-the-scenes improvements in HR policies and processes, we have taken a firm decision to focus strongly on developing talent in what is effectively a global telecommunications market. This includes providing innovative training and learning opportunities, and using a range of opportunities and tools for skilled employees to grow within the organization. We are also looking at ways of better positioning the company in the marketplace as an employer of choice, and communicating the value proposition to possible employees.

Future Plans

I am confident that the measures taken in 2013 offer great promise and optimism for 2014 as we complete our transformation to Ooredoo. We will also move to a new Wataniya Head office, which was inaugurated under the patronage of His Highness, The Amir of Kuwait.

As customer behavior changes, moving towards greater consumption of data, so too will our focus on building world-class networks. The growth of the smartphone market across the region indicates that 3G and 4G technology is rapidly becoming the customers' preferred mode of access to the Internet. Delivering upon this demand will remain at the heart of our strategy for 2014 and beyond.

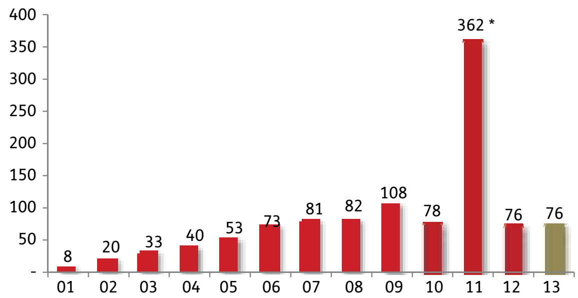
With so many successful developments, investments and changes having taken place during 2013, the entire team at Wataniya is excited about the challenges and opportunities that await us in 2014.

Eng. Abdul Aziz Fakhroo

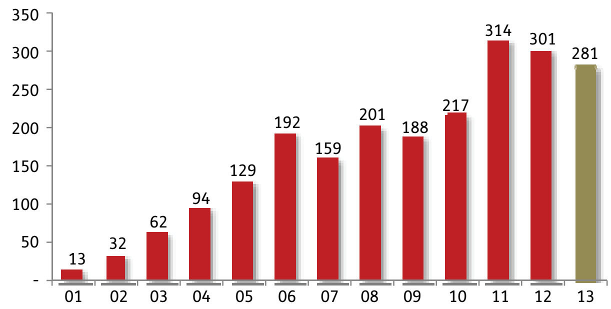
General Manager and Chief Executive Officer

FINANCIAL HIGHLIGHTS

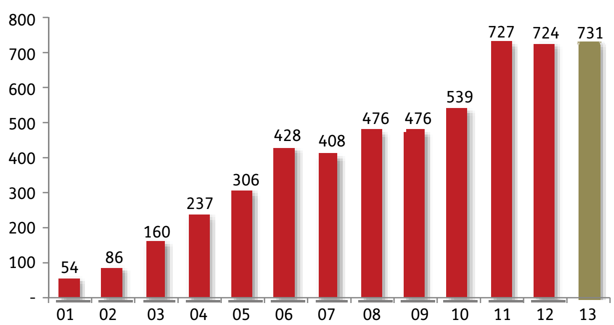
For the year ended 31 December 2013



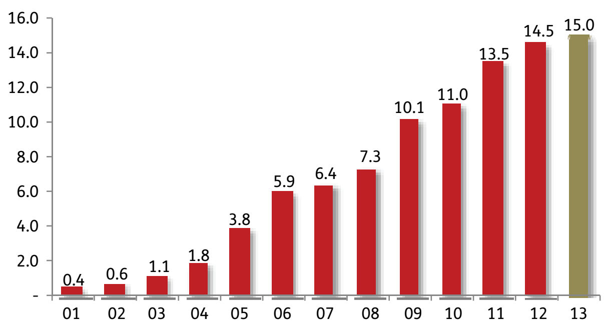
Net Profit to Wataniya (KD Millions)



EBITDA (KD Millions)



Revenue (KD Millions)



Proportional Subscribers (In Millions)

* 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%.

FINANCIAL HIGHLIGHTS

For the year ended 31 December 2013

		Year 2013 In Millions	Year 2012 In Millions
KUWAIT			
Wataniya Telecom	Total Subscribers	2.0	2.0
	Revenue	194.9	220.8
	EBITDA	52.0	84.4
	% EBITDA	27%	38%
	Net Profit to WT	14.8	46.4
TUNISIA			
Tunisiana	Total Subscribers	7.4	7.2
	Revenue	195.2	201.9
	EBITDA	102.2	108.0
	% EBITDA	52%	53%
	Net Profit to WT	28.0	35.2
ALGERIA			
Ooredoo	Total Subscribers	9.5	9.1
	Revenue	302.7	266.9
	EBITDA	123.4	105.4
	% EBITDA	41%	39%
	Net Profit to WT	40.6	19.6
MALDIVES			
Wataniya Telecom Maldives	Total Subscribers	0.2	0.2
	Revenue	12.9	11.2
	EBITDA	3.0	2.6
	% EBITDA	23%	23%
	Net Profit to WT	(2.0)	(2.2)
Palestine			
Wataniya Telecom Palestine	Total Subscribers	0.6	0.6
	Revenue	25.3	23.5
	EBITDA	2.5	1.7
	% EBITDA	10%	7%
	Net Profit to WT	(2.9)	(3.2)
Wataniya - Consolidated			
	Total Subscribers	19.9	19.2
	Revenue	731.1	724.4
	EBITDA	281.3	300.5
	% EBITDA	38%	41%
	Net Profit to WT	76.1	75.5

Note: Consolidated numbers include Bravo operations, which have been reclassified as held for sale and disclosed as a discontinued operation.

WATANIYA KUWAIT

OVERVIEW

2013 was a transformative year for Wataniya. With the launch of our global brand, Ooredoo, we invested heavily in people, facilities and systems to be able to deliver the new brand values when the new brand is launched in Kuwait in 2014.

As an international brand, Ooredoo will deliver much greater value to its customers. It will promote best practice, innovation and strong leadership. Its wider geographic reach and the combining of internal resources will promote the sharing of knowledge and ideas and greatly increase the brand's exposure, raise its brand equity and boost overall public awareness.

Ooredoo is a fresh, youthful, modern brand. We believe the brand truly reflects the values that exist at the heart of the Company: to Care, Connect and Challenge.

Care: Our focus has always been to care for our customers. We believe that we play an important role in giving the people and communities of Kuwait the tools they need to achieve their personal goals.

Connect: Ooredoo is driven by the desire to put customers in touch with each other and the world by investing in world-class network infrastructure and customer service options.

Challenge: By challenging ourselves every day, we are able to innovate and give people access to the information they need through great technology and world-class services. Access to information leads to better life decisions – decisions that help people and their communities to grow and achieve their fullest potential.

NEW TECHNOLOGIES AND NETWORK MODERNIZATION

Wataniya modernized its entire network in Kuwait in 2013 at a cost of US$400 million, introducing single RAN technology and upgrading its mobile backhauling to native IP. These changes support higher speeds, including dual carrier 42Mbps across the network and 3G over the 900 MHz frequency, which improves signal penetration significantly.

These developments translated into significant improvements in the customer experience and had a noticeable impact on the coverage and performance of Wataniya's 3G networks. The introduction of single RAN technology has also allowed us to launch a national 4G network that supports data and voice services.

We underlined our focus on innovation with a major event, which saw global internet giant Google take center stage, where we discussed the broader possibilities that can be unlocked with the latest technology. The official launch of the new network was another highlight of 2013, celebrated with our key partners Ericsson and Huawei and stakeholders from across Kuwait and the region.

NEW FOCUS ON CUSTOMER SERVICES

In 2013, Wataniya launched a Customer Experience Transformation Program as part of our strategy to deliver greater value for money, greater choice and a drive towards premium services.

We became the only operator to offer our pre-paid customers a 'Unique Lifetime' validity and a 'Unique Community' offer of only 10 fils. We also launched an industry-first offer of one year's free Internet for pre-paid handset bundles. In line with our belief that Internet access should be affordable to everyone, we launched a service in June 2013 that allows customers who don't buy a data package to still enjoy affordable data rates in pay-as-you-go mode. These services not only offer the best value for money in Kuwait: they help ensure that our customers are in full control of their usage while retaining the convenience of always being connected to the internet.

To make it even easier for our customers to deal with us, in August 2013, we became the first company in Kuwait to launch a mobile friendly website. In addition, the new self-care portal was devoloped to feature a customer experience called 'My Net', which enables customers to monitor their data usage, check their balance, set and change their usage settings and activate new products and services online. These include premium services and reduced-price data at certain times of the day. These tools have proved to be hugely popular.

An important development was the roll-out of 4G services as part of our premium services, offering faster connectivity and a wider choice of service options. Post-paid customers also benefited from promotional handset deals throughout the year.

MONETIZING DATA

The inherited model of unlimited data usage presented us with the challenge of moving our customers towards the necessary monetization of data. The redesign of our portfolio in March allowed us to significantly reduce the amount of uncharged usage, while giving customers flexible and affordable options for continuing to use data at full speed. Furthermore, the launch of 4G services allowed us to indirectly monetize data by linking 4G to premium services, delivering greater customer choice and stimulating the use of premium data services.

The new web self-care portal enables customers to manage their real-time data usage and provides them with upgrade options in an easy, transparent manner, further stimulating premium data usage.

Our gradual move towards monetization through providing 4G premium options has seen further unbilled usage drop significantly during 2013. Promotional smartphone handset deals also stimulated a move towards purchasing premium services and more data.

EFFICIENCIES

As part of our new business model, we have a renewed focus on using our resources more efficiently. We have been able to achieve significant savings through a combination of e-commerce development and the optimization of low commission channels (such as portal and app). This has not only improved our profitability but also seen our customers benefit from more streamlined and effective processes that have resulted in a richer overall customer experience.

LOOKING AHEAD

As the Company continues to move through a period of transformation, 2014 will be a year of consolidation and growth. The Ooredoo brand provides the Company with great leverage internationally. It also enables us to drive even greater value through pooled resources, efficiency savings and strong leadership.

Delivering world-class networks will continue to be a priority and 2014 will see further investments in three key areas: the speed and quality of our connectivity, new customer services and our people.

Caring for our customers will remain at the heart of our strategy. Our sales, product managers and customer service representatives are actively engaged in creating new and innovative ways for the Company to engage with customers. Our objective is to present customers with greater value, premium services and to leave cost-control in their hands.

