

**Mobile Telecommunications Company KSC and subsidiaries
Kuwait**

**Interim Condensed Consolidated Financial Statements (Unaudited)
30 June 2006**

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Mobile Telecommunications Company K.S.C.
Kuwait

INDEPENDENT AUDITORS' REVIEW REPORT TO THE BOARD OF DIRECTORS

We have reviewed the accompanying interim condensed consolidated balance sheet of Mobile Telecommunications Company K.S.C. (the Parent Company) and its subsidiaries (together called "the Group") as of 30 June 2006 and the related interim condensed consolidated statements of income and cash flows and changes in equity for the six months period then ended. These interim condensed consolidated financial statements are the responsibility of the Parent Company's management. Our responsibility is to issue a report on these interim condensed consolidated financial statements based on our review.

We conducted our review in accordance with the International Standard on Review Engagements 2400. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the interim condensed consolidated financial statements are free of material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not presented fairly, in all material respects, in accordance with International Accounting Standard - 34. Furthermore, the interim condensed consolidated financial statements are in agreement with the Parent Company's books and to the best of our knowledge and belief, there were no contraventions during the period of either the Commercial Companies Law of 1960, as amended, or of the Articles of Association, which might have had a material effect on the business of the Group or on its consolidated financial position.



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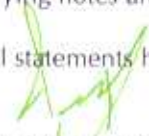
Kuwait
18 July 2006

Interim Condensed Consolidated Balance Sheet as at 30 June 2006 (Unaudited)

	Note	Unaudited 30 June 2006	Audited 31 December 2005	Unaudited 30 June 2005 KD '000
Assets				
Current assets				
Cash and bank balances	5	152,542	91,788	46,480
Short-term deposits		104,097	201,091	24,493
Trade and other receivables		268,933	80,021	86,128
Inventories		11,095	7,025	6,545
Investments – at fair value through profit or loss		18,173	14,566	18,756
		<u>554,840</u>	<u>394,491</u>	<u>182,402</u>
Non current assets				
Deferred tax assets		32,028	6,723	8,508
Investments – available-for-sale		136,304	147,111	116,016
Investment in associates	6	7,024	45,458	53,795
Property and equipment		676,940	426,884	354,041
Projects in progress		227,783	72,969	59,439
Intangible assets	7	1,489,824	942,752	804,001
Other financial assets		6,186	14,908	-
		<u>2,576,089</u>	<u>1,656,805</u>	<u>1,395,800</u>
Total Assets		<u>3,130,929</u>	<u>2,051,296</u>	<u>1,578,202</u>
Liabilities and Equity				
Current liabilities				
Trade and other payables	8	366,128	240,956	209,951
Due to banks		250,079	248,417	739,149
		<u>616,207</u>	<u>489,373</u>	<u>949,100</u>
Non current liabilities				
Due to banks	9	1,042,654	190,342	162,063
Deferred tax liabilities		8,995	5,879	-
Other non current liabilities		14,153	21,016	16,158
Due to minority interest holders		132,770	131,154	-
		<u>1,198,572</u>	<u>348,391</u>	<u>178,221</u>
Equity				
Attributable to the Parent Company's shareholders				
Share capital	10	126,182	109,723	55,422
Treasury shares	11	(15,576)	(15,576)	(4,028)
Share premium		624,465	624,465	-
Legal reserve		54,862	54,862	49,330
Voluntary reserve		54,862	54,862	44,733
Foreign currency translation reserve		(8,212)	2,352	(1,137)
Investment fair valuation reserve		42,285	55,540	46,161
Retained earnings		334,847	303,521	223,205
		<u>1,213,715</u>	<u>1,189,749</u>	<u>413,686</u>
Minority interest		<u>102,435</u>	<u>23,783</u>	<u>37,195</u>
Total equity		<u>1,316,150</u>	<u>1,213,532</u>	<u>450,881</u>
Total Liabilities and Equity		<u>3,130,929</u>	<u>2,051,296</u>	<u>1,578,202</u>

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

These financial statements have been approved for issue by the Board of Directors on 18 July 2006.


