

**Mobile Telecommunications Company K.S.C.  
Kuwait**

**Condensed Consolidated Interim Financial Information (Unaudited)  
31 March 2011**

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**Mobile Telecommunications Company K.S.C.**  
**Kuwait**

INDEPENDENT AUDITORS' REVIEW REPORT TO THE BOARD OF DIRECTORS

### **Report on Review of Condensed Consolidated Interim Financial Information**

#### *Introduction*

We have reviewed the accompanying condensed consolidated statement of financial position of Mobile Telecommunications Company K.S.C. (the Parent Company) and its subsidiaries (together called "the Group") as at 31 March 2011 and the related condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the three month period then ended. Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with International Accounting Standard 34 – Interim Financial Reporting. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

#### *Scope of Review*

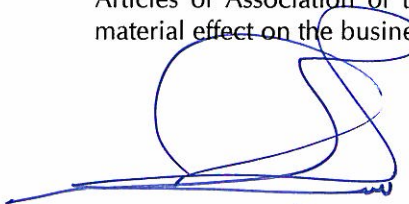
We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

#### *Conclusion*


Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 – Interim Financial Reporting.

### **Report on Other Legal and Regulatory Requirements**

Furthermore, based on our review, the condensed consolidated interim financial information is in agreement with the books of account of the Parent Company. We further report that, to the best of our knowledge and belief, we have not become aware of any violations of the Commercial Companies' Law of 1960, as amended, or of the Articles of Association of the Parent Company during the period ended 31 March 2011 that might have had a material effect on the business of the Group or on its financial position.



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Kuwait  
4 May 2011

**Mobile Telecommunications Company K.S.C.  
Kuwait**

**Condensed Consolidated Statement of Financial Position as at 31 March 2011 (Unaudited)**

		<u>Unaudited</u>	<u>Audited</u>	<u>Unaudited</u>
	Note	<u>31 March</u>	<u>31 December</u>	<u>31 March</u>
		<u>2011</u>	<u>2010</u>	<u>2010</u>
		<u>KD '000</u>		
<b>Assets</b>				
<b>Current assets</b>				
Cash and bank balances	3	1,048,111	644,215	165,854
Trade and other receivables		461,076	472,570	289,973
Inventories		13,232	13,258	14,925
Investment securities- at fair value through profit or loss		6,358	7,465	8,533
		<u>1,528,777</u>	<u>1,137,508</u>	<u>479,285</u>
Assets of disposal group classified as held for sale	4	-	-	2,545,175
		<u>1,528,777</u>	<u>1,137,508</u>	<u>3,024,460</u>
<b>Non-current assets</b>				
Investment securities – available for sale		88,754	98,641	99,470
Investment in associates		104,869	116,096	153,678
Interest in a jointly controlled entity		39,368	40,270	42,751
Loans to associates		184,691	187,263	142,707
Property and equipment		757,262	793,686	807,973
Intangible assets		1,244,717	1,304,449	1,420,999
Other assets		28,314	32,024	-
		<u>2,447,975</u>	<u>2,572,429</u>	<u>2,667,578</u>
<b>Total Assets</b>		<u>3,976,752</u>	<u>3,709,937</u>	<u>5,692,038</u>
<b>Liabilities and Equity</b>				
<b>Current liabilities</b>				
Trade and other payables	5	577,733	593,221	383,695
Due to banks	6	230,454	124,933	352,745
		<u>808,187</u>	<u>718,154</u>	<u>736,440</u>
Liabilities of disposal group classified as held for sale	4	-	-	1,044,948
		<u>808,187</u>	<u>718,154</u>	<u>1,781,388</u>
<b>Non-current liabilities</b>				
Due to banks	6	330,632	94,734	1,202,916
Other non- current liabilities		142,582	149,132	193,386
		<u>473,214</u>	<u>243,866</u>	<u>1,396,302</u>
<b>Equity</b>				
<b>Attributable to the Parent Company's shareholders</b>				
Share capital	7	430,754	429,743	429,246
Share premium		1,703,351	1,697,788	1,697,785
Treasury shares	9	(567,834)	(567,834)	(567,834)
Legal reserve		214,871	214,871	147,989
Voluntary reserve		-	-	63,091
Foreign currency translation reserve		(262,844)	(143,767)	(51,099)
Treasury shares reserve		1,967	1,967	1,967
Equity issue transaction cost of associate		(1,748)	(1,779)	(1,824)
Investment fair valuation reserve		(5,602)	4,532	2,524
Share based compensation reserve		5,991	7,386	19,123
Hedge reserve		(1,796)	(2,524)	(45,809)
Retained earnings		302,008	1,006,607	645,185
Dividend payable		776,365	-	-
		<u>2,595,483</u>	<u>2,646,990</u>	<u>2,340,344</u>
Non- controlling interests		99,868	100,927	174,004
<b>Total equity</b>		<u>2,695,351</u>	<u>2,747,917</u>	<u>2,514,348</u>
<b>Total Liabilities and Equity</b>		<u>3,976,752</u>	<u>3,709,937</u>	<u>5,692,038</u>

The accompanying notes are an integral part of this condensed consolidated interim financial information.