To achieve this, we will continue to invest in our network but more importantly, we will continue to invest in our people, whose passion and skills make this company what it is today. This human factor is critical to our ongoing success in 2014 and beyond. With these three elements in place, we look forward to a prosperous and successful 2014.


The ability to listen gave us the power to succeed

TUNISIANA

About Tunisiana

Launched in 2002 as Tunisia's first privately owned telecommunications company, Tunisiana's arrival marked a step-change in the country's communications market. Since then, Tunisiana has grown to become not only the country's number one mobile operator but also one of the country's most trusted and recognised brands. Each day, Tunisiana's truly national network delivers a range of pre-paid and post-paid voice and data services to more than seven million individual and business customers right across this North African nation.

Ownership

Ooredoo has a 92.1 percent stake in Wataniya (NMTC), which owns 75 percent of Tunisiana. In December 2012, Ooredoo acquired an additional 15 percent stake in Tunisiana, which gives it and its subsidiaries a 90 percent effective economic stake in Tunisiana.

Tunisiana: Achievements

Despite the challenge and change Tunisia has seen this year, Tunisiana has continued to succeed. At the heart of its success sits a strategy to deliver an exceptional customer experience to all, whilst driving ever increasing loyalty among higher value, data hungry customers. From its market leading position, Tunisiana has this year expanded its service offering, anticipated and met changing consumer demands and continued to deepen its connection with key social groups.

Ten years after the company first switched on its mobile network, 2013 saw Tunisiana reach a new landmark in its development with the launch of its first fixed line service. Alongside this fixed line launch, the company made further progress in its plan to become Tunisia's leading data provider, building on the 2012 roll-out of 3G to deploy high speed fiber services in three key urban areas. Tunisiana's move from being a pure mobile operator to a full-service carrier has put the company in a strong position to generate new value from bundled offerings: both in the consumer and corporate market segments.

In addition to ensuring its network strength, Tunisiana is also committed to continuously improving customer service. 2013 saw the launch of a wide-ranging Customer Experience Program, designed to help anticipate customer demands and increase engagement. Recognising that service innovation is an important part of the overall customer experience, Tunisiana continued to drive adoption this year of its newest offerings including Mobiflouss: its mobile payment service that runs in partnership with the Tunisian Post Office, which now has over 200,000 active users.

With leadership, comes responsibility. This year Tunisiana has worked hard to find new ways to translate its market leading position into initiatives that support human growth. Tunisiana's involvement in Najja7ni is just one example: a scheme offering mobile-based learning and development for young people in Tunisia, which has won a series of awards in recognition of its positive impact.

Tunisiana: The Year Ahead

Tunisian consumers continue to demand and respond well to new technologies. As smartphone penetration across the country continues to increase, 3G is becoming the consumer's preferred method of internet access, presenting Tunisiana with a unique opportunity to drive adoption of its pioneering mobile data offering. An emphasis on delivering the best customer experience possible will continue to be the cornerstone of Tunisiana's strategy and in 2014 the company plans to develop new services, create new content and forge new partnerships that help maintain its position as Tunisia's operator of choice.

OpCo Executive Quote

"As we exit our tenth year of operations, Tunisiana can proudly claim to be Tunisia's operator of choice. We offer the broadest, most relevant range of communications services available in our market. We share the same dynamic spirit as the customers we serve, constantly innovating to help them achieve their own ambitions. Our customers' needs sit at the heart of everything we do. So long as this remains the case, we will continue to succeed and set the pace of change in our market."


Transforming the way people communicate with an advanced network

OOREDOO ALGERIA

About Ooredoo in Algeria

Nedjma, now re-branded as Ooredoo, commenced operations in Algeria in 2004. Today Ooredoo commands second place in this populous and exciting North African mobile marketplace. As one of the freshest and most engaging brands in the country, Ooredoo offers its Algerian customers value-for-money mobile voice, data and multimedia services. These are delivered across a robust, nationwide network, which was first-to-market this year with ground-breaking 3G services.

Ownership

Ooredoo controls Wataniya (NMTC) through a 92.1 percent stake. Ooredoo, through its own entities and indirectly through NMTC, holds an 80 percent stake in the operations of Ooredoo in Algeria. This gives Ooredoo a 74.4 percent effective economic stake in Ooredoo in Algeria.

Ooredoo in Algeria: Achievements

During this last year, Ooredoo's Algerian team has placed significant focus on improving customer experience through network development. Social partnerships have also helped to drive awareness of the new brand. These efforts have enabled Ooredoo to establish an early leadership reputation in 3G, maintain a strong market position and make a substantial contribution to human growth among the Algerian people it serves.

2013 has been a transformational year for Ooredoo's Algerian network with every core element of the network either modernised or replaced. Following a successful participation in the landmark 3G licensing process this year, December saw Ooredoo become the first Algerian operator to launch commercial 3G operations. The arrival of 3G heralds the start of a huge technological leap forward for Ooredoo's Algerian customers. The team has worked hard to establish a first-mover position, deploying more than 2,200 3G-enabled base stations in just ten weeks.

Innovation has not been limited to 3G. During the year, Ooredoo completed the roll-out of a fiber-optic network across the Algiers metropolitan area which will significantly increase transmission capacity and enhance the range of services Ooredoo can offer. In November the company expanded its Noudjoum customer loyalty program, which now awards points not only to residential but also to corporate customers. The company also introduced a number of new options that will enhance customer experience across its network of own-brand stores.

Recognising its responsibility as a key contributor to the Algerian economy, Ooredoo also launched a revolutionary new collaboration this year with the Ministry for Industry to help fuel growth among small and medium-sized businesses. In line with the Group's commitment to enrich the lives of its customers, particularly entrepreneurs and young people, this collaboration will see Ooredoo support innovative technological start-ups; help young developers of mobile applications and content to monetise their inventions and increase the adoption of IT and communications services within small firms nationwide.

Ooredoo in Algeria: The Year Ahead

Ooredoo starts 2014 with great optimism. The opportunity to expand and exploit its first-mover position in Algeria's new and emerging 3G ecosystem is large and exciting. Furthermore Ooredoo, like the Nedjma brand before it, is rapidly winning customer recognition and trust. The team will work hard in 2014 to leverage these clear advantages, as Algerians across the country wake up to the benefits that 3G and more dependable data services can bring.

OpCo Executive Quote

"2013 has been a landmark year for Ooredoo in Algeria. Our network, our service offering and our country's economic future have been transformed by 3G. As we start 2014, it is Ooredoo that leads the way in 3G service and accessibility. Our market position remains strong and our transition to the Ooredoo brand has opened up new ways for us to connect with the customers we serve. In 2014 we intend to leverage our 3G lead and continue to play our part in helping Algerians to grow and to thrive."


Introducing the fastest possible mobile speed in the Maldives

OOREDOO MALDIVES

About Ooredoo Maldives

From moderate beginnings in 2005, Ooredoo is today able to offer mobile and data services to over 99 percent of the population of the Maldives. Supporting a vibrant economy centred on tourism, Ooredoo provides a range of mobile services to the Maldives many international visitors across the 4G and LTE-ready network. Ooredoo 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

Ooredoo has a 92.1 percent stake in Wataniya (NMTC), which holds 100 percent of the operations of Ooredoo Maldives. This gives Ooredoo a 92.1 percent effective economic stake in Ooredoo Maldives.

Ooredoo Maldives: Achievements

Ooredoo Maldives has made further significant strategic steps forward in 2013. During the year the company has greatly enhanced its service offering to customers; rolled out and derived real benefit from the transition to the Ooredoo brand; and successfully launched 4G/LTE services on both its mobile broadband offering and on mobile handsets. The introduction of 4G/LTE was an important milestone in Ooredoo Maldives' development, opening up the fastest possible mobile speed to our customers and enabling swifter, more efficient broadband.

In addition to the 4G/LTE launch, 2013 saw Ooredoo Maldives complete a number of important infrastructure projects, each designed to further enhance the network. The radical modernization of the company's Radio Access Network (RAN) was perhaps the most significant of these projects, with a new Convergent Billing in One (CBiO) system also going live during the year. Ooredoo Maldives launched a number of new innovative services, such as emergency credit functionality and the ability to make online bill payments. Each of these exciting improvements has created a more superior customer experience and customers are responding positively to them.

In addition to these developments, in 2013 Ooredoo Maldives became one of the first Wataniya properties to rebrand to the Ooredoo name. This was one of the biggest and most positive strategic achievements of the year and the response has been truly overwhelming with VLR adding more than 4% subscribers in 15 days and more than 70,000 Facebook likes recorded on our social page – the highest in the nation.

Ooredoo Maldives: The Year Ahead

The rebrand to Ooredoo and launch of 4G have brought immense advantages to the company in terms of brand positioning, one of the strategy pillars of data disruption, high social media following, and we aim to build on these achievements in the year ahead. We will continue with the development of our 4G service and at the same time focus our attention on enhancing and modernizing the 64 2G sites currently in operation, taking our network reliability and reach to the next level. With rebranding, we are launching various substantiators which touch every sphere of customer life cycle value.

OpCo Executive Quote

"Our achievements this year have been truly monumental. We are extremely proud to have been the first operation in asia to rebrand to the Ooredoo name. This transition was smooth, happened overnight and created huge excitement in our market place. The launch of 4G and our continued drive for fresh service innovations have strengthened our market position, allowing us to continue to deliver the best possible service to our valued customers."


A resilient network
that connects
our customers to their
loved ones

WATANIYA MOBILE PALESTINE

About Wataniya Mobile Palestine

Wataniya Mobile Palestine is the second licensed mobile operator in Palestine and was awarded its license in 2007. 2010 was Wataniya's first full year of commercial operations after the successful launch of services in the West Bank in 2009.

Following the highly successful completion in January 2011 of the company's initial public offering, Wataniya Mobile Palestine is today one of Palestine's largest public companies. It is a significant player in the Palestinian mobile market and is progressing with plans to expand its presence in to Gaza. Through a range of services and products, the company currently offers approximately 2.5 million people in the West Bank the opportunity to enjoy a communications service based on network quality, reliability and choice.

Ownership

Ooredoo has a 92.1 percent stake in Wataniya (NMTC). Following the initial public offering, NMTC holds a 45.8 percent stake in the operations of Wataniya Mobile Palestine. This gives Ooredoo a 44.7 percent effective economic stake in Wataniya Mobile Palestine.