Asa'ad Ahmed Al-Banwan
Chairman


Dr. Saad Hammad Al-Barrak
Managing Director and Deputy Chairman

Mobile Telecommunications Company KSC and subsidiaries
Kuwait

Interim Condensed Consolidated Statement of Income – six months ended 30 June 2006 (Unaudited)

	Note	Three months ended 30 June		Six months ended 30 June	
		2006	2005 KD'000	2006	2005 KD'000
Revenue		281,698	136,620	501,315	226,725
Cost of sales		(42,891)	(18,603)	(76,012)	(31,715)
Gross profit		238,807	118,017	425,303	195,010
Distribution, marketing & operating expenses		(73,454)	(38,173)	(132,296)	(61,635)
General and administrative expenses		(22,232)	(15,543)	(47,853)	(22,608)
Depreciation and amortization		(32,801)	(14,909)	(56,768)	(24,226)
Provision for doubtful debts		(403)	(2,839)	(1,378)	(3,615)
Operating profit		109,917	46,553	187,008	82,926
Interest income		3,064	609	5,896	2,051
Investment income	12	1,902	3,397	1,593	9,959
Share of profit of an associate		236	6,985	4,953	7,593
Profit/(Loss) on sale of shares in subsidiaries		1	10,918	(287)	10,918
Other income		2,999	859	3,274	1,608
Finance cost		(22,652)	(10,834)	(33,362)	(12,045)
Gain on currency revaluation		1,192	1,739	746	3,048
Board of Directors' remuneration		(7)	(7)	(14)	(14)
Contribution to Kuwait Foundation for Advancement of Sciences		(827)	(501)	(1,423)	(923)
National Labour Support Tax		(832)	(673)	(1,558)	(1,475)
Profit for the period before income tax		94,993	59,045	166,826	103,646
Income tax expense		(10,338)	(5,965)	(21,134)	(9,550)
Profit for the period		84,655	53,080	145,692	94,096
Attributable to:					
Shareholders of the Parent Company		81,006	48,884	139,311	89,944
Minority interest		3,649	4,196	6,381	4,152
		<u>84,655</u>	<u>53,080</u>	<u>145,692</u>	<u>94,096</u>
Earnings per share-Fils	13	65	50	113	92

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

Mobile Telecommunications Company KSC and subsidiaries
Kuwait

Interim Condensed Consolidated Statement of Changes in Equity – six months ended 30 June 2006 (Unaudited)

	Equity attributable to the Parent Company's Shareholders							Minority interest	Total equity	
	Share capital	Share premium	Treasury shares	Legal reserve	Voluntary reserve	Foreign currency translation reserve	Investment fair valuation reserve			Retained earnings
									KD '000	
Balance at 1 January 2006	109,723	624,465	(15,576)	54,862	54,862	2,352	55,540	303,521	23,783	1,213,532
Net exchange differences	-	-	-	-	-	(10,564)	-	-	(1,562)	(12,126)
Changes in fair value of available-for-sale investments	-	-	-	-	-	-	(13,255)	-	-	(13,255)
Net income / (expense) recognised directly in equity	-	-	-	-	-	(10,564)	(13,255)	-	(1,562)	(25,381)
Profit for the period	-	-	-	-	-	-	-	139,311	6,381	145,692
Total recognised income for the period	-	-	-	-	-	(10,564)	(13,255)	139,311	4,819	120,311
Sale of shares to minority interest	-	-	-	-	-	-	-	-	1,234	1,234
Business combinations	-	-	-	-	-	-	-	-	74,999	74,999
Issue of bonus shares (2005)	16,459	-	-	-	-	-	-	(16,459)	-	-
Cash dividends (2005)	-	-	-	-	-	-	-	(91,526)	(2,400)	(93,926)
Balance at 30 June 2006	126,182	624,465	(15,576)	54,862	54,862	(8,212)	42,285	334,847	102,435	1,316,150
Balance at 1 January 2005	51,796	-	(4,028)	49,330	44,733	(702)	30,080	218,157	2,006	391,372
Net exchange differences	-	-	-	-	-	(435)	-	-	(12)	(447)
Realised gain on available-for-sale investments	-	-	-	-	-	-	(396)	(72)	-	(468)
Changes in fair value of available-for-sale investments	-	-	-	-	-	-	16,477	-	-	16,477
Net income / (expense) recognised directly in equity	-	-	-	-	-	(435)	16,081	(72)	(12)	15,562
Profit for the period	-	-	-	-	-	-	-	89,944	4,152	94,096
Total recognised income for the period	-	-	-	-	-	(435)	16,081	89,872	4,140	109,658
Issue of share capital	-	-	-	-	-	-	-	-	736	736
Business combinations	-	-	-	-	-	-	-	-	31,076	31,076
Issue of bonus shares (2004)	3,626	-	-	-	-	-	-	(3,626)	-	-
Cash dividends (2004)	-	-	-	-	-	-	-	(81,198)	(763)	(81,961)
Balance at 30 June 2005	55,422	-	(4,028)	49,330	44,733	(1,137)	46,161	223,205	37,195	450,881

The General Assembly meeting held on 29 March 2006 approved distribution of cash dividends of 85 fils per share and bonus shares in the ratio of 15 shares for every 100 shares.

