

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

**Condensed Consolidated Interim Financial Information (Unaudited)
31 March 2014**

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**Mobile Telecommunications Company K.S.C.P
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Condensed Consolidated Statement of Financial Position as at 31 March 2014 (Unaudited)

	Note	<u>Unaudited</u> 31 March 2014	<u>Audited</u> 31 December 2013	<u>Unaudited</u> 31 March 2013
				KD '000
Assets				
Current assets				
Cash and bank balances	3	349,050	399,242	317,298
Trade and other receivables		353,027	350,300	345,725
Inventories		25,873	14,922	21,205
Investment securities- at fair value through profit or loss		1,835	1,930	2,529
		<u>729,785</u>	<u>766,394</u>	<u>686,757</u>
Non-current assets				
Investment securities available for sale		42,947	46,363	48,711
Investments in associates and joint ventures	4	255,625	265,197	295,347
Dues from associates		284,953	271,952	243,581
Other assets		19,442	18,726	17,113
Property and equipment		733,882	734,641	715,176
Intangible assets		988,926	993,667	1,023,271
		<u>2,325,775</u>	<u>2,330,546</u>	<u>2,343,199</u>
		<u>3,055,560</u>	<u>3,096,940</u>	<u>3,029,956</u>
Liabilities and Equity				
Current liabilities				
Trade and other payables		569,571	542,566	525,005
Due to banks	5	201,429	198,402	519,813
		<u>771,000</u>	<u>740,968</u>	<u>1,044,818</u>
Non-current liabilities				
Due to banks	5	626,792	557,319	135,724
Other non-current liabilities		36,644	35,451	33,578
		<u>663,436</u>	<u>592,770</u>	<u>169,302</u>
Equity				
Attributable to the Parent Company's shareholders				
Share capital	6	432,637	432,268	432,149
Share premium		1,707,104	1,706,779	1,706,674
Treasury shares	8	(567,834)	(567,834)	(567,834)
Legal reserve		216,134	216,134	215,764
Foreign currency translation reserve		(688,526)	(684,716)	(649,181)
Treasury shares reserve		1,967	1,967	1,967
Investment fair valuation reserve		354	2,445	392
Share based compensation reserve		-	5,482	3,855
Hedge reserve		(1,471)	(1,164)	-
Retained earnings		375,659	509,296	352,597
Proposed dividend		-	-	194,789
		<u>1,476,024</u>	<u>1,620,657</u>	<u>1,691,172</u>
Non-controlling interests		145,100	142,545	124,664
Total equity		<u>1,621,124</u>	<u>1,763,202</u>	<u>1,815,836</u>
Total Liabilities and Equity		<u>3,055,560</u>	<u>3,096,940</u>	<u>3,029,956</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 21 April 2014.

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

Condensed Consolidated Statement of Financial Position as at 31 March 2014 (Unaudited)

**Asaad Ahmed Al Banwan
Chairman**

**M. Scott Gegenheimer
Chief Executive Officer**

**Mobile Telecommunications Company K.S.C.P
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Condensed Consolidated Statement of Profit or Loss – three months ended 31 March 2014 (Unaudited)

	Note	Three months ended 31 March	
		2014	2013
		KD'000	
Revenue		311,131	299,007
Cost of sales		(84,216)	(84,722)
Gross profit		<u>226,915</u>	<u>214,285</u>
Operating and administrative expenses		(90,935)	(86,110)
Depreciation and amortization		(45,867)	(47,698)
Provision for impairment – trade and other receivables		(3,804)	(1,527)
Operating profit		<u>86,309</u>	<u>78,950</u>
Interest income		4,722	4,574
Investment income	9	2,471	98
Share of results of associates and joint ventures	4	(8,491)	(9,453)
Other (expense)/income		(743)	2,046
Finance costs		(6,535)	(4,975)
Loss on currency revaluation		(7,450)	(4,704)
Board of Directors' remuneration		(108)	(108)
Contribution to Kuwait Foundation for Advancement of Sciences		(375)	(538)
National Labour Support Tax and Zakat		(1,695)	(1,825)
Profit for the period before income tax		<u>68,105</u>	<u>64,065</u>
Income tax expenses		(6,284)	(7,128)
Profit for the period		<u><u>61,821</u></u>	<u><u>56,937</u></u>
Attributable to:			
Shareholders of the Parent Company		55,914	52,001
Non-controlling interests		5,907	4,936
		<u><u>61,821</u></u>	<u><u>56,937</u></u>
Earnings per share	10		
Basic – Fils		14	13
Diluted – Fils		-	13