This condensed consolidated interim financial information was approved and authorized for issue by the Board of Directors on 4 May 2011.

  
Asaad Ahmed Al Banwan  
Chairman

  
Nabeel Bin Salamah  
Chief Executive Officer

**Condensed Consolidated Statement of Income – three months ended 31 March 2011 (Unaudited)**

	Note	Three months ended 31 March	
		2011	2010 (Restated)
		KD'000	
<b>Continuing operations</b>			
Revenue		324,378	329,674
Cost of sales		(86,534)	(85,193)
<b>Gross profit</b>		<u>237,844</u>	<u>244,481</u>
Distribution, marketing & operating expenses		(67,587)	(65,746)
General and administrative expenses		(19,382)	(38,422)
Depreciation and amortization		(41,810)	(39,749)
Provision for doubtful debts		(3,152)	(1,121)
<b>Operating profit</b>		<u>105,913</u>	<u>99,443</u>
Interest income		4,345	3,670
Investment income	10	(393)	425
Share of loss of associates		(10,001)	(12,939)
Share of loss of jointly controlled entity		(902)	(1,312)
Other income		2,578	2,970
Finance cost		(5,523)	(23,591)
(Loss)/ gain on currency revaluation		(23,515)	9,254
Board of Directors' remuneration		(8)	(8)
Contribution to Kuwait Foundation for Advancement of Sciences		(720)	(533)
National Labour Support Tax and Zakat		(2,025)	(1,950)
Profit for the period before income tax		<u>69,749</u>	<u>75,429</u>
Income tax expense		(8,611)	(8,378)
<b>Profit for the period from continuing operations</b>		<u>61,138</u>	<u>67,051</u>
<b>Discontinued operations</b>			
Loss for the period from discontinued operations	4	-	(12,622)
Release of provisions		16,320	-
<b>Profit for the period</b>		<u>77,458</u>	<u>54,429</u>
<b>Attributable to:</b>			
Shareholders of the Parent Company		69,915	51,542
Non-controlling interests		7,543	2,887
		<u>77,458</u>	<u>54,429</u>
<b>Earnings/ (loss) per share</b>			
<b>Basic – Fils</b>			
From continuing operations		14	15
From discontinued operations		4	(2)
		<u>18</u>	<u>13</u>
<b>Diluted – Fils</b>			
From continuing operations		14	15
From discontinued operations		4	(2)
		<u>18</u>	<u>13</u>

The accompanying notes are an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Statement of Comprehensive Income – three months ended 31 March 2011  
(Unaudited)

	Three months ended 31 March	
	2011	2010 (Restated)
	KD'000	
<b>Profit for the period</b>	77,458	54,429
<b>Other comprehensive income</b>		
<i>On continuing operations:</i>		
Exchange differences on translating foreign operations	(120,773)	7,477
Net unrealised (loss)/ gains on available for sale investments	(10,121)	11,381
Net realised gains transferred to consolidated statement of income on available for sale investments (net of impairment losses)	(13)	(1,138)
Cash flow hedges	728	3,489
Share based compensation	456	762
Share of other comprehensive income of an associate	31	(10)
	<u>(129,692)</u>	<u>21,961</u>
<i>On discontinued operations - transfers to condensed consolidated statement of income:</i>		
Cumulative exchange differences	-	(37,633)
	-	(37,633)
Total comprehensive income for the period	<u>(52,234)</u>	<u>38,757</u>
Total comprehensive income attributable to:		
<b>Shareholders of the Parent Company</b>		
From continuing operations	(74,401)	80,759
From discontinued operations	16,320	(44,658)
	<u>(58,081)</u>	<u>36,101</u>
<b>Non-controlling interests</b>		
From continuing operations	5,847	8,253
From discontinued operations	-	(5,597)
	<u>5,847</u>	<u>2,656</u>

The accompanying notes are an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Statement of Changes in Equity – three months ended 31 March 2011 (Unaudited)