Wataniya Mobile Palestine: Achievements

Over the course of the past twelve months, the Wataniya Mobile Palestine team took steps to strengthen its existing network infrastructure; secured partnerships that embolden its service offering in key customer verticals and pursued a strategy that will see it extend services in 2014 to the important Gaza region. Each of these initiatives has been undertaken with the aim of ensuring seamless customer service – and without a significant impact on expenditure.

During the year, Wataniya Mobile Palestine has upgraded the software across all of its key network nodes and added twelve new radio sites to its array, extending coverage to more hard-to-reach areas and improving reliability in districts already served. The company also sharpened its focus on key customer groups, in particular the youth segment which has the potential to deliver considerable growth in the years ahead. By signing a strategic partnership agreement with three of Palestine's major universities and through the launch of innovative services such as "Wataniya Space" – the first telecom sponsored social platform of its kind in Palestine – the company is well positioned to capitalize on the youth opportunity. 2013 also saw Wataniya receive the necessary regulatory permissions to launch commercial services in Gaza: an exciting strategic step in the company's development.

In spite of these significant undertakings, the company has maintained firm control of its cost base. Embracing new marketing channels, particularly social media channels, has generated a 20 percent saving in marketing expenditure this year and the company's operating and capital expenditure targets have both been achieved.

Wataniya Mobile Palestine: The Year Ahead

2014 will see Wataniya Mobile Palestine continue along its strategic path, with particular focus and energy set to be devoted to the exciting roll-out of services across Gaza. This launch, once live, will further increase the company's mobile market share across Palestine and inject a new, welcome level of competition in to this key market. In addition to this Gaza roll-out, the company intends to revamp its core operating system and infrastructure in order to pave the way for the introduction of new and innovative services – for all of its customers – in the next eighteen months.

OpCo Executive Quote

"Our entire team can be proud of the many successes they have achieved this year. The resilience of our network, its reach and the relevance of our services have each continued to grow in 2013. Our bond with our customers remains strong and, with plans to extend our reach in to Gaza in 2014, we will soon begin to touch and enrich the lives of new customers of all ages."


Revolving around global technology standards

BRAVO

Bravo is a company that entered the Saudi Arabian market in 2005 as the country's first specialised push-to-talk provider (PTT). Ooredoo held an effective 92.1 percent economic stake in Bravo through its 92.1 percent stake in Wataniya (NMTC). It was announced on 31 October 2013 that pursuant to the Group's focus on core businesses based on global technology standards, Saudi Telecom Company (STC) would acquire full ownership from Wataniya of Bravo. Post the date of this report, on 30 January 2014, Ooredoo announced the completion of the divestment of Bravo to STC.


We're focused on enriching the lives of our community

CORPORATE SOCIAL RESPONSIBILITY

Wataniya has always been committed to operating in an ethical, socially responsible manner. As a Kuwaiti based company that cares about the communities in which we operate, it is important that social responsibility is a main component of our daily business activities.

Last year we partnered with the 'Donate Your Time' campaign, aimed at providing free, full meals every day to the needy in Kuwait throughout the Holy Month of Ramadan. Volunteers and Wataniya staff donated their free time to distribute food packages to the impoverished and our staff distributed dates and water at the Kuwait Grand Mosque during the last ten days of Ramadan to offer support to worshippers attending night prayers inside the mosque. Events included a special Gergeian show at the 360 Mall and Rijeemy Walkathon, which promoted healthy lifestyles and advised attendees on how to manage their diet and exercise regimes during the Holy Month.

We sponsored the Al-Yarmouk Park Environmental Project in association with the Kuwait Institute of Scientific Research (KISR) as an initiative to promote recycling. In addition, we also offered practical assistance in helping to renovate the park. We partnered with Biodiversity East, supporting scientists in their work to preserve Kuwait's waters, islands and natural wildlife.

We helped promote health and fitness by supporting the 'Flying Start Triathlon' and a karting race for females called 'Road Rush', providing a safe and secure environment for women to relax and enjoy the thrill of go-karting. Wataniya also supported the Gulf Run Karting Endurance Race event.

The event included a 24-hour karting race, a car show in 360 Mall in Kuwait and an exclusive motorsports event in the Bahrain International Circuit.

We supported the flourishing arts scene in Kuwait, sponsoring 'MadStand', a standup comedy venue. This annual comedy show, entitled 'The Comedy Hangout 2' took place for the second time in Kuwait following its enormous success in 2012. The show was attended by 1500 people. The focus on arts was also highlighted in our support of Nuqat November, which took place in November 2013. Initially known as Nuqat Ala Al Hurrof, its focus was to promote creativity on all levels including design, architecture, advertising, fashion and production. This particular event provided a platform that communicates with and educates creative talent from around the Gulf, allowing creative individuals to explore ideas and tackle creative change.

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

Consolidated Financial Statements
and Independent Auditors' Report
for the year ended
31 December 2013

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INDEPENDENT AUDITORS' REPORT

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

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of National Mobile Telecommunications Company K.S.C.P. (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2013 and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2013, 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 Companies Law No. 25 of 2012, as amended, and the Company's Articles and Memorandum of Association. In our opinion, proper books of account have been kept by the Company, an inventory count was carried out in accordance with recognised procedures and the accounting information given in the Board of Directors' report agrees with the books of account. We have not become aware of any contravention, during the year ended 31 December 2013, of the Companies Law No. 25 of 2012, 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.

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

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

Kuwait: 23 February 2014

صافي عبدالعزيز المطوع
مرخص تحت رقم (١٣٨) فئة أ

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

As at 31 December 2013

	Note	2013 KD 000's	2012 KD 000's
ASSETS			
Non-current assets			
Property and equipment	4	**679,730**	524,513
Intangible assets and goodwill	5	**583,774**	629,435
Available for sale financial assets	6	**8,691**	9,223
Deferred tax asset	7	**1,567**	2,394
Other non-current assets		**393**	738
		1,274,155	1,166,303
Current assets			
Inventories		**27,049**	14,459
Trade and other receivables	8	**169,434**	145,454
Bank balances and cash	9	**141,702**	151,761
Assets of disposal group classified as held for sale	10	**29,070**	-
		367,255	311,674
Total assets		**1,641,410**	1,477,977
EQUITY AND LIABILITIES			
EQUITY			
Share capital	11	**50,403**	50,403
Treasury shares	11	**(3,598)**	(3,598)
Reserves	11	**135,913**	155,456
Retained earnings		**622,853**	617,605
Equity attributable to shareholders of the Company		**805,571**	819,866
Non-controlling interests		**126,880**	139,296
Total equity		**932,451**	959,162
LIABILITIES			
Non-current liabilities	12	**96,853**	58,989
Long term debts		**5,327**	5,204
Provision for staff indemnity		**18,037**	20,881
Other non-current liabilities		**120,217**	85,074
Current liabilities			
Trade and other payables	13	**464,492**	350,407
Deferred income		**37,256**	29,713
Income tax payable		**-**	5,327
Long term debts	12	**48,225**	48,294
Liabilities of disposal group classified as held for sale	10	**38,769**	-
		588,742	433,741
Total liabilities		**708,959**	518,815
Total equity and liabilities		**1,641,410**	1,477,977

Abdullah Bin Mohammed Bin Saud AlThani

Chairman

The accompanying notes set out on pages 31 to 79 form an integral part of these consolidated financial statements.

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

For the year ended 31 December 2013

	Note	2013	2012
		KD 000's	KD 000's (Re-presented)
Continuing operations			
Revenue		**731,117**	724,353
Cost of revenue		**(270,813)**	(258,772)
Gross profit		**460,304**	465,581
Administrative expenses		**(129,098)**	(126,254)
Selling and distribution costs		**(64,096)**	(53,135)
Finance costs – net	14	**(5,390)**	(4,773)
Depreciation and amortisation	4 & 5	**(129,392)**	(122,558)
Other expenses - net	15	**(5,558)**	(9,303)
Impairment loss	5 & 6	**(138)**	(18,284)
Profit before Directors' remuneration, provision for contribution to Kuwait Foundation for the Advancement of Sciences ("KFAS"), National Labour Support Tax ("NLST"), Zakat and taxation from continuing operations		**126,632**	131,274
Directors' remuneration		**(721)**	(521)
Provision for contribution to KFAS, NLST and Zakat	17	**(2,837)**	(2,412)
Profit before taxation from continuing operations		**123,074**	128,341
Taxation related to subsidiaries	7	**(25,979)**	(39,106)
Profit for the year from continuing operations		**97,095**	89,235
Discontinued operations			
Profit from discontinued operations	10	**751**	583
Profit for the year		**97,846**	89,818
Attributable to:			
Shareholders of the Company		**76,095**	75,505
Non-controlling interests		**21,751**	14,313
		97,846	89,818
Basic and diluted earnings per share (fils)	18	**152**	151
Basic and diluted earnings per share (fils) – continuing operations	18	**150**	149

The accompanying notes set out on pages 31 to 79 form an integral part of these consolidated financial statements.

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

For the year ended 31 December 2013

	2013	2012
	KD 000's	KD 000's
Profit for the year	**97,846**	89,818
Other comprehensive income		
Items that are or may be reclassified subsequently to the consolidated statement of income		
Change in fair value of available for sale financial assets	**810**	(1,856)
Net (gain) / loss on sale of available for sale financial assets transferred to the consolidated statement of income (note 15)	**(117)**	31
Impairment loss on available for sale financial assets transferred to the consolidated statement of income (note 6)	**6**	209
Exchange differences arising on translation of foreign operations	**(31,670)**	(19,552)
Total items that are or may be reclassified subsequently to the consolidated statement of income	**(30,971)**	(21,168)
Other comprehensive loss for the year	**(30,971)**	(21,168)
Total comprehensive income for the year	**66,875**	68,650
Attributable to:		
Shareholders of the Company	**48,587**	56,552
Non-controlling interests	**18,288**	12,098
	66,875	68,650

The accompanying notes set out on pages 31 to 79 form an integral part of these consolidated financial statements.