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

**Mobile Telecommunications Company KSC and subsidiaries
Kuwait**

Interim Condensed Consolidated Statement of Cash Flows – six months ended 30 June 2006 (Unaudited)

	Six months ended 30 June	
	2006	2005
	KD'000	
Cash flows from operating activities		
Profit for the period before income tax	166,826	103,646
Adjustments for:		
Depreciation and amortization	56,768	24,226
Interest income	(5,896)	(2,051)
Investment income	(1,593)	(9,959)
Share of profit of an associate	(4,953)	(7,593)
Loss/(profit) on disposal of property and equipment	1,215	(10,745)
Finance cost	33,362	12,045
Gain from currency revaluation	(746)	(3,048)
Operating profit before working capital changes	244,983	106,521
(Increase)/decrease in trade and other receivables	(124,313)	490
Increase in inventories	(1,667)	(404)
(Decrease)/increase in trade and other payables	(5,699)	709,591
Cash generated from operations	113,304	816,198
Board of Directors' remuneration paid	(28)	(28)
Paid to Kuwait Foundation for Advancement of Sciences	(1,851)	(1,239)
National Labour Support Tax paid	(2,877)	-
Income tax expense paid	(24,783)	(10,770)
<i>Net cash from operating activities</i>	<u>83,765</u>	<u>804,161</u>
Cash flows from investing activities		
Purchase of investments	(7,524)	(12,952)
Acquisition of subsidiaries (Note 17)	(526,858)	(794,251)
Proceeds from sale of investments	617	46,627
Acquisition of property and equipment (net)	(114,151)	(22,195)
Acquisition of intangible assets	(39,721)	(13,199)
Interest received	3,905	2,051
<i>Net cash used in investing activities</i>	<u>(683,732)</u>	<u>(793,919)</u>
Cash flows from financing activities		
Borrowings from banks	663,484	2,497
Dividends paid to Parent Company's shareholders	(89,894)	(80,540)
Capital Contribution of minority share holders of the Bahraini subsidiary	-	736
Dividends paid to minority shareholders of subsidiaries	(2,400)	(768)
Finance cost	(15,268)	(12,127)
<i>Net cash from/(used) in financing activities</i>	<u>555,922</u>	<u>(90,202)</u>
Net decrease in cash and cash equivalents	(44,045)	(79,960)
Effect of foreign currency translation	7,805	(409)
Cash and cash equivalents at beginning of period	292,879	151,342
Cash and cash equivalents at end of period (Note 5)	<u>256,639</u>	<u>70,973</u>

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

1. Incorporation and activities

Mobile Telecommunications Company KSC (the Parent Company) is a Kuwaiti shareholding company incorporated in 1983 in accordance with the Law of Commercial Companies of 1960. Its shares are traded on the Kuwait Stock Exchange. The registered office of the Parent Company is at P.O Box 22244, 13083 Safat, State of Kuwait.

The Parent Company and its subsidiaries (the Group) along with associates provide mobile telecommunication services in Kuwait and 19 other countries (31 December 2005 – Kuwait and 18 other countries; 30 June 2005 – Kuwait and 17 countries) under licenses from the Governments of the countries in which they operate; purchase, deliver, install, manage and maintain mobile telephone and paging systems; and invest surplus funds in investment securities.

2. Basis of preparation

These interim condensed consolidated financial statements are prepared in accordance with IAS 34: Interim Financial Reporting. The accounting policies used in the preparation of the interim condensed consolidated financial statements are consistent with those used in the annual consolidated financial statements for the year ended 31 December 2005.

These interim condensed consolidated financial statements do not contain all of the information and notes required for complete financial statements prepared in accordance with International Financial Reporting Standards. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Results for the interim period are not necessarily indicative of the results that may be expected for the year ending 31 December 2006. For further information, refer to the consolidated financial statements and notes thereto included in the Group's annual report for the year ended 31 December 2005.