	Equity attributable to Parent Company's shareholders										Non-controlling interests	Total				
	Share capital	Share premium	Treasury shares	Legal reserve	Voluntary reserve	Foreign currency translation reserve	Treasury shares reserve	Equity issue transaction cost of associate	Investment fair valuation reserve	Share based compensation reserve			Hedge reserve	Retained earnings	Dividend payable	
Balance at 1 January 2011	429,743	1,697,788	(567,834)	214,871	-	(143,767)	1,967	(1,779)	4,532	7,386	(2,524)	1,006,607	-	100,927	2,747,917	
Exercise of share options	1,011	5,563	-	-	-	-	-	-	-	-	-	-	-	-	-	6,574
Cash dividends (2010)	-	-	-	-	-	-	-	-	-	-	-	(776,365)	776,365	(6,906)	(6,906)	
Transfer to retained earnings	-	-	-	-	-	-	-	-	-	(1,851)	-	1,851	-	-	-	
Total comprehensive income for the period	-	-	-	-	-	(119,077)	-	31	(10,134)	456	728	69,915	-	-	-	
Balance at 31 March 2011	430,754	1,703,351	(567,834)	214,871	-	(262,844)	1,967	(1,748)	(5,602)	5,991	(1,796)	302,008	776,365	99,868	2,695,351	
Balance at 1 January 2010	428,285	1,691,105	(567,834)	147,989	63,091	(21,174)	1,967	(1,814)	(7,719)	18,361	(49,298)	593,643	-	181,876	2,478,478	
Exercise of share options	961	6,680	-	-	-	-	-	-	-	-	-	-	-	-	7,641	
Cash dividends (2009)	-	-	-	-	-	-	-	-	-	-	-	-	-	(10,528)	(10,528)	
Total comprehensive income for the period	-	-	-	-	-	(29,925)	-	(10)	10,243	762	3,489	51,542	-	2,656	38,757	
Balance at 31 March 2010	429,246	1,697,785	(567,834)	147,989	63,091	(51,099)	1,967	(1,824)	2,524	19,123	(45,809)	645,185	-	174,004	2,514,348	

The accompanying notes are an integral part of this condensed consolidated interim financial information.

**Condensed Consolidated Statement of Cash Flows – three months ended 31 March 2011 (Unaudited)**

	Three months ended 31 March	
	2011	2010 (Restated)
	KD'000	
<b>Cash flows from operating activities</b>		
Profit for the period before income tax of continuing and discontinued operations	86,069	59,948
Adjustments for:		
Depreciation and amortization	41,810	107,664
Interest income	(4,345)	(4,749)
Investment income	393	(425)
Share of loss of associates	10,001	12,939
Share of loss of jointly controlled entity	902	1,312
Finance cost	5,523	38,352
Loss/ (gain) from currency revaluation	23,515	(5,829)
Operating profit before working capital changes	163,868	209,212
Increase in trade and other receivables	(33,311)	(46,947)
(Increase)/ decrease in inventories	(878)	1,871
Increase / (decrease) in trade and other payables	5,024	(1,841)
Cash generated from operations	134,703	162,295
Paid to Kuwait Foundation for Advancement of Sciences	(1,818)	-
Income tax paid	(1,021)	(20,618)
<i>Net cash from operating activities</i>	<u>131,864</u>	<u>141,677</u>
<b>Cash flows from investing activities</b>		
Purchase of investments	(712)	-
Proceeds from sale of investments	226	67
Acquisition of property and equipment (net)	(40,897)	(96,664)
Acquisition of intangible assets	(40)	(74)
Licence fee paid	-	(35,963)
Interest received	4,006	4,743
Dividend received	701	156
<i>Net cash used in investing activities</i>	<u>(36,716)</u>	<u>(127,735)</u>
<b>Cash flows from financing activities</b>		
Capital contribution including share premium – employees stock option	6,574	7,641
Borrowings from/ (repayments to) banks (net)	338,657	(7,402)
Loan to an associate	-	(10)
Dividends paid to Parent Company's shareholders	(789)	(191)
Dividends paid to minority shareholders of subsidiaries	(4,341)	(9,372)
Finance cost	(14,187)	(30,752)
<i>Net cash from/ (used in) financing activities</i>	<u>325,914</u>	<u>(40,086)</u>
Net increase/ (decrease) in cash and cash equivalents	421,062	(26,144)
Effect of foreign currency translation	(12,970)	1,342
Cash and cash equivalents at beginning of period	463,349	267,175
<b>Cash and cash equivalents at end of period (Note 3)</b>	<u><u>871,441</u></u>	<u><u>242,373</u></u>

The accompanying notes are an integral part of this condensed consolidated interim financial information.

**1. Incorporation and activities**

Mobile Telecommunications Company K.S.C. (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 7 other countries (31 December 2010 - Kuwait and 7 other countries; 31 March 2010 - Kuwait and 22 other 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**

This condensed consolidated interim financial information is prepared in accordance with IAS 34: Interim Financial Reporting. The accounting policies used in the preparation of the condensed consolidated interim financial information are consistent with those used in the annual consolidated financial statements for the year ended 31 December 2010 except for the amendments to standards as noted below which are applicable for the Group from January 2011.