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

For the year ended 31 December 2013

			Reserves											
	Share capital	Treasury shares	Share premium	Statutory reserve	General reserve	Treasury shares reserve	Fair value reserve	Foreign currency translation reserve	Other reserves	Total reserves	Retained earnings	Equity attributable to shareholders of Company	Non-controlling interests	Total equity
	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's
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
Comprehensive income														
Profit for the year	-	-	-	-	-	-	-	-	-	-	75,505	75,505	14,313	89,818
Other comprehensive loss for the year	-	-	-	-	-	-	(1,616)	(17,337)	-	(18,953)	-	(18,953)	(2,215)	(21,168)
Total comprehensive income for the year	-	-	-	-	-	-	(1,616)	(17,337)	-	(18,953)	75,505	56,552	12,098	68,650
Movement in non-controlling interests	-	-	-	-	-	-	-	-	-	-	(17,191)	(17,191)	17,191	-
Dividends (note 11)	-	-	-	-	-	-	-	-	-	-	(25,058)	(25,058)	-	(25,058)
Transfer to general reserve (note 11)	-	-	-	-	7,936	-	-	-	-	7,936	(7,936)	-	-	-
Balance at 31 December 2012	50,403	(3,598)	66,634	32,200	105,051	6,914	429	(59,184)	3,412	155,456	617,605	819,866	139,296	959,162
Comprehensive income														
Profit for the year	-	-	-	-	-	-	-	-	-	-	76,095	76,095	21,751	97,846
Other comprehensive loss for the year	-	-	-	-	-	-	699	(28,207)	-	(27,508)	-	(27,508)	(3,463)	(30,971)
Total comprehensive income for the year	-	-	-	-	-	-	699	(28,207)	-	(27,508)	76,095	48,587	18,288	66,875
Movement in non-controlling interests	-	-	-	-	-	-	-	-	-	-	(237)	(237)	70	(167)
Dividends (note 11)	-	-	-	-	-	-	-	-	-	-	(62,645)	(62,645)	(30,774)	(93,419)
Transfer to general reserve (note 11)	-	-	-	-	7,965	-	-	-	-	7,965	(7,965)	-	-	-
Balance at 31 December 2013	50,403	(3,598)	66,634	32,200	113,016	6,914	1,128	(87,391)	3,412	135,913	622,853	805,571	126,880	932,451

The accompanying notes set out on pages 31 to 79 form an integral part of these consolidated financial statements.

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

For the year ended 31 December 2013

	Note	2013	2012
		KD 000's	KD 000's
Cash flows from operating activities:			
Profit for the year from continuing operations		**97,095**	89,235
Profit for the year from discontinued operations		**751**	583
Adjustments for:			
Depreciation and amortisation	4 & 5	**136,213**	129,441
Dividend income	15	**(62)**	(75)
Finance income	14	**(2,210)**	(2,393)
(Gain) / loss on sale of available for sale financial assets		**(117)**	31
Impairment loss on available for sale financial assets and intangible assets	5 & 6	**138**	18,284
Provision for impairment of receivables	8	**10,039**	9,933
Taxation relating to subsidiaries	7	**689**	8,665
Loss on disposal and write off of property and equipment and intangibles		**1,145**	698
Finance costs	14	**7,600**	7,166
Provision for KFAS, NLST and Zakat	17	**3,449**	3,329
Provision for staff indemnity		**1,946**	1,850
		256,676	266,747
Changes in:			
Trade and other receivables and other non-current assets		**(38,406)**	(19,969)
Inventories		**(13,058)**	(412)
Trade and other payables and other non-current liabilities		**147,794**	19,301
Cash generated from operating activities		**353,006**	265,667
Provision for staff indemnity paid		**(786)**	(438)
Net cash generated from operating activities		**352,220**	265,229
Cash flows from investing activities:			
Increase in term deposits		**(4,773)**	(924)
Purchase of available for sale financial assets	6	**(1,159)**	(9,789)
Proceeds from sale of available for sale financial assets		**2,501**	9,704
Purchase of property and equipment	4	**(282,861)**	(138,783)
Proceeds from disposal of property and equipment		**26,540**	13
Purchase of intangible assets	5	**(29,441)**	(49,834)
Proceeds from disposal of intangible assets		**24**	-
Dividend income received		**52**	75
Interest income received		**2,210**	2,349
Net cash used in investing activities		**(286,907)**	(187,189)
Cash flows from financing activities:			
Finance costs paid		**(7,600)**	(7,166)
Dividends paid		**(62,645)**	(24,842)
Dividend paid by subsidiary to non controlling interests		**(30,774)**	-
Net increase / (decrease) in term debts		**36,797**	(12,610)
Net movement in non-controlling interest		**(167)**	-
Net cash used in financing activities		**(64,389)**	(44,618)
Effect of foreign currency translation		**(284)**	(940)
Net increase in cash and cash equivalents		**640**	32,482
Cash and cash equivalents at 1 January		**137,229**	104,747
Cash and cash equivalents at 31 December	9	**137,869**	137,229

The accompanying notes set out on pages 31 to 79 form an integral part of these consolidated financial statements.

1. INCORPORATION AND ACTIVITIES

National Mobile Telecommunications Company K.S.C.P. ("the Company") is a Kuwaiti shareholding company incorporated by Amiri Decree on 10 October 1997. The Company and its subsidiaries (together referred to as "the Group") are engaged in the provision of mobile telephone services in Kuwait under a licence from the Ministry of Communications, State of Kuwait and also elsewhere through subsidiaries in the Middle East and North Africa (MENA) region and Maldives. The Company 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 Company is a subsidiary of Qtel International Investments LLC one of the subsidiaries of Ooredoo Q.S.C. (formerly Qatar Telecom Company Q.S.C.) ("Ooredoo"), a Qatari shareholding company listed on the Qatar Stock Exchange.

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

The number of employees of the Company at 31 December 2013 was 950 (2012: 1,078).

These consolidated financial statements were approved for issue by the Board of Directors of the Company on 18 February 2014 and are subject to the approval of the Annual General Assembly of the shareholders.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

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

a) Basis of preparation

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

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

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

b) Statement of compliance

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

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

b) Statement of compliance (Continued)

On 29 November 2012 through a decree, Companies Law No. 25 of 2012 ("the Law") was issued and later amended by Law No. 97 of 2013 dated 27 March 2013 ("the Decree"). The Law came into effect from the date it was published in Kuwait's Official Gazette. The Executive Regulations have been issued by the Ministry of Commerce and Industry on 29 September 2013 and was published in the Kuwait's Official Gazette on 6 October 2013. According to Article 3 of the resolution, the companies have one year from date of publishing the Executive Regulations to comply with the new amended Law. The Company's management is of the view that application of the provisions of the Law has no material impact on the Company's activities or on its consolidated financial position.

c) Revised and newly issued IFRS adopted by the Group

The Group has adopted the following revised and newly issued IFRS effective for annual periods beginning on or after 1 January 2013:

IFRS 10 Consolidated Financial Statements

The new standard identifies the principles of control, determines how to identify whether an investor controls an investee and therefore must consolidate the investee, and sets out the principles for the preparation of consolidated financial statements. It introduces a single consolidation model that identifies control as the basis for consolidation for all types of entities, where control is based on whether an investor has power over the investee, exposure/rights to variable returns from its involvement with the investee and the ability to use its power over the investee to affect the amount of the returns. The adoption of this standard has no financial impact on the consolidated financial statements.

IFRS 12 Disclosure of Interests in Other Entities

The new standard combines, enhances and replaces the disclosure requirements for subsidiaries, joint arrangements, associates and unconsolidated structured entities. It requires extensive disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, interests in other entities and the effects of those interests on the entity's financial position, financial performance and cash flows. The Group has included new disclosures in the consolidated financial statements which are required under IFRS 12.

IFRS 13 Fair Value Measurement

The new standard defines fair value, sets out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 applies when other IFRSs require or permit fair value measurements. It does not introduce any new requirements to measure an asset or a liability at fair value, change what is measured at fair value in IFRS or address how to present changes in fair value. The change had no impact on the measurements of the Group's assets and liabilities.

The Group has included new disclosures in the consolidated financial statements which are required under IFRS 13.

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

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

IAS 1 Presentation of Financial Statements - Amendments

The amendments to IAS 1 change the grouping of items presented in other comprehensive income. Items that could be reclassified to profit or loss at a future point in time would be presented separately from items that will never be reclassified. The amendment affects presentation only and has no impact on the Company's financial position or performance. The adoption of this amendment has no financial impact on the consolidated financial statements.

d) Standards and interpretations not yet effective or adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2013, and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

IAS 32 Offsetting Financial Assets and Financial Liabilities

These amendments clarify the meaning of "currently has a legally enforceable right to set-off". The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems which apply gross settlement mechanisms that are not simultaneous.

These amendments are effective for annual periods beginning on or after 1 January 2014.

The Directors anticipate that the adoption of the above standard will have no significant financial impact on the consolidated financial statements of the Group in the period of initial application.

IFRS 9 Financial Instruments

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Group is yet to assess IFRS 9's full impact. The Group will also consider the impact of the remaining phases of IFRS 9 when completed by the Board.

IAS 36 Impairment of assets

Amendments to IAS 36, 'Impairment of Assets', on the recoverable amount disclosures for non-financial assets. This amendment removed certain disclosures of the recoverable amount of CGUs which had been included in IAS 36 by the issue of IFRS 13.

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

e) Basis of consolidation

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

Subsidiaries

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

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

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

As a result of IFRS 10, the Group has changed its accounting policy for determining whether it has control over and consequently whether it consolidates its investees. IFRS 10 introduces a new control model that focuses on whether the Group has power over an investee, exposure or rights to variable returns from its involvement with the investee and ability to use its power to affect those returns.

In accordance with the transitional provisions of IFRS 10, the Group assessed the control conclusion for its investees at 1 January 2013 and it did not change its control conclusion in respect of the investments in existing subsidiaries.

Loss of control

On the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in consolidated statement of 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.

Business combinations

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

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

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

e) Basis of consolidation (Continued)

at the acquisition date.

The Group measures goodwill at the acquisition date as:

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

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

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

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

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

Acquisitions of non-controlling interests

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

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

f) Foreign currency

Functional and presentation currency

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

Transactions and balances

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

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

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

Foreign operations

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

Foreign currency differences are recognised in other comprehensive income and presented in the foreign currency translation reserve in the consolidated statement of changes in equity. However, if the foreign operation is a non-wholly owned subsidiary, then the relevant portion of the translation difference is allocated to non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the foreign currency translation reserve related to that foreign operation is reclassified to the consolidated statement of 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 settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign currency gains and losses arising from such item are considered to form part of a net investment in the foreign operation and are recognised in the consolidated statement of comprehensive income, and presented in foreign currency translation reserve in the consolidated statement of changes in equity.