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

**Mobile Telecommunications Company K.S.C.P
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Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income – three months ended 31 March 2014 (Unaudited)

	Three months ended	
	31 March	
	2014	2013
	KD'000	
Profit for the period	61,821	56,937
Other comprehensive income		
<i>Other comprehensive income transferred or reclassifiable to consolidated statement of profit or loss in subsequent periods</i>		
Exchange differences on translating foreign operations	(4,270)	46,710
Net unrealised gains on available for sale investments	465	1,515
Net realised gains transferred to consolidated statement of income on available for sale investments (net of impairment losses)	(2,556)	(136)
Cash flow hedges	(307)	-
	<u>(6,668)</u>	<u>48,089</u>
Total comprehensive income for the period	<u>55,153</u>	<u>105,026</u>
Total comprehensive income attributable to:		
Shareholders of the Parent Company	49,706	98,383
Non-controlling interests	5,447	6,643
	<u>55,153</u>	<u>105,026</u>

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

Mobile Telecommunications Company K.S.C.P
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Condensed Consolidated Statement of Changes in Equity – three months ended 31 March 2014 (Unaudited)

	Equity attributable to Parent Company's shareholders											Non-controlling interests	Total
	Share capital	Share premium	Treasury shares	Legal reserve	Foreign currency translation reserve	Treasury shares reserve	Investment fair valuation reserve	Share based compensation reserve	Hedge reserve	Retained earnings	Proposed dividend		
	KD '000												
Balance at 1 January 2014	432,268	1,706,779	(567,834)	216,134	(684,716)	1,967	2,445	5,482	(1,164)	509,296	-	142,545	1,763,202
Exercise of share options	369	325	-	-	-	-	-	-	-	-	-	-	694
Cash dividends (2013)	-	-	-	-	-	-	-	-	-	(195,033)	-	(2,892)	(197,925)
Transfer to retained earnings	-	-	-	-	-	-	-	(5,482)	-	5,482	-	-	-
Total comprehensive income for the period	-	-	-	-	(3,810)	-	(2,091)	-	(307)	55,914	-	5,447	55,153
Balance at 31 March 2014	<u>432,637</u>	<u>1,707,104</u>	<u>(567,834)</u>	<u>216,134</u>	<u>(688,526)</u>	<u>1,967</u>	<u>354</u>	<u>-</u>	<u>(1,471)</u>	<u>375,659</u>	<u>-</u>	<u>145,100</u>	<u>1,621,124</u>
Balance at 1 January 2013	431,527	1,705,387	(567,834)	215,764	(694,184)	1,967	(987)	8,808	-	490,189	-	120,117	1,710,754
Exercise of share options	622	1,287	-	-	-	-	-	(108)	-	-	-	-	1,801
Cash dividends (2012)	-	-	-	-	-	-	-	-	-	(194,789)	194,789	(2,096)	(2,096)
Transfer to retained earnings	-	-	-	-	-	-	-	(5,196)	-	5,196	-	-	-
Share based compensation	-	-	-	-	-	-	-	351	-	-	-	-	351
Total comprehensive income for the period	-	-	-	-	45,003	-	1,379	-	-	52,001	-	6,643	105,026
Balance at 31 March 2013	<u>432,149</u>	<u>1,706,674</u>	<u>(567,834)</u>	<u>215,764</u>	<u>(649,181)</u>	<u>1,967</u>	<u>392</u>	<u>3,855</u>	<u>-</u>	<u>352,597</u>	<u>194,789</u>	<u>124,664</u>	<u>1,815,836</u>