*IAS 24 Related party disclosures (Revised)*

The amended standard clarified the definition of a related party and laid down additional requirement for disclosure of outstanding commitments to related parties. The adoption of the amendment did not have any impact on the financial position, performance, or disclosures in the interim consolidated financial information of the Group.

*IAS 34 Interim Financial Reporting (Revised)*

The amended standard provided clarification about significant events and transactions to be disclosed in the interim condensed financial information and clarifies how to apply this principle in respect of financial instruments and their fair values. The adoption of the amendment did not have any impact on the financial position or performance of the Group.

This condensed consolidated interim financial information does 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.

*Zain Africa BV*

During the year 2010, the Group disposed its entire shareholding in Zain Africa BV, Netherlands (ZABV) to a major mobile telecom operator based in India for an enterprise valuation of US\$ 10.7 billion (KD 3.1 billion), in accordance with the legally binding definitive Share Sale Agreement (SSA) dated 30 March 2010.

The Group's investment in ZABV was presented as a 'Disposal Group' based on International Financial Reporting Standard (IFRS) 5 – "Non current Assets Held for Sale and Discontinued Operations" in the condensed consolidated interim financial information as of 31 March 2010.

ZABV was consolidated up to 8 June 2010 on which date the Group transferred control of its operations to another telecom operator (See Note 4).

*Saudi Mobile Telecommunications Company (SMTC)*

SMTC incurred a net loss of Saudi Riyals (SAR) 532 million (KD 40 million) for the three month period ended 31 March 2011 (31 March 2010 – KD 51 million) and has accumulated losses of SAR 8.3 billion (KD 609 million) as of that date (31 December 2010- KD 580 million; 31 March 2010 - KD 461 million). SMTC's current liabilities also exceed current assets by SAR 4.9 billion (KD 358 million) as of 31 March 2011 (31 December 2010 – KD 409 million; 31 March 2010 – KD 400 million).

**Notes to the Condensed Consolidated Interim Financial Information - 31 March 2011 (Unaudited)**

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The Group is also contingently liable for guarantees amounting to US\$ 998 million (KD 276 million) as of 31 March 2011 (31 December 2010 - KD 270 million; 31 March 2010 - 223 million) relating to loan and other vendor financing availed by SMTC. The Group has provided a cash collateral of US\$ 483 million and SAR 452 million amounting to KD 167 million (31 December 2010 - KD 170 million; 31 March 2010 - Nil) against these guarantees (See Note 3). The Group is also contingently liable for guarantees amounting to US\$ 515 million (KD 142 million) as of 31 March 2011 (31 December 2010 - KD 145 million; 31 March 2010 - KD 148 million) relating to loans granted to fellow members of SMTC.

In February 2011, the Board of Directors of SMTC amended the earlier plan to restructure the share capital of the Company, which is subject to regulatory and shareholders approval, as follows:

- Reduce share capital from SAR 14 billion (KD 1.03 billion ) (31 December 2010 - KD 1.05 billion) to SAR 6.265 billion (KD 462 million) (31 December 2010- SAR 7.328 billion; KD 550 million) by cancellation of 773.5 million (31 December 2010- 667 million) shares in order to absorb the accumulated losses of the Company as of 31 December 2010;
- Subsequently, to increase the share capital by SAR 4.383 billion (KD 323 million) (31 December 2010- SAR 4.383 billion; KD 332 million) through conversion of shareholders' loans and a rights issue.

The Group's investment in SMTC with a carrying value of KD 104 million (31 December 2010 - KD 115 million; 31 March 2010 - KD 153 million) has a fair value of KD 178 million (31 December 2010 - KD 203 million; 31 March 2010 - KD 262 million). The Group's net investment in SMTC including loans and receivable is KD 329 million (31 December 2010 - KD 338 million; 31 March 2010 - KD 348 million).

SMTC's independent auditor's modified review report for the period ended 31 March 2011 draws attention to SMTC's negative working capital and accumulated deficit and discloses that its interim financial information for the period ended 31 March 2011 have been prepared on a going concern basis as SMTC believes it will be successful in meeting its obligations in the normal course of operations.

During the quarter, the Group received a non binding offer for its 25% interest in SMTC. The transaction is subject to customary due diligence and related processes and will also require regulatory and other approvals whose timing and outcome are presently not determinable. Accordingly, the Group continues to present this investment as part of continuing operations.

*Mobile Telecommunications Company Lebanon S.A.R.L.(MTCL)*

On 30 January 2009, the Parent Company signed a new Network Management Agreement (NMA) with the Republic of Lebanon. This agreement expired on 30 January 2010 and has since been extended up to 31 January 2012. The financial information of MTCL are prepared on a going concern basis as the management believes that any potential adjustments to the presentation and amounts in the statement of financial position arising from expiry of the NMA may not be significant.

*Interest in a jointly controlled entity – Zain Al Ajial S.A.*

The carrying value of this jointly controlled entity is determined by the Group management using the equity method based on estimated results.