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

g) Financial instruments

i) Non-derivative financial assets

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

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

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

- loans and receivables; and

- available for sale financial assets

Loans and receivables

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

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

Cash and cash equivalents

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

Available for sale financial assets

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

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

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

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

g) Financial instruments (continued)

ii) Non-derivative financial liabilities

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

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

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

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

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

Trade payables

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

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

Offsetting

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

h) Inventories

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

i) Property and equipment

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

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

i) Property and equipment (Continued)

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

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

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

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

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

j) Leases

Leased assets

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

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

Lease payments

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

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

Determining whether an arrangement contains a lease

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

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

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

j) Leases (Continued)

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

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

k) Intangible assets

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

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

Goodwill is not amortised, but is reviewed for impairment at least annually. Any impairment loss is recognised 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.

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

l) 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 recognised 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 recognises such assets as "concession intangible assets". The Group recognises these intangible assets at cost in accordance with IAS 38. These intangible assets are amortised over the period in which it is expected to be available for use by the Group. The Group recognises contract revenue and costs in accordance with IAS 11, Construction Contracts. The costs of each activity, namely construction, operation and maintenance are recognised 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 recognised 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 and is subsequently measured at amortised cost.

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

l) Service concession arrangements (Continued)

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 recognised 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 capitalised during the construction phase of the arrangement.

m) Provisions

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

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

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

n) Impairment

i) Non-derivative financial assets

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

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

Financial assets measured at amortised cost

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

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

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

n) Impairment (Continued)

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

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

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

Available for sale financial assets

Impairment losses on available for sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve in equity to the consolidated statement of 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 amortisation, and the current fair value, less any impairment loss recognised 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 recognised, then the impairment loss is reversed, with the amount of the reversal recognised in the consolidated statement of income. However, any subsequent recovery in the fair value of an impaired available for sale equity security is recognised in the other comprehensive income.

ii) Non-financial assets

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

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

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

n) Impairment (Continued)

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

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

o) Term debt

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

p) Provision for staff indemnity

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

q) Treasury shares

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

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

r) Revenue recognition

Revenue represents the fair value of the consideration received or receivable for communication services and equipment sales net of discounts and sales tax. Revenue from rendering of services and sale of equipment is recognised when it is probable that the economic benefits associated with

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

r) Revenue recognition (Continued)

the transaction shall flow to the Group and the amount of revenue and the associated costs can be reliably measured.

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

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

Revenue from rendering of services

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

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

Interconnection, roaming and post-paid revenue

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

Sales of prepaid cards

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

Sales of equipment

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

Multiple element arrangements

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

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:

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

r) Revenue recognition (Continued)

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

s) Customer loyalty program

The Company has implemented a customer loyalty program, whereby the subscribers may earn loyalty points that are redeemable in the form of discounts against the purchase price of handsets or credits for free service usage. 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 loyalty points will be redeemed.

t) Taxation

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

Current tax

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

Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the financial position date. The measurement of deferred tax

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

t) Taxation (Continued)

liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

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

u) Zakat, KFAS and NLST

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

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

v) Finance costs

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

w) Contingencies

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

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

x) Non-current assets held for sale

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

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

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 recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

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

Classification of Investments

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

Measurement of fair values

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

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

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

Significant valuation issues are reported to the Group Audit Committee.

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

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

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

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

Critical judgements in applying accounting policies (Continued)

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 6 thousand (2012: KD 209 thousand) (see note 6).

The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

Key sources of estimation uncertainty

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

Fair value of unquoted equity investments

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

Impairment of non-financial assets and useful lives

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

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

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

Impairment of goodwill

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

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.

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

Key sources of estimation uncertainty (Continued)

At the date of financial position, gross trade and billing and other receivables were KD 135,866 thousand (2012: KD 141,047 thousand), and the allowance for doubtful debts was KD 42,069 thousand (2012: KD 39,912 thousand). Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the consolidated statement of income.

Impairment of inventories

Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on historical selling prices. As at the reporting date, gross inventory was KD 27,373 thousand (2012: KD 15,066 thousand) and provision for obsolete inventory items was KD 324 thousand (2012: KD 607 thousand).

Deferred tax

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

Were the actual final outcome (on the judgment areas) of expected cash flows to differ by 10% from management's estimates, the Group would need to increase the income tax liability by KD 2,529 thousand (2012: KD 3,044 thousand) and the deferred tax liability by KD 69 thousand (2012: KD 866 thousand) if unfavorable or decrease the income tax liability by KD 2,529 thousand (2012: KD 3,044 thousand) and the deferred tax liability by KD 69 thousand (2012: KD 866 thousand), if favorable.

4. PROPERTY AND EQUIPMENT

	Network equipment KD 000's	Network infrastructure KD 000's	Office & computer equipment KD 000's	Lease hold land, furniture, fixtures and others KD 000's	Capital work-in progress KD 000's	Total KD 000's
Cost						
Balance at 1 January 2012	524,726	216,688	28,706	25,713	97,876	893,709
Transfers	31,920	1,012	1,170	411	(33,177)	1,336
Additions	55,216	23,071	4,092	3,175	53,229	138,783
Disposals	(5,960)	(450)	(71)	(428)	(18)	(6,927)
Currency translation effects	(6,446)	(4,414)	(510)	(392)	(1,593)	(13,355)
Balance at 31 December 2012	599,456	235,907	33,387	28,479	116,317	1,013,546
Transfers	**87,379**	**1,470**	**1,510**	**363**	**(89,625)**	**1,097**
Additions	**82,645**	**21,688**	**4,432**	**7,388**	**166,708**	**282,861**
Disposals	**(68,680)**	**(2,928)**	**(143)**	**(1,503)**	**(232)**	**(73,486)**
Write off	**(34,065)**	**-**	**-**	**-**	**-**	**(34,065)**
Reclassification to assets held for sale (note 10)	**(1,841)**	**-**	**(186)**	**(657)**	**-**	**(2,684)**
Currency translation effects	**(9,626)**	**2,318**	**(344)**	**49**	**(895)**	**(8,498)**
Balance at 31 December 2013	**655,268**	**258,455**	**38,656**	**34,119**	**192,273**	**1,178,771**
Accumulated depreciation and impairment						
Balance at 1 January 2012	290,207	82,112	19,931	16,866	-	409,116
Transfers	(8)	8	(19)	19	-	-
Charge for the year	63,115	21,339	4,744	3,055	-	92,253
Related to disposals	(5,462)	(357)	(57)	(370)	-	(6,246)
Currency translation effects	(3,519)	(1,918)	(373)	(280)	-	(6,090)
Balance at 31 December 2012	344,333	101,184	24,226	19,290	-	489,033
Transfers	**253**	**(253)**	**-**	**-**	**-**	**-**
Charge for the year	**64,153**	**24,074**	**5,443**	**3,338**	**-**	**97,008**
Related to disposals	**(52,071)**	**(1,577)**	**(118)**	**(1,473)**	**-**	**(55,239)**
Related to assets written off	**(24,628)**	**-**	**-**	**-**	**-**	**(24,628)**
Reclassification to assets held for sale (note 10)	**(1,543)**	**-**	**(162)**	**(595)**	**-**	**(2,300)**
Currency translation effects	**(5,773)**	**1,073**	**(221)**	**88**	**-**	**(4,833)**
Balance at 31 December 2013	**324,724**	**124,501**	**29,168**	**20,648**	**-**	**499,041**
Carrying amounts:						
At 31 December 2012	255,123	134,723	9,161	9,189	116,317	524,513
At 31 December 2013	**330,544**	**133,954**	**9,488**	**13,471**	**192,273**	**679,730**
Annual depreciation rates	12.5%-16.67%	5% - 15%	33.33%	12.5%		

4. PROPERTY AND EQUIPMENT (CONTINUED)

Depreciation amounting to KD 284 thousand (2012: KD 307 thousand) has been reclassified to net profit from discontinued operations (note 10).

Property and equipment of Wataniya Telecom Algerie S.P.A. (WTA), Wataniya Telecom Maldives (WTM) and Wataniya Palestine Mobile Telecom Limited (WPT) totalling to KD 367,375 thousand (2012: KD 268,979 thousand) are under registered mortgage to secure certain bank loans (note 12).

Certain assets classified under leasehold land, furniture, fixtures and others amounting to KD 608 thousand (2012: KD 4,277 thousand) were acquired under finance lease agreements for which the current portion of the respective obligations amounting to KD 285 thousand (2012: KD 695 thousand) is included under trade and other payables and the non-current portion from 1 to 5 years amounting to KD 323 thousand (2012: KD 3,582 thousand) is included under non-current liabilities. Assets under finance lease amounted to KD 3,654 thousand and the finance lease liabilities associated to such assets, have been reclassified as assets and liabilities held for sale, respectively, as disclosed in note 10.