3. Business combination

On 6 February 2006 the Group obtained control of Sudanese Mobile Telephone Company Limited, Sudan (Mobitel) by acquiring an additional 61% of its ordinary shares taking its effective ownership to 100% for a purchase consideration of US\$ 1,332,000,000 (approximately KD 389,477,000).

On 31 May 2006 the Group obtained control of Vee Networks Limited, Nigeria (Vmobile) by acquiring 65% of its ordinary shares for a purchase consideration of US\$ 1,005,252,000 (approximately KD 293,031,000) from the shareholders of Vmobile (the vendors).

The vendors were obliged under the pre-emption right provision of a shareholders agreement to first offer the shares to each other and then to a third party. The third party was offered to use its pre-emptive rights under the above provisions, but it lapsed since they were unable to provide the finance within the 30 days deadline as specified in the shareholders agreement. The third party has filed a suit in Nigerian Courts to uphold its pre-emption status but the Group management believes that it has a meritorious defence.

Details of these transactions are disclosed in Note 17.

4. Subsidiaries and associates

The initial accounting of the business acquisitions of Madacom S.A., Madagascar in 2005 and Mobitel, Sudan and Vee Networks Limited, Nigeria in 2006 were carried out using the provisional values of the identifiable assets, liabilities and contingent liabilities. Provisional values on the date of acquisition were assigned due to the time and effort required to gather information on fair values which will be determined within the first anniversary of the acquisition.

Notes to the Interim Condensed Consolidated Financial Statements - 30 June 2006 (Unaudited)

The telecom license of Atheer Telecom Limited, Iraq (Atheer) is valid until 30 September 2006 and may be renewed for a further period of three months. Atheer plans to bid for the new licence but at present there is no certainty regarding the outcome of the bid. Furthermore, Atheer's working capital is in deficit. The financial statements of Atheer has been included in these financial statements on a going concern basis as it expects to retain the licence due to its service capabilities and the commitment of its shareholders to providing financial support.

5. Cash and bank balances

Cash and bank balances include the following cash and cash equivalents:

	<u>Unaudited</u> <u>30 June</u> <u>2006</u>	<u>Audited</u> <u>31 December</u> <u>2005</u>	<u>Unaudited</u> <u>30 June</u> <u>2005</u> <u>KD '000</u>
Cash on hand and at banks	152,542	91,788	46,480
Short-term deposits maturing within three months	104,097	201,091	24,493
Cash and cash equivalents	<u>256,639</u>	<u>292,879</u>	<u>70,973</u>

6. Investments in associates

This represents the Group's share of investments in associates accounted for using the equity method.

	<u>Unaudited</u> <u>30 June</u> <u>2006</u>	<u>Audited</u> <u>31 December</u> <u>2005</u>	<u>Unaudited</u> <u>30 June</u> <u>2005</u> <u>KD '000</u>
Balance at the beginning of the period	45,458	5,362	5,362
On acquisition of subsidiaries	-	39,586	39,586
Capital contribution during the period	450	-	-
Share of profit for the year	4,953	25,300	7,593
On transfer of ownership – Celtel Tanzania	-	(4,524)	-
Transferred (to)/from goodwill	(515)	(14,255)	804
Transferred (to)/from investments – available for sale	-	(9,726)	450
Foreign currency translation adjustment	(379)	3,715	-
Dividend received	(22,438)	-	-
Elimination – Mobitel, Sudan (Note 3)	(20,505)	-	-
Balance at the end of the period	<u>7,024</u>	<u>45,458</u>	<u>53,795</u>

**Mobile Telecommunications Company KSC and subsidiaries
Kuwait**

Notes to the Interim Condensed Consolidated Financial Statements - 30 June 2006 (Unaudited)