*Financial support to associate and group companies*

The Group has committed to provide working capital and other financial support to Atheer Telecom Iraq Limited, Sudanese Mobile Telephone (Zain) Company Limited and SMTC whose working capitals are in deficit. Based on business plans, the Group does not expect these conditions will have a material adverse impact on the operations of these Group companies.

Results for the interim period are not necessarily indicative of the results that may be expected for the year ending 31 December 2011. For further information, refer to the consolidated annual financial statements and notes thereto included in the Group's annual report for the year ended 31 December 2010.

Notes to the Condensed Consolidated Interim Financial Information - 31 March 2011 (Unaudited)

3. Cash and bank balances

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

	<u>Unaudited</u> 31 March 2011	<u>Audited</u> 31 December 2010	<u>Unaudited</u> 31 March 2010  KD '000
Cash on hand and at banks	637,144	255,965	108,555
Short-term deposits with banks	401,188	377,133	57,299
Government certificates of deposits held by Zain Sudan	9,779	11,117	-
	<u>1,048,111</u>	<u>644,215</u>	<u>165,854</u>
Deposits with a foreign bank under lien (Note 2)	(166,891)	(169,749)	-
Government certificates of deposits held by Zain Sudan with maturities exceeding three months	(9,779)	(11,117)	-
	<u>871,441</u>	<u>463,349</u>	<u>165,854</u>

For the purposes of the cash flow statement, cash and cash equivalents comprise of balances grouped as follows:

	<u>Unaudited</u> 31 March 2011	<u>Unaudited</u> 31 March 2010  KD '000
Continuing operations	871,441	165,854
Discontinued operations (Note 4)	-	76,519
Cash and cash equivalents	<u>871,441</u>	<u>242,373</u>

4. Disposal of Zain Africa BV

On 8 June 2010, (First Closing Date), the Group disposed its entire shareholding in Zain Africa BV, Netherlands (ZABV) to a major mobile telecom operator based in India for an enterprise valuation of US\$ 10.7 billion (KD 3.1 billion), in accordance with the legally binding definitive Share Sale Agreement (SSA) dated 30 March 2010. The buyer assumed US\$ 1.7 billion (KD 494 million) of Zain Africa BV's consolidated net debt obligations valuing the equity and shareholder loans of ZABV at US\$ 9 billion.

Out of this amount the Group received US\$ 7.8 billion (KD 2.3 billion) on the First Closing Date. This was after deduction of US\$ 700 million (KD 203 million) which is payable one year from the First Closing Date and US\$ 432 million (KD 125 million) in accordance with the terms and conditions in the SSA. Subsequently in 2010, the Group received US\$ 295 million (KD 63 million) on receipt of regulatory approvals in some territories.

The assets and liabilities related to ZABV which was presented as held for sale on 31 March 2010 are as follows:

*Assets of disposal group classified as held for sale*

	<u>Unaudited</u> 31 March 2010  KD '000
Cash and bank balances	76,519
Trade and other receivables	160,124
Property and equipment	1,339,843
Intangible assets	801,150
Other assets	167,539
	<u>2,545,175</u>

Notes to the Condensed Consolidated Interim Financial Information - 31 March 2011 (Unaudited)

*Liabilities of disposal group classified as held for sale*

	<u>Unaudited</u> <u>31 March</u> <u>2010</u> <u>KD '000</u>
Trade and other payables	422,216
Due to banks	588,380
Other liabilities	34,352
	<u>1,044,948</u>

*Analysis of the result of discontinued operations is as follows:*

	<u>Unaudited</u> <u>31 March</u> <u>2010</u> <u>KD'000</u>
Revenue	242,988
Expenses	(173,447)
Depreciation and amortization	(67,915)
Interest income	1,079
Finance cost	(14,761)
Loss on currency revaluation	(3,425)
Loss before tax	(15,481)
Income tax expense	2,859
Loss for the period	<u>(12,622)</u>

During the period, the group reversed KD 16.320 million from the transaction and other costs related to sale of ZABV (refer Note 13).

	<u>Three months ended</u> <u>31 March</u> <u>(Unaudited)</u>	
	<u>2011</u>	<u>2010</u>
	<u>KD'000</u>	
Profit/ (loss) for the period attributable to:		
Shareholders of the Parent Company	16,320	(7,606)
Non controlling interests	-	(5,016)
	<u>16,320</u>	<u>(12,622)</u>

*Cash flows from discontinued operations*

	<u>Three months ended</u> <u>31 March</u> <u>(Unaudited)</u>	
	<u>2011</u>	<u>2010</u>
	<u>KD'000</u>	
Operating cash flows	-	33,253
Investing cash flows	-	(48,913)
Financing cash flows	-	841
Total cash flows	<u>-</u>	<u>(14,819)</u>