5. INTANGIBLE ASSETS AND GOODWILL

	Goodwill	Concession intangible assets	License 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 January 2012	297,450	60,550	403,678	14,947	776,625
Transfers	-	-	(1,336)	-	(1,336)
Disposals	-	(81)	(103)	-	(184)
Additions	-	137	49,697	-	49,834
Currency translation effects	(6,271)	599	(7,157)	(315)	(13,144)
Balance at 31 December 2012	291,179	61,205	444,779	14,632	811,795
Transfers	**-**	**-**	**(1,097)**	**-**	**(1,097)**
Disposals	**-**	**(79)**	**-**	**-**	**(79)**
Additions	**-**	**382**	**29,059**	**-**	**29,441**
Reclassification to assets held for sale (note 10)	**-**	**(61,722)**	**(3,833)**	**-**	**(65,555)**
Currency translation effects	**(16,037)**	**214**	**(7,868)**	**(806)**	**(24,497)**
Balance at 31 December 2013	**275,142**	**-**	**461,040**	**13,826**	**750,008**
Accumulated amortisation and impairment					
Balance at 1 January 2012	-	24,435	102,122	2,491	129,048
Related to disposals	-	(44)	(110)	-	(154)
Charge for the year	-	6,228	28,547	2,413	37,188
Provision for impairment	-	18,075	-	-	18,075
Currency translation effects	-	284	(2,054)	(27)	(1,797)
Balance at 31 December 2012	-	48,978	128,505	4,877	182,360
Related to disposals	**-**	**(52)**	**(3)**	**-**	**(55)**
Charge for the year	**-**	**6,246**	**30,603**	**2,356**	**39,205**
Provision for impairment	**132**	**-**	**-**	**-**	**132**
Reclassification to assets held for sale (note 10)	**-**	**(55,257)**	**(2,295)**	**-**	**(57,552)**
Currency translation effects	**3**	**85**	**2,376**	**(320)**	**2,144**
Balance at 31 December 2013	**135**	**-**	**159,186**	**6,913**	**166,234**
Carrying amounts					
At 31 December 2012	291,179	12,227	316,274	9,755	629,435
At 31 December 2013	**275,007**	**-**	**301,854**	**6,913**	**583,774**
Amortisation rate	-	6.67%	4% to 30%	16.67%	

5. INTANGIBLE ASSETS AND GOODWILL (CONTINUED)

During the previous year, the Group recognised an impairment loss amounting to KD 18,075 thousand in respect of intangible assets in one of the subsidiaries. These intangible assets were identified as separate cash generating unit (CGU). Based on the market conditions and adverse operational factors affecting the CGU, the management believed that there were objective evidences of impairment in value of the intangible assets. Goodwill's recoverable amount was based on 10 years discounted cash flow projections assuming a pre-tax discount rate of 11% (2012: 10.6%)

Amortization amounting to KD 6,537 thousand (2012: KD 6,576 thousand) has been reclassified to net profit from discontinued operations (note 10).

6. AVAILABLE FOR SALE FINANCIAL ASSETS

	2013	2012
	KD 000's	KD 000's
Listed equity securities	**1,001**	2,144
Unlisted equity securities	**7,690**	7,079
	8,691	9,223

Movement in available for sale financial assets is as follows:

	2013	2012
	KD 000's	KD 000's
Balance at beginning of the year	**9,223**	10,994
Additions	**1,159**	9,789
Disposals	**(2,384)**	(9,735)
Impairment loss on value of financial assets	**(6)**	(209)
Net unrealised gain / (loss)	**699**	(1,616)
Balance at end of the year	**8,691**	9,223

At 31 December 2013, unlisted equity investments with a net amount of KD 3,657 thousand (2012: KD 4,195 thousand) are carried at cost less impairment due to the non-availability of quoted market prices or other reliable measures of their fair value.

At 31 December 2013, available for sale financial assets amounting to KD 8,658 thousand (2012: KD 9,183 thousand) and KD 33 thousand (2012: KD 40 thousand) are denominated in Kuwaiti Dinars and US dollars respectively.

7. TAXATION RELATING TO SUBSIDIARIES

The income tax represents amounts recognised by subsidiary companies.

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

	2013	2012
	KD 000's	KD 000's
Current tax		
Current income tax charge	**25,290**	30,441
Deferred tax		
Relating to origination and reversal of temporary differences	**689**	8,665
Income tax included in the consolidated statement of income	**25,979**	39,106

The Company is not subject to income tax in the state of Kuwait. The effective tax rate applicable to the taxable subsidiary companies is 35% (2012: 35%). For the purpose of determining the taxable results for the year, the accounting profit of the subsidiaries is adjusted for tax purposes. Adjustments for tax purposes included items relating to both income and expense. The adjustments are based on the current understanding of the existing laws, regulations and practices of each subsidiaries jurisdiction. In view of the operations of the Group being subject to various tax jurisdictions and regulations, it is not practical to provide a detailed reconciliation between accounting and taxable profits together with the details of the effective tax rates. As a result, the reconciliation includes only the identifiable major reconciling items.

7. TAXATION RELATING TO SUBSIDIARIES (CONTINUED)

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

	2013	2012
	KD 000's	KD 000's
Accounting consolidated profit before tax	**126,631**	132,774
Company and its subsidiaries that are not subject to corporate income tax	**(63,261)**	(55,560)
Accounting profit of subsidiaries that are subject to corporate income tax	**63,370**	77,214
Add:		
Allowances, accruals and other temporary differences	**(73)**	740
Expenses and income that are not subject to corporate tax	**4,245**	2,072
Add / (deduct):		
Unutilised tax gains brought forward	**4,716**	6,949
Taxable profit of subsidiaries that are subject to corporate income tax	**72,258**	86,975
Current income tax charge at the effective income tax rate of 35% (2012: 35%)	**25,290**	30,441
Current income tax charge	**25,290**	30,441

Deferred tax

The deferred tax assets of KD 1,567 thousand as at 31 December 2013 (2012: KD 2,394 thousand) are recognised on account of accumulated tax losses incurred by the subsidiaries, Wataniya Telecom Algerie S.P.A. (WTA) and Tunisiana S.A., which are expected to be deductible against taxable profits in the foreseeable future.

Movement in deferred tax assets during the year:

	2013	2012
	KD 000's	KD 000's
Opening balance	**2,394**	11,255
Charged to the consolidated statement of income	**(689)**	(8,665)
Foreign exchange differences	**(138)**	(196)
Closing balance	**1,567**	2,394

8. TRADE AND OTHER RECEIVABLES

	2013	2012
	KD 000's	KD 000's
Trade and billing receivables	**119,136**	125,498
Unbilled revenue	**5,668**	6,122
Advances and prepayments	**69,265**	37,538
Interest receivable	**704**	659
Other receivables	**16,730**	15,549
	211,503	185,366
Less: allowance for doubtful debts	**(42,069)**	(39,912)
	169,434	145,454

Advances and prepayments include advance payments to suppliers amounting to KD 67,108 thousand (2012: KD 31,814 thousand).

Trade and other receivables amounting to KD 4,743 thousand have been reclassified as assets held for sale as disclosed in note 10.

Movement in the allowance for doubtful debts is as follows:

	2013	2012
	KD 000's	KD 000's
Balance at beginning of the year	**39,912**	30,293
Charge for the year (included under selling and distribution costs)	**10,039**	9,933
Amounts written off as uncollectible	**(770)**	(73)
Reclassification to assets classified held for sale (note 10)	**(7,101)**	-
Amounts recovered during the year (included under selling and distribution costs)	**(11)**	(241)
Balance at end of the year	**42,069**	39,912

8. TRADE AND OTHER RECEIVABLES (CONTINUED)

Ageing of unimpaired trade receivables is as follows:

			Past due not impaired			
	Total	**Neither past due nor impaired**	**< 30 days**	**30 – 60 days**	**60 – 90 days**	**> 90 days**
	KD 000's	**KD 000's**	**KD 000's**	**KD 000's**	**KD 000's**	**KD 000's**
2013	**77,067**	**38,304**	**10,684**	**7,017**	**6,559**	**14,503**
2012	85,586	50,485	8,405	5,361	6,241	15,094

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

9. BANK BALANCES AND CASH

	2013	**2012**
	KD 000's	**KD 000's**
Cash and bank balances	**91,494**	94,217
Deposits	**50,208**	57,544
Bank balances and cash in the consolidated statement of financial position	**141,702**	151,761
Deposits with original maturities of three months or more	**(19,305)**	(14,532)
Bank balances and cash reclassified as assets of disposal group classified as held for sale	**15,472**	-
Cash and cash equivalents in the consolidated statement of cash flows	**137,869**	137,229

The effective interest rate on interest-earning deposits ranged from 1.66% to 8.6% (2012: 0.5% to 6.68%) per annum. Cash and bank balances include KD 1,543 thousand (2012: KD 85 thousand) held as part of a managed portfolio.

Included in deposits with original maturities of three months or more is an amount of KD 13,785 thousand (2012: KD 13,620 thousand) restricted in accordance with a subsidiary's syndicated loan agreement (refer to note 12).

Bank balances and cash amounted to KD 15,472 thousand has been reclassified as assets held for sale as disclosed in note 10.

10. ASSETS AND LIABILITIES OF DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

As of 31 December 2013, the management of the Group has committed to a plan to sell all the equity interest in Public Telecommunications Company Ltd. (PTC). As at 31 Decembe 2013, final negotiations for the sale were in progress. As a result, PTC has been reclassified as a disposal group held for sale and disclosed as a discontinued operation as per IFRS 5: Non-Current Assets held for Sale and Discontinued Operations. The results of PTC for the year are presented below:

	2013	2012
	KD 000's	KD 000's
Revenue	**18,071**	18,168
Cost of revenue	**(2,879)**	(10,746)
	15,192	7,422
Network construction revenue	**385**	137
Network construction costs	**(385)**	(137)
	15,192	7,422
Administrative expenses	**(5,714)**	(6,265)
Selling and distribution costs	**(2,032)**	(2,286)
Finance costs – net (note 14)	**4**	4
Depreciation and amortisation (notes 4 and 5)	**(6,821)**	(6,883)
Other income (note 15)	**734**	9,508
Profit before Zakat	**1,363**	1,500
Zakat (note 17)	**(612)**	(917)
Profit for the year from discontinued operations	**751**	583
Basic and diluted earnings per share (fils) – discontinued operations	**1.49**	1.18

10. ASSETS AND LIABILITIES OF DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (CONTINUED)

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

	2013
	KD 000's
Assets	
Property and equipment (note 4)	384
Intangible assets (note 5)	8,003
Inventories	468
Trade and other receivables (note 8)	4,743
Cash and bank balances (note 9)	15,472
Assets of disposal group classified as held for sale	29,070
Liabilities	
Provision for staff indemnity	1,039
Other non-current liabilities	3,132
Trade and other payables (note 13)	32,943
Deferred income	1,655
Liabilities of disposal group classified as held for sale	38,769
Net liabilities directly associated with disposal group	9,699

Appropriate provisioning was made by the Company in relation to the net liabilities of disposal group classified as held for sale.

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

	KD 000's
Operating	**9,984**
Investing	**(483)**
Financing	**-**
Net cash inflow	**9,501**

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

11. EQUITY

a) Share capital

The authorised, issued and fully paid up share capital as at 31 December 2013 consists of 504,033 thousand shares (2012: 504,033 thousand shares) of 100 fils each contributed in cash.

b) Treasury shares

	2013	2012
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)	**5,053**	6,718

c) Statutory reserve

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

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

d) General reserve

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

During the current year, an amount of KD 7,965 thousand has been transferred to general reserve (2012: KD 7,936 thousand).

e) Proposed dividends

The Board of Directors proposed a cash dividend of 125 fils per share for the year ended 31 December 2013 (2012: 125 fils per share). This proposal is subject to the approval of the shareholders in the Annual General Assembly and has not been accounted for in these consolidated financial statements.