7. Intangible assets

	Goodwill	Licence fees	Brands	Others	Total
	KD'000				
Cost					
As at 31 December 2005	924,790	30,422	17,544	2,411	975,167
Additions	484,941	34,122	-	137	519,200
Of subsidiaries acquired	-	71,303	-	-	71,303
Transferred from investment in associate relating to Mobitel, Sudan	515	-	-	-	515
Disposals/adjustments	(4,575)	(2,881)	-	(356)	(7,812)
Exchange adjustments	(12,142)	(279)	(168)	(24)	(12,613)
As at 30 June 2006	<u>1,393,529</u>	<u>132,687</u>	<u>17,376</u>	<u>2,168</u>	<u>1,545,760</u>
Accumulated amortization					
As at 31 December 2005	17,953	13,021	-	1,441	32,415
Of subsidiaries acquired	-	24,158	-	-	24,158
Charge for the period	-	1,865	-	175	2,040
On disposals/adjustments	-	(2,209)	-	(307)	(2,516)
Exchange adjustments	(58)	(88)	-	(15)	(161)
As at 30 June 2006	<u>17,895</u>	<u>36,747</u>	<u>-</u>	<u>1,294</u>	<u>55,936</u>
Net book value					
As at 30 June 2006	<u>1,375,634</u>	<u>95,940</u>	<u>17,376</u>	<u>874</u>	<u>1,489,824</u>
As at 31 December 2005	<u>906,837</u>	<u>17,401</u>	<u>17,544</u>	<u>970</u>	<u>942,752</u>
As at 30 June 2005	<u>784,294</u>	<u>19,015</u>	<u>-</u>	<u>692</u>	<u>804,001</u>

Goodwill represents the excess of cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of acquired subsidiaries.

During the period, the main additions to goodwill arose from the business acquisitions of Mobitel, Sudan and Vmobile, Nigeria (refer Note 3).

8. Trade and other payables

This includes dividend of KD 5,853,000 (31 December 2005 – KD 4,288,000; 30 June 2005 – KD 6,363,000) payable to the shareholders of the Parent Company.

9. Due to banks

On 1 June 2006, Mobile Telecommunications Company International B.V. – MTCI, the wholly owned Dutch subsidiary of the Parent company signed a US\$ 4 billion (equivalent KD 1.16 billion) revolving credit facility agreement with a consortium of foreign banks. This facility is secured by a joint guarantee given by the Parent company and its Jordanian subsidiary, Jordan Mobile Telephone Services Company P.S.C. As of 30 June 2006 MTCI utilised an amount of US\$ 2.42 billion (equivalent KD 701 million) from the total credit facility. The loan is repayable on expiry of five years from the date of drawdown. The effective rate of interest on this facility as of 30 June 2006 was 5.98% per annum. Financial covenants stipulate the following:

- Consolidated total net borrowings not to exceed 4 times Annualised Consolidated EBITDA (Earnings before interest, tax, depreciation and amortization); and
- Annualised Consolidated EBITDA to Annualised Consolidated net interest payable to be not less than 3:1.

Notes to the Interim Condensed Consolidated Financial Statements - 30 June 2006 (Unaudited)

10. Share Capital

The authorised, issued and fully paid up share capital as of 30 June 2006 consists of 1,261,819,591 shares of 100 fils each after the bonus share issue during the period. (31 December 2005 – 1,097,234,427 shares of 100 fils each; 30 June 2005 - 554,220,967 shares of 100 fils each)

11. Treasury shares

These shares were acquired based on the authorization granted to the Board of Directors by the shareholders and in accordance with Ministerial Decrees No. 10 of 1987 and No. 11 of 1988. These shares are carried at cost. Reserves equivalent to the cost of treasury shares held are not distributable.

	<u>Unaudited</u> <u>30 June</u> <u>2006</u>	<u>Audited</u> <u>31 December</u> <u>2005</u>	<u>Unaudited</u> <u>30 June</u> <u>2005</u>
Number of shares	23,512,779	20,445,895	11,207,507
Percentage of issued shares	1.86%	1.86%	2.02%
Market value (KD '000)	67,247	71,969	51,555
Cost (KD '000)	15,576	15,576	4,028

12. Investment income

	<u>Three months ended</u> <u>30 June</u> <u>(Unaudited)</u>		<u>Six months ended</u> <u>30 June</u> <u>(Unaudited)</u>	
	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>
	<u>KD'000</u>		<u>KD'000</u>	
Gain/(loss) from investments 'at fair value through profit or loss'	169	1,760	(1,997)	5,081
Realised gains from investments 'available-for-sale'	228	356	393	2,536
Dividend income	1,505	1,281	3,197	2,342
	<u>1,902</u>	<u>3,397</u>	<u>1,593</u>	<u>9,959</u>

**Mobile Telecommunications Company KSC and subsidiaries
Kuwait**

Notes to the Interim Condensed Consolidated Financial Statements - 30 June 2006 (Unaudited)

13. Earnings per share

Basic earnings per share based on the weighted average number of shares outstanding during the period is as follows:

	Three months ended 30 June (Unaudited)		Six months ended 30 June (Unaudited)	
	2006	2005	2006	2005
	KD'000		KD'000	
Net profit for the period attributable to shareholders	81,006	48,884	139,311	89,944
	Shares	Shares	Shares	Shares
Company's issued and paid-up shares	1,261,819,591	995,440,698	1,261,819,591	995,440,698
Less : Weighted average number of treasury shares	(23,512,779)	(19,868,521)	(23,512,779)	(19,868,521)
	<u>1,238,306,812</u>	<u>975,572,177</u>	<u>1,238,306,812</u>	<u>975,572,177</u>
	Fils	Fils	Fils	Fils
Earnings per share	<u>65</u>	<u>50</u>	<u>113</u>	<u>92</u>

Earnings per share from operations reported for the three months and six months ended 30 June 2005 was 90 Fils and 166 Fils before retroactive adjustment relating to bonus shares and rights issue.

14. Segmental information

The Parent Company and its subsidiaries operate in a single business segment, telecommunications and related services. Apart from its main operations in Kuwait, the Parent Company also operates through its foreign subsidiaries in Jordan, Bahrain, Lebanon, Sudan and Sub-Saharan Africa. This forms the basis of the geographical segments.

	30 June 2006 (Unaudited)						
	Kuwait	Jordan	Bahrain	Lebanon	Sudan	Sub-Saharan Africa	Total KD '000
Segment revenues	<u>114,373</u>	<u>69,032</u>	<u>14,443</u>	<u>8,488</u>	<u>81,736</u>	<u>213,243</u>	<u>501,315</u>
Net profit	<u>62,729</u>	<u>18,446</u>	<u>1,711</u>	<u>1,658</u>	<u>45,279</u>	<u>9,488</u>	<u>139,311</u>
Segment assets	1,419,163	170,184	36,359	6,006	142,259	2,386,815	4,160,786
Elimination adjustment							(1,029,857)
Consolidated assets							<u>3,130,929</u>
Segment liabilities	205,449	84,470	25,745	2,643	41,564	2,316,222	2,676,093
Elimination adjustment							(861,314)
Consolidated liabilities							<u>1,814,779</u>
Net assets							<u>1,316,150</u>
Capital expenditure incurred during the period	<u>14,547</u>	<u>40,016</u>	<u>1,883</u>	<u>50</u>	<u>13,303</u>	<u>641,398</u>	<u>711,197</u>
Depreciation and amortisation	<u>10,568</u>	<u>9,732</u>	<u>1,918</u>	<u>3</u>	<u>6,554</u>	<u>27,993</u>	<u>56,768</u>

Mobile Telecommunications Company KSC and subsidiaries
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Notes to the Interim Condensed Consolidated Financial Statements - 30 June 2006 (Unaudited)

	30 June 2005 (Unaudited)						Total KD '000
	Kuwait	Jordan	Bahrain	Lebanon	Sudan	Sub-Saharan Africa	
Segment revenues	103,191	64,846	8,478	7,952	-	42,258	226,725
Net profit	56,406	20,043	(523)	1,441	-	12,577	89,944
Segment assets	596,917	109,610	34,447	6,097	-	1039,511	1,786,582
Elimination adjustment							(208,380)
Consolidated assets							1,578,202
Segment liabilities	183,232	53,139	34,142	3,435	-	991,821	1,265,769
Elimination adjustment							(138,448)
Consolidated liabilities							1,127,321
Net assets							450,881
Capital expenditure incurred during the period	14,317	14,098	1,106	7	-	748,339	777,867
Depreciation and amortisation	9,481	7,640	1,752	-	-	5,353	24,226

15. Related party transactions

The Group has entered into transactions with related parties on terms approved by management.

Transactions with related parties are:

	Unaudited 30 June 2006	Unaudited 30 June 2005
	KD '000	
Revenue	8,544	-
Distribution, marketing and operating expenses	4,096	-
Management fee (included in other income)	2,165	700

Balances outstanding with related parties are:

	Unaudited 30 June 2006	Audited 31 December 2005	Unaudited 30 June 2005
	KD '000		
Trade and other receivables	627	2,232	508
Trade and other payables	480	469	90

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16. Commitments and contingencies

	Unaudited 30 June 2006	Audited 31 December 2005	Unaudited 30 June 2005
	KD '000		
Capital expenditure	260,520	72,008	44,904
Uncalled share capital of investee companies	926	2,057	2,378
Letters of credit	7,634	8,779	11,940
Letters of guarantee	263,757	274,429	88,521