Notes to the Condensed Consolidated Interim Financial Information - 31 March 2011 (Unaudited)

5. Trade and other payables

Trade and other payables include provisions for transaction and other costs related to the sale of ZABV. Movement in these provisions during the period is as follows:

	<u>Unaudited</u> <u>31 March</u> <u>2011</u> <u>KD'000</u>
Balance as of 31 December 2010	227,012
Payments against tax, advisory fees and others	(15,322)
Reversed during the period (Note 13)	(16,320)
Foreign exchange difference	(3,149)
	<u>192,221</u>

6. Due to banks

During the period, the Parent Company availed a term loan of US\$ 433.33 million (KD 120 million) repayable one year from the date of the facility and a revolving credit facility of US\$ 866.67 million (KD 240 million) from a consortium of banks. These facilities carry a floating interest rate of a fixed percentage over London Inter Bank Offer Rate (LIBOR).

The Group has classified the revolving credit facility as non-current since it has an option to extend the maturity date by further two years provided no defaults are outstanding under the agreement.

Principal financial covenants include:

- consolidated total net borrowings not to exceed 2.75 times the adjusted consolidated EBITDA for the measurement period;
- the ratio of adjusted consolidated EBITDA to consolidated net interest payable is not less than 5:1.

In February 2011, the Group's subsidiary in Iraq signed a syndicated loan facility agreement aggregating to US\$ 400 (KD 111) million guaranteed by the Parent Company. This facility is repayable in twenty four equal installments by January 2018. The subsidiary has not drawn down this loan as at 31 March 2011.

7. Share capital

The authorized share capital as of 31 March 2011 is 4,315,097,117 shares (31 December 2010 – 4,315,097,117; 31 March 2010 - 4,297,371,670) of 100 fils each.

The issued and fully paid up share capital as of 31 March 2011 consists of 4,307,534,661 shares of 100 fils each (31 December 2010 – 4,297,426,891 shares of 100 fils each; 31 March 2010 - 4,292,462,411 shares of 100 fils each).

At the extraordinary general meeting held on 12 April 2011, the Parent Company's shareholders approved decrease in authorized share capital by 7,562,456 shares and then to increase it by 24,447,976 shares to 4,331,982,637 shares, subject to regulatory approval.

At the extraordinary general meeting held on 27 May 2010, the Parent Company's shareholders approved decrease in authorized share capital by 4,907,565 shares and then to increase it by 22,633,012 shares to 4,315,097,117 shares.

8. Dividend

The annual general meeting of shareholders for the year ended 31 December 2010 held on 12 April 2011 (2009 - 27 May 2010) approved distribution of cash dividends of 200 fils (2009 -170 fils) per share amounting to KD 776,365,000 (2009- KD 657,348,000) and will be paid to the registered shareholders as of the AGM date. This amount has been presented under equity since the date of the shareholders' approval is after the statement of financial position date.

Notes to the Condensed Consolidated Interim Financial Information - 31 March 2011 (Unaudited)

9. Treasury shares

These shares were acquired based on an 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 and are carried at cost. Reserves equivalent to the cost of treasury shares held are not distributable.

	<u>Unaudited</u> <u>31 March</u> <u>2011</u>	<u>Audited</u> <u>31 December</u> <u>2010</u>	<u>Unaudited</u> <u>31 March</u> <u>2010</u>
Number of shares	425,711,648	425,711,648	425,711,648
Percentage of issued shares	9.88%	9.91%	9.92%
Market value (KD '000)	561,939	647,082	578,968
Cost (KD '000)	567,834	567,834	567,834

10. Investment income

	<u>Three months ended</u> <u>31 March</u> <u>(Unaudited)</u>	
	<u>2011</u>	<u>2010</u>
	<u>KD'000</u>	
(Loss)/ gain from investment securities "at fair value through profit or loss"	(1,133)	1,063
Realised gain/ (loss) from investment securities 'available for sale'	39	(1,146)
Dividend income	701	508
	<u>(393)</u>	<u>425</u>

11. Earnings/ (loss) per share

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

	<u>Three months ended</u> <u>31 March (Unaudited)</u>	
	<u>2011</u>	<u>2010</u>
	<u>KD'000</u>	
<b>Profit/ (loss) for the period attributable to shareholders</b>		
From continuing operations	53,595	59,148
From discontinued operations	16,320	(7,606)
	<u>69,915</u>	<u>51,542</u>
	<b>Shares</b>	<b>Shares</b>
Weighted average number of shares in issue	3,881,823,013	3,866,750,763
Effect of dilution	7,137,397	11,321,918
Weighted average number of shares in issue outstanding during the period adjusted for the effect of dilution	<u>3,888,960,410</u>	<u>3,878,072,681</u>
	Fils	Fils
<b>Earnings/ (loss) per share – Basic</b>		
From continuing operations	14	15
From discontinued operations	4	(2)
	<u>18</u>	<u>13</u>
	Fils	Fils
<b>Earnings/ (loss) per share – Diluted</b>		
From continuing operations	14	15
From discontinued operations	4	(2)
	<u>18</u>	<u>13</u>

**12. 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 Iraq. The Group's operations in Sub-Saharan Africa was classified as a disposal group in accordance with IFRS 5 (Notes 1 and 4). This forms the basis of the geographical segments.