The Annual General Assembly of the Company, held on 24 March 2013, approved the consolidated financial statements of the Group for the year ended 31 December 2012 and the payment of cash dividend of 125 fils per share for the year ended 31 December 2012 (2011: cash dividend of 50 fils per share) to the Company's shareholders existing as at 24 March 2013.

12. LONG TERM DEBT

	Current		Non-current	
	2013	2012	**2013**	2012
	KD 000's	KD 000's	**KD 000's**	KD 000's
Due to local banks	**-**	20,000	**18,000**	-
Due to local banks related to subsidiaries	**47,717**	10,124	**70,229**	28,169
Due to foreign banks	**508**	18,170	**8,624**	30,820
	48,225	48,294	**96,853**	58,989

The details of long term debts are as follows:

Description	2013	2012
	KD 000's	KD 000's
a. The loans bear interest rates of Algerian repo rate plus 5% per annum and LIBOR plus 3% per annum (2012: Algerian repo rate plus 1.3% to 3.4% per annum and LIBOR plus 1.25% to 4.15% per annum). The repayment term is made in installments 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.	**64,656**	64,203
b. The loans bear annual interest rates ranging from LIBOR plus 5% to 6.34% per annum (2012: LIBOR plus 5% to 5.85% per annum) and are repayable in semi annual installments commencing 15 January 2011 and ending 15 January 2016. These loans are secured by WPT's assets.	**23,071**	23,080
c. The loan bears annual interest rate of 1% to 2% per annum over the Central Bank of Kuwait discount rate.The outstanding balance as at 31 December 2012 has been fully settled.	**18,000**	20,000
d. The loan bears floating interest rate indexed to the average monthly monetary rate published by the central bank of Tunisia, plus a 1.1% margin. The installments of principal and interest are payable quarterly, the first installment in principal is scheduled for September 2014, the first installment in interest is scheduled for December 31, 2013, the last installment is payable June 30, 2018. The loan arrangements contain financial covenants to be tested on an annual basis, including the Net Debt to EBITDA ratio and the Debt Service Coverage ratio, as defined in the agreements. In addition, the lenders may declare the loans repayable in full upon failure to comply with various positive and negative covenants, change in control, revocation or adverse modification of the GSM license, prolonged suspension of the network operation, and other materially adverse events. Tunisiana's tangible and intangible assets ("fonds de commerce"), inclusive of equipment, intellectual property rights and other unrecognized intangible assets used in the operation of the business, but exclusive of the GSM licence, have been pledged as security for the loan agreements, for an aggregate amount of TND 220 million as at 31 December 2013.	**37,780**	-
e. The loans bear an interest rates of 3 month US$ LIBOR + 3% per annum and an interest rate of over night US$ LIBOR + 5.5% per annum. The loans are repayable within 10 quarterly installments and 30 equal monthly installments respectively with accrued interest. The facility is secured by a fixed deposit.	**1,571**	-
	145,078	107,283

13. TRADE AND OTHER PAYABLES

	2013	2012
	KD 000's	**KD 000's**
Accruals	**272,151**	173,410
Trade payables	**85,931**	72,084
Amounts due to related parties (note 19)	**39,230**	30,200
Other tax payable	**17,687**	16,163
Staff payable	**10,320**	8,664
Dividends payable	**15,139**	3,422
Other payables	**24,034**	46,464
	464,492	350,407

Trade and other payables amounting to KD 32,943 thousand have been reclassified as liabilities held for sale as disclosed in note 10.

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

14. FINANCE COSTS – NET

	2013	2012
	KD 000's	**KD 000's**
		(Re-presented)
Finance income	**2,210**	2,393
Finance costs	**(7,600)**	(7,166)
	(5,390)	(4,773)

Net finance costs amounting to KD 4 thousand (2012: KD 4 thousand) have been reclassified to net profit from discontinued operations (note 10).

15. OTHER EXPENSES - NET

	2013 KD 000's	2012 KD 000's (Re-presented)
Gain on upgrade of network equipment	**9,437**	-
Write off of network equipment	**(9,437)**	-
Dividend income	**62**	75
Exchange gain / (loss)	**2,677**	(2,262)
Other operating expenses	**(8,414)**	(7,085)
Gain / (loss) on sale of available for sale financial assets	**117**	(31)
	(5,558)	(9,303)

Other income amounting to KD 734 thousand (2012: KD 9,517 thousand) has been reclassified to net profit from discontinued operations (note 10).

16. SUBSIDIARIES AND NON-CONTROLLING INTERESTS

Significant subsidiaries of the Company are as follows:

Name of subsidiaries	Country of operation	Voting capital held 2013	Voting capital held 2012
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	**100%**	100%
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%**	75%
Carthage Consortium Ltd	Malta	**100%**	100%
Qtel Tunisia Holding Company Ltd	Malta	**100%**	100%

* Public Telecommunications Company Ltd. has been reclassified as held for sale (note 10).

16. SUBSIDIARIES AND NON-CONTROLLING INTERESTS (CONTINUED)

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

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

16. SUBSIDIARIES AND NON-CONTROLLING INTERESTS (CONTINUED)

31 December 2012	**WTA**	**WPT**	**Tunisiana S.A.**
	KD'000's	**KD'000's**	**KD'000's**
Non-current assets	294,143	64,519	204,969
Current assets	86,840	17,438	98,699
Non-current liabilities	(118,356)	(36,717)	(2,181)
Current liabilities	(140,191)	(13,551)	(94,695)
Net assets	122,436	31,689	206,792
Carrying amount of NCI	35,506	16,336	51,582
Revenue	266,889	23,496	210,942
Profit / (loss)	27,583	(6,656)	46,724
Total comprehensive income / (loss)	27,583	(6,656)	4,166
Profit / (loss) allocated to NCI	7,999	(3,431)	11,559
Cash flows from operating activities	97,629	3,691	90,611
Cash flows used in investing activities	(70,604)	(4,411)	(81,286)
Cash flows (used in) / from financing activities	(19,648)	4,946	(1,553)
Net increase in cash and cash equivalents	7,377	4,226	7,772

17. PROVISION FOR CONTRIBUTION TO KFAS, NLST AND ZAKAT

	2013	**2012**
	KD 000's	**KD 000's**
		(Re-presented)
KFAS	**516**	413
NLST	**1,657**	1,453
Zakat	**664**	546
	2,837	2,412

Provision for Zakat amounting to KD 612 thousand (2012: KD 917 thousand) has been reclassified to net profit from discontinued operations (note 10).

18. BASIC AND DILUTED EARNINGS PER SHARE

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

	2013	2012
Profit for the year attributable to shareholders of the Company (KD 000's)	**76,095**	75,505
Profit for the year attributable to shareholders of the Company – continuing operations (KD 000's)	**75,344**	74,913
Number of shares outstanding		
Weighted average number of paid up shares (000's)	**504,033**	504,033
Weighted average number of treasury shares (000's)	**(2,871)**	(2,871)
Weighted average number of outstanding shares (000's)	**501,162**	501,162
Basic and diluted earnings per share attributable to shareholders of the Company (fils)	**152**	151
Basic and diluted earnings per share attributable to shareholders of the Company – continuing operations (fils)	**150**	149

There are no potential dilutive shares as at 31 December 2013 (2012: nil).

19. RELATED PARTY TRANSACTIONS

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

	As at 31 December	
	2013	2012
	KD 000's	KD 000's
a) Balances included in the consolidated statement of financial position		
Payables to Ooredoo Group L.L.C.	**104**	24
Payable to Ooredoo Q.S.C.	**39,126**	30,176
Amounts due to related parties (note 13)	**39,230**	30,200

19. RELATED PARTY TRANSACTIONS (CONTINUED)

	Year ended 31 December	
	2013	**2012**
	KD 000's	**KD 000's**
b) Transactions included in the consolidated statement of income		
Management fees due to Ooredoo Group L.L.C.	**14,921**	14,859
Other expenses paid to Ooredoo Q.S.C.	**323**	190
Other expenses paid to Ooredoo Group L.L.C.	**2,086**	1,527
c) Compensation of key management personnel:		
Short term benefits	**1,368**	1,428
Termination benefits	**709**	522
	2,077	1,950

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

20. OPERATING SEGMENTS

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

The accounting policies of the reportable segments are the same as the Group's accounting 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.

20. SEGMENTAL INFORMATION (CONTINUED)

		Outside Kuwait				
31 December 2013	Inside Kuwait	Tunisia	Algeria	Others	Un-allocated	Total
	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's
Segment revenues	194,926	195,203	302,738	38,250	-	731,117
Segment results	14,792	37,358	57,171	23,219	(34,694)	97,846
Profit / (loss) from continuing operations	14,792	37,358	57,171	22,468	(34,694)	97,095
Segment assets	290,779	256,937	541,801	153,762	358,803	1,602,082
Investments and other assets	8,606	1,652	-	-	-	10,258
Assets of disposal group classified as held for sale	-	-	-	29,070	-	29,070
Total assets	299,385	258,589	541,801	182,832	358,803	1,641,410
Segment liabilities	168,728	109,532	196,033	45,492	-	519,785
Debt and other obligations	22,099	37,780	64,656	25,870	-	150,405
Liabilities of disposal group classified as held for sale	-	-	-	38,769	-	38,769
Total liabilities	190,827	147,312	260,689	110,131	-	708,959
Other information						
Impairment loss	(6)	(132)	-	-	-	(138)
Purchases of property and equipment	102,402	36,502	136,997	6,960	-	282,861
Purchases of intangible assets	660	3,072	24,217	1,492	-	29,441
Depreciation of property and equipment	25,282	24,339	39,937	7,450	-	97,008
Amortisation of intangible assets	201	11,519	12,710	10,496	4,279	39,205
Provision for staff indemnity	1,324	-	-	622	-	1,946