The Jordan operating subsidiary - Jordan Mobile Telecommunications Services Company JSC, is a defendant in lawsuits and arbitration proceedings amounting to approximately KD 940,000 (31 December 2005 : KD 9,907,000; 30 June 2005 : KD 5,367,000). Legal proceedings have been initiated by and against some of the other subsidiaries in a number of jurisdictions. On the basis of information currently available, and having taken counsel with legal advisers, Group management is of the opinion that the outcome of these proceedings is unlikely to have a material adverse effect on the consolidated financial position and the consolidated operations of the Group.

The Parent Company is contingently liable for a claim filed by the Ministry of Communication (MoC) seeking a fixed payment of KD 1 per month for each prepaid line. In April 2006, the Commercial Civil court issued a verdict in favor of MoC, but the Parent Company has filed an appeal against the verdict. The Parent Company believes that the verdict is currently unenforceable as it has not stipulated either the number of subscribers or the applicable period. The management has considered the above court verdict and has taken all steps necessary to ensure that it will not materially affect the financial statements.

Under several local license agreements, certain subsidiaries are committed to build local GSM networks reaching specified local coverage at agreed rates.

17. Business combinations

Mobitel, Sudan

The provisional values assigned to the identifiable assets and liabilities of Mobitel, Sudan as at the date of acquisition, which will be reviewed during the course of 2006, are shown below:

	KD'000
Cash and bank	8,868
Short term deposits	34,183
Trade and other receivables	4,183
Inventories	879
Property, plant and equipment	35,769
Trade and other payables	(16,151)
Post employment benefits	(262)
Provisional value of net assets	<u>67,469</u>
Purchase consideration settled in cash	382,818
Cash and cash equivalents in subsidiary acquired	<u>(70,575)</u>
Cash outflow on acquisition	<u>312,243</u>

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Details of net assets acquired and goodwill are as follows:

	<u>KD'000</u>
Purchase Consideration	
- Cash paid	375,222
- Adjustment for cash dividend	14,255
- Direct cost relating to acquisition	<u>7,596</u>
Total purchase consideration	397,073
Less: Provisional value of net assets acquired	<u>(67,469)</u>
Goodwill arising on acquisition	<u><u>329,604</u></u>

The above goodwill is attributable to Mobitel's profitability and the significant synergies expected to arise from the acquisition.

From the date of acquisition (6 February 2006), Mobitel contributed revenues of KD 81,736,000 and net profit of KD 27,620,000 to the net results of the Group. If the acquisition had taken place on 1 January 2006, the Group revenue and net profits would have been higher by KD 14,775,000 and KD 5,775,000 respectively.

Vee Networks Limited, Nigeria (Vmobile)

The provisional values assigned to the identifiable assets and liabilities of Vmobile as at the date of acquisition, which will be reviewed during the course of 2006, are shown below:

	<u>KD'000</u>
Cash and bank	51,726
Trade and other receivables	24,408
Deferred tax asset	15,228
Inventories	689
Property, plant and equipment	185,993
Intangible assets	31,077
Trade and other payables	(160,725)
Due to banks	<u>(9,540)</u>
Provisional value of net assets	<u><u>138,856</u></u>
Purchase consideration settled in cash	294,194
Cash and cash equivalents in subsidiary acquired	<u>(79,579)</u>
Cash outflow on acquisition	<u><u>214,615</u></u>

**Mobile Telecommunications Company KSC and subsidiaries
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Details of net assets acquired and goodwill are as follows:

	<u>KD'000</u>
Purchase Consideration	
- Cash paid	293,031
- Direct cost relating to acquisition	<u>1,162</u>
Total purchase consideration	294,193
Less: Provisional value of net assets acquired	<u>(138,856)</u>
Goodwill arising on acquisition	<u><u>155,337</u></u>

The above goodwill is attributable to Vmobile's profitability and the significant synergies expected to arise from the acquisition.

From the date of acquisition (31 May 2006), Vmobile contributed revenues of KD 22,101,000 and net profit of KD 1,069,000 to the net results of the Group. If the acquisition had taken place on 1 January 2006, the Group revenue and net profits would have been higher by KD 105,846,000 and KD 10,775,000 respectively.

18. Comparative figures

Certain comparative amounts have been reclassified to conform with current period presentation but with no effect on net profit or equity.