Notes to the Condensed Consolidated Interim Financial Information - 31 March 2011 (Unaudited)

	31 March 2011						Total
	Kuwait	Jordan	Bahrain	Lebanon	Sudan	Iraq	KD '000
<b>Segment revenues</b>	85,480	32,647	14,920	6,983	76,158	108,190	324,378
<b>Net profit before interest and tax</b>	32,327	10,332	3,306	2,262	13,747	31,395	93,369
Interest income	1	460	60	10	-	339	870
Finance cost	-	(244)	-	-	(1,298)	(7,084)	(8,626)
Income tax expense	-	(2,562)	-	(344)	(1,405)	(4,208)	(8,519)
Net profit after interest and tax	32,328	7,986	3,366	1,928	11,044	20,442	77,094
<i>Unallocated items:</i>							
Investment income							(393)
Share of loss of an associate							(9,899)
Share of loss of jointly controlled entity							(902)
Others							(4,762)
Profit for the period from continuing operations							<u>61,138</u>
Profit for period from discontinued operations							<u>16,320</u>
<b>Profit for the period</b>							<u><u>77,458</u></u>
<b>Segment assets</b>	194,858	237,844	64,093	12,469	870,686	1,037,414	2,417,364
<i>Unallocated items:</i>							
Investment securities at fair value through profit or loss							6,358
Investment securities available for sale							88,754
Investment in associates							104,869
Interest in a jointly controlled entity							39,368
Loans to associates							184,691
Others							1,135,348
<b>Consolidated assets of continuing operations</b>							<u><u>3,976,752</u></u>
<b>Segment liabilities</b>	65,734	33,232	27,184	6,079	289,438	260,318	681,985
<i>Unallocated items:</i>							
Due to banks							561,086
Others							38,330
<b>Consolidated liabilities of continuing operations</b>							<u><u>1,281,401</u></u>
<b>Net consolidated assets</b>							<u><u>2,695,351</u></u>
Capital expenditure of the continuing operations incurred during the period							
Unallocated	4,515	2,018	1,129	1	22,218	10,922	40,803
<b>Total capital expenditure incurred during the period</b>							<u><u>40,937</u></u>
Depreciation and amortization							
Unallocated	7,634	3,816	2,010	6	9,854	16,631	39,951
<b>Total depreciation and amortization of the continuing operations</b>							<u><u>1,859</u></u>
							<u><u>41,810</u></u>

Notes to the Condensed Consolidated Interim Financial Information - 31 March 2011 (Unaudited)

	31 March 2010					Total KD '000
	Kuwait	Jordan	Bahrain	Lebanon	Sudan	
<b>Segment revenues</b>	85,199	34,612	20,429	7,313	81,561	100,560
<b>Net profit before interest and tax</b>	32,216	11,683	5,820	2,784	42,157	31,006
Interest income	-	394	73	15	1,030	-
Finance cost	-	-	(32)	-	(1,464)	(10,077)
Income tax expense	-	(2,872)	-	(428)	(1,875)	(3,203)
<b>Net profit after interest and tax</b>	32,216	9,205	5,861	2,371	39,848	17,726
<i>Unallocated items:</i>						
Investment income						425
Share of loss of associates						(12,939)
Share of loss of jointly controlled entity						(1,312)
Others						(26,350)
<b>Profit for the period from continuing operations</b>						<b>67,051</b>
Loss for the period from discontinued operations						(12,622)
<b>Profit for the period</b>						<b>54,429</b>
<b>Segment assets</b>	216,628	205,731	65,585	11,646	1,077,204	1,018,157
<i>Unallocated items:</i>						
Investment securities at fair value through profit or loss						8,533
Investment securities available for sale						99,470
Investment in associates						153,678
Interest in a jointly controlled entity						42,751
Loans to an associate						142,707
Others						104,773
<b>Consolidated assets of continuing operations</b>						<b>3,146,863</b>
<b>Assets of disposal group classified as held for sale</b>						<b>2,545,175</b>
<b>Consolidated assets</b>						<b>5,692,038</b>
<b>Segment liabilities</b>	79,451	31,878	27,644	7,974	97,548	297,798
<i>Unallocated items:</i>						
Due to banks						1,555,661
Others						34,788
<b>Consolidated liabilities of continuing operations</b>						<b>2,132,742</b>
<b>Liabilities of disposal group classified as held for sale</b>						<b>1,044,948</b>
<b>Consolidated liabilities</b>						<b>3,177,690</b>
<b>Net consolidated assets</b>						<b>2,514,348</b>
Capital expenditure of the continuing operations incurred during the period	3,726	1,033	2,926	8	28,233	10,409
Unallocated						410
<b>Capital expenditure of the discontinued operations</b>						<b>46,745</b>
<b>Total capital expenditure incurred during the period</b>						<b>49,993</b>
Depreciation and amortization						96,738
Unallocated						38,096
<b>Total depreciation and amortization of the continuing operations</b>						<b>1,653</b>
						<b>39,749</b>