20. SEGMENTAL INFORMATION (CONTINUED)

31 December 2012 (re-presented)	Inside Kuwait	Outside Kuwait Tunisia	Outside Kuwait Algeria	Outside Kuwait Others	Un-allocated	Total
	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's
Segment revenues	220,824	201,941	266,889	34,699	-	724,353
Segment results	46,357	46,724	27,583	(8,375)	(22,471)	89,818
Profit / (loss) from continuing operations	46,357	46,724	27,583	(27,042)	(4,387)	89,235
Segment assets	206,847	301,274	380,983	146,641	430,615	1,466,360
Investments and other assets	9,223	2,394	-	-	-	11,617
Total assets	216,070	303,668	380,983	146,641	430,615	1,477,977
Segment liabilities	115,217	96,876	97,405	96,830	-	406,328
Debt and other obligations	23,457	-	64,203	24,827	-	112,487
Total liabilities	138,674	96,876	161,608	121,657	-	518,815
Other information						
Impairment loss on available for sale financial assets and intangibles	(209)	-	-	(18,075)	-	(18,284)
Purchases of property and equipment	22,383	45,222	63,560	7,618	-	138,783
Purchases of intangible assets	367	40,832	7,479	1,156	-	49,834
Depreciation of property and equipment	25,575	23,102	36,247	7,329	-	92,253
Amortisation of intangible assets	200	10,196	12,233	3,587	4,396	30,612
Provision for staff indemnity	1,304	-	-	546	-	1,850

21. COMMITMENTS AND CONTINGENT LIABILITIES

	2013	2012
	KD 000's	KD 000's
a) Capital commitments		
For the acquisition of property and equipment	**87,164**	109,563
For the acquisition of Palestinian mobile license	**45,052**	44,895
	132,216	154,458

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:

	2013	2012
	KD 000's	KD 000's
Not later than one year	**9,066**	7,213
Later than one year but not later than five years	**31,646**	24,285
	40,712	31,498
c) Contingent liabilities		
Letters of guarantee	**4,224**	4,366

The Ministry of Communications initiated unjust enrichment proceedings against Wataniya under Article 262 of the Kuwaiti Civil Code, claiming unlawful use of the Ministry's network infrastructure since 1999. On 18 February 2014, the Kuwaiti Court of Appeal ruled in favour of the Ministry of Communication (the "MOC") in its case against Wataniya Telecom. The decision was based on the claimed right of the Ministry to charge fees according to Kuwaiti Law for mobile services provided via the Company's mobile network. The judgment was for an amount of 36.693 million KD in favor of the MOC. Management is in the process of challenging the judgement of the Court of Appeal before the Court of Cassation. Management believes that Wataniya has strong grounds to challenge these allegations.

22. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Strategy in using financial instruments

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

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

Market risk

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

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

i) Foreign currency exchange risk

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

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

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

	2013	**2012**
	KD 000's Equivalent	**KD 000's Equivalent**
US Dollar	**(15,368)**	9,268
Euro	**-**	(18,951)
Tunisian Dinar	**513,967**	637,408
Algerian Dinar	**279,695**	283,578
Saudi Riyal	**-**	8,546

22. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)
Market risk (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 the other currencies (as a result of a change in the foreign currency) at the year end due to the assumed change in market rates, with all other 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' remuneration / equity.

	2013		**2012**	
	Effect on profit	**Effect on equity**	**Effect on profit**	**Effect on equity**
	KD 000's	**KD 000's**	**KD 000's**	**KD 000's**
US Dollar	**5,846**	**1,367**	1,019	927
Euro	**-**	**-**	2,085	1,895
Tunisian Dinar	**56,536**	**51,397**	70,115	63,741
Algerian Dinar	**30,766**	**27,970**	31,194	28,358
Saudi Riyal	**-**	**-**	940	855

ii) Interest rate risk management

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

The Group's interest rate risk arises from term borrowings which are detailed in note 12. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates which is detailed in note 9.

The following table illustrates the sensitivity of the profit as well as equity to a reasonably possible change in interest rates of 1% (2012: 1%) with effect from the beginning of the year. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on the Group's financial instruments held at each reporting date. A positive number below indicates an increase in profit / equity and a negative number indicates a decrease in profit/equity.

22. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Market risk (Continued)

		2013		2012	
	Increase	Effect on profit	Effect on equity	Effect on profit	Effect on equity
		KD 000's	KD 000's	KD 000's	KD 000's
KD	+1	**(159)**	**(159)**	(44)	(44)
US Dollar	+1	**(118)**	**(118)**	(496)	(496)
Euro	+1	**-**	**-**	(147)	(147)
Tunisian Dinar	+1	**113**	**113**	208	208
Algerian Dinar	+1	**(374)**	**(374)**	2	2

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

iii) Equity price risk

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

Market index	% change in equity price	2013 Effect on equity	2012 Effect on equity
		KD 000's	KD 000's
Kuwait stock exchange	±15	**±112**	±541

22. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Credit risk management

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

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

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

i) Exposure to credit risk

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

	Carrying amount	
	2013	**2012**
	KD 000's	**KD 000's**
Bank balances	**140,159**	149,882
Trade and other receivables	**100,170**	107,917
	240,329	257,799

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

	Carrying amount	
	2013	**2012**
	KD 000's	**KD 000's**
Kuwait	**97,189**	81,712
Tunisia	**56,579**	89,751
Algeria	**50,863**	45,411
Maldives	**8,621**	6,268
Saudi Arabia	**-**	11,508
Palestine	**27,077**	23,149
	240,329	257,799

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

	2013	**2012**
Sector	**KD 000's**	**KD 000's**
Banks and other financial institutions	**140,159**	149,882
Others	**100,170**	107,917
Total	**240,329**	257,799

22. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Credit risk management (Continued)

Credit quality of financial assets

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

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

The Group has 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 2013, trade and billing receivables of KD 77,067 thousand (2012: KD 85,586 thousand) were fully performing.

Included in the Group's trade and billing receivables balances are debtors with a carrying amount of KD 38,763 thousand (2012: KD 35,101 thousand) which are past due at the reporting date for which the Group has not provided for as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

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

	Rated	Unrated		
31 December 2013	**A2 KD 000's**	**High grade KD 000's**	**Standard grade KD 000's**	**Total KD 000's**
Bank balances	**130,608**	**9,551**	**-**	**140,159**
Trade and other receivables	**-**	**32,663**	**5,641**	**38,304**
Total	**130,608**	**42,214**	**5,641**	**178,463**
31 December 2012				
Bank balances	139,286	10,596	-	149,882
Trade and other receivables	-	37,426	13,059	50,485
Total	139,286	48,022	13,059	200,367

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

22. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

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 is 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 30,903 thousand (2012: KD 43,012 thousand) and other liquid assets of KD 307,282 thousand (2012: KD 268,662 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.

22. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

Liquidity risk management (Continued)

At 31 December 2013	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total	Weighted average effective interest rate
	KD 000's	KD 000's	KD 000's	KD 000's	KD 000's	%
Financial liabilities						
Trade and other payables	**51,903**	**76,225**	**37,078**	**-**	**165,206**	
Long term debt	**66,225**	**39,185**	**26,273**	**13,395**	**145,078**	**14%**
Other non-current liabilities	**-**	**2,702**	**15,335**	**-**	**18,037**	
	118,128	**118,112**	**78,686**	**13,395**	**328,321**	
Commitments and contingencies						
Acquisition of property and equipment	**32,171**	**42,145**	**12,848**	**-**	**87,164**	
Acquisition of Palestinian mobile license	**-**	**-**	**-**	**45,052**	**45,052**	
Operating leases	**9,066**	**7,533**	**24,113**	**-**	**40,712**	
Letters of guarantee	**3,751**	**473**	**-**	**-**	**4,224**	
	44,988	**50,151**	**36,961**	**45,052**	**177,152**	
2012						
Financial liabilities						
Trade and other payables	385,447	-	-	-	385,447	
Long term debt	49,567	47,174	21,526	-	118,267	10.2%
Other non-current liabilities	-	2,477	18,404	-	20,881	
	435,014	49,651	39,930	-	524,595	
Commitments and contingencies						
Acquisition of property and equipment	37,258	55,412	16,893	-	109,563	
Acquisition of Palestinian mobile license	-	-	-	44,895	44,895	
Operating leases	7,213	5,828	18,457	-	31,498	
Letters of guarantee	3,954	385	27	-	4,366	
	48,425	61,625	35,377	44,895	190,322	

23. OPERATIONAL RISK

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

24. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

Fair value measurements recognised in the consolidated statement of financial position

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

- 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).

	2013		
	Level 1	**Level 2**	**Total**
	KD 000's	**KD 000's**	**KD 000's**
Available for sale financial assets			
Listed equity securities	**1,001**	**-**	**1,001**
Unlisted equity securities	**-**	**4,033**	**4,033**
	1,001	**4,033**	**5,034**

	2012		
	Level 1	**Level 2**	**Total**
	KD 000's	**KD 000's**	**KD 000's**
Available for sale financial assets			
Listed equity securities	2,144	-	2,144
Unlisted equity securities	-	2,884	2,884
	2,144	2,884	5,028

24. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

There were no transfers between levels during the years ended 31 December 2013 and 31 December 2012.

Valuation techniques and assumptions for the purpose of measuring fair value

a) Listed securities

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

b) Unlisted securities

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

There are no transfers out of level 3 during the years ended 31 December 2013 and 31 December 2012.

BOARD OF DIRECTORS

Sheikh Abdulla Bin Mohammad Bin Saud Al Thani
Chairman

Mr. Ali Shareef Al Emadi
Vice Chairman

Dr. Nasser Mohammad Marafih
Board Member

Mr. Fahad Othman Al Saeed
Board Member

Sheikh Mohammad Bin Abdulla Al AbdulRahman Al Thani
Board Member

Mr. Youssef Mohammad Al-Sumait
Board Member

Mr. Bader Nasser Al-Humaidi
Board Member

EXECUTIVE MANAGEMENT

Eng. Abdul Aziz Fakhroo
General Manager and Chief Executive Officer

Peter Kaliaropoulos
Chief Operating Officer

Peter Kuncewicz
Chief Finance Officer

Saleh Al-Houti
Chief Regulatory Officer &
Chief Human Resources & Admin Services Officer (Acting)

Hisham Siblini
Chief Technology Officer

Dr. Yousuf Al-Sellili
Head of Legal

Fouad Al-Awadhi
Chief Internal Audit Officer

Michael Beck-Hansen
Chief Marketing Officer

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