Notes to the Condensed Consolidated Interim Financial Information - 31 March 2011 (Unaudited)

13. Related party transactions

The Group has entered into transactions with related parties on terms approved by management. Transactions and balances with related parties (in addition to those disclosed in other notes) are as follows:

Transactions

	Three months ended 31 March (Unaudited)	
	2011	2010
	KD'000	
Management fee (included in other income)	2,980	2,688
Interest income on loans to an associate	2,770	2,124

	Unaudited	Audited	Unaudited
	31 March	31 December	31 March
	2011	2010	2010
KD '000			
Trade and other receivables	4,354	4,430	6,753
Trade and other payables	3,029	3,861	3,031
Due to banks	-	-	37,137

Key management compensation

	Unaudited	Audited	Unaudited
	31 March	31 December	31 March
	2011	2010	2010
KD '000			
Salaries and other short term employee benefits	1,370	33,184	1,351
Post employment benefits	180	673	196
Share based compensations	123	2,887	381

Salaries and other short term employee benefits for the year ended 31 December 2010 included a provision of KD 27.5 million of which KD 23.8 million was on account of sale of ZABV. During the period, the Group reversed KD 20.057 million from this provision net of foreign currency translation adjustments in 2010 and 2011 aggregating KD 1.1 million. Of this amount KD 16.320 million is reversed in discontinued operations (note 4) and the balance is reversed in continuing operations.

14. Commitments and contingencies

	Unaudited	Audited	Unaudited
	31 March	31 December	31 March
	2011	2010	2010
KD '000			
Capital expenditure:			
Continuing operations	66,408	86,657	84,400
Discontinued operations	-	-	179,532
Capital expenditure - share of an associate	20,328	26,116	15,591
Uncalled share capital of investee companies	284	289	412
Letters of credit:			
Continuing operations	30,987	13,531	43,032
Discontinued operations	-	-	30,550
Letters of guarantee:			
Continuing operations (including those related to SMTC)	439,562	436,592	386,913
Discontinued operations	-	-	9,456

Notes to the Condensed Consolidated Interim Financial Information - 31 March 2011 (Unaudited)

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

The Iraqi telecom regulatory authority has imposed a KD 78 million (US\$ 280.61 million) (31 December 2010: US\$ 280.61 million - KD 79 million; 31 March 2010: US\$ 18.61 million - KD 5 million) penalty on Atheer citing breach of certain network quality covenants and non-compliance with certain licence terms. The Group believes that it has complied with the network quality covenants and licence terms and that it has meritorious defences against these claims.

Under the SSA of Zain Africa BV, the Group is contingently liable for penalties, warranty claims, taxation claims and amounts that may be due for unprovided litigation claims after the first closing date.

Legal proceedings have been initiated by and against the Group in number of jurisdictions.

On the basis of information currently available, and having taken counsel with legal advisors, Group management is of the opinion that the outcome of these proceedings is unlikely to have a material adverse effect on the condensed consolidated financial position or the consolidated operations of the Group.

**15. Derivative financial instruments**

The table below shows notional amounts of derivative financial instruments analysed by the term to maturity. The notional amount is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured.

The notional amounts indicate the volume of transactions outstanding and are not indicative of either market or credit risk.

**At 31 March 2011:**

	Notional amounts by term to maturity			
	Notional amount	Within 3 months	3 - 12 months	Over 1 year
				KD'000
Derivatives held for hedging:				
<i>Cash flow hedges</i>				
Commission rate swaps - Share of an associate	152,697	-	152,697	-

**At 31 December 2010:**

	Notional amounts by term to maturity			
	Notional amount	Within 3 months	3 - 12 months	Over 1 year
				KD'000
Derivatives held for hedging:				
<i>Cash flow hedges</i>				
Commission rate swaps - Share of an associate	155,391	-	-	155,391

**At 31 March 2010:**

	Notional amounts by term to maturity			
	Notional amount	Within 3 months	3 - 12 months	Over 1 year
				KD'000
Derivatives held for hedging:				
<i>Cash flow hedges</i>				
Interest rate swaps	1,210,440	-	-	1,210,440

**16. Comparative figures**

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