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

**Mobile Telecommunications Company K.S.C.P
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Condensed Consolidated Statement of Cash Flows – three months ended 31 March 2014 (Unaudited)

	Three months ended 31 March	
	2014	2013
	KD'000	
Cash flows from operating activities		
Profit for the period before income tax	68,105	64,065
Adjustments for:		
Depreciation and amortization	45,867	47,698
Interest income	(4,722)	(4,574)
Investment income	(2,471)	(98)
Share of results of associates and joint ventures	8,491	9,453
Finance costs	6,535	4,975
Loss on currency revaluation	7,450	4,704
Operating profit before working capital changes	129,255	126,223
Increase in trade and other receivables	(10,047)	(18,761)
Increase in inventories	(11,334)	(8,954)
Increase/(decrease) in trade and other payables	5,777	(19,808)
Cash generated from operations	113,651	78,700
Paid to Kuwait Foundation for Advancement of Sciences	(3,949)	(5,058)
Income tax paid	(3,902)	(2,550)
<i>Net cash from operating activities</i>	<u>105,800</u>	<u>71,092</u>
Cash flows from investing activities		
Deposits maturing after three months and bank balances blocked (note 3)	(3,466)	(2,946)
Purchase of investments	-	(2)
Proceeds from sale of investments	3,823	986
Acquisition of property and equipment (net)	(26,361)	(32,114)
Acquisition of intangible assets	(10,712)	(14,168)
Interest received	2,714	4,572
<i>Net cash used in investing activities</i>	<u>(34,002)</u>	<u>(43,672)</u>
Cash flows from financing activities		
Proceeds from bank borrowings	237,107	53,070
Repayment of bank borrowings	(162,518)	(58,353)
Loan to an associate	(9,610)	(5,752)
Capital contribution including share premium – employees stock option	694	1,801
Dividends paid to Parent Company's shareholders	(185,446)	(362)
Dividends paid to minority shareholders of subsidiaries	(1,163)	-
Finance costs paid	(3,829)	(12,338)
<i>Net cash used in financing activities</i>	<u>(124,765)</u>	<u>(21,934)</u>
Net (decrease)/increase in cash and cash equivalents	(52,967)	5,486
Effect of foreign currency translation	(691)	6,257
Cash and cash equivalents at beginning of period	282,687	188,921
Cash and cash equivalents at end of period (Note 3)	<u><u>229,029</u></u>	<u><u>200,664</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.P (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 8 other countries (31 December 2013 - Kuwait and 8 other countries; 31 March 2013 - Kuwait and 8 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 2013. Amendments to IFRSs which are effective for annual accounting period starting from 1 January 2014 did not have any material impact on the accounting policies, financial position or performance of the Group.

In March 2014 indications have emerged that the economy of the Republic of Sudan, where one of the Group's subsidiary operates may have become hyperinflationary. Under International Accounting Standard 29: Financial Reporting in Hyperinflationary Economies (IAS 29) an entity applies the Standard from the beginning of the reporting period in which it identifies the existence of hyperinflation. According to the data published by Sudan Central Bureau of Statistics, the three year cumulative inflation rate at the end of 2012 was 98% and based on World Economic Outlook report the three year cumulative inflation rate is projected to be 106% by the end of 2013. Entities operating in the Republic of Sudan (Sudan) are expected to monitor the reported inflation data to determine the appropriate time to consider its economy to be hyperinflationary and thereby apply IAS 29. However, as at the end of the current reporting period, due to lack of reliable and official information relating to inflation data, the Group management is not in a position to determine if the Sudan economy has become hyperinflationary. Group management is constantly monitoring the situation and will apply IAS 29 when it obtains reliable and official information regarding the inflation rates and re-measurement indices.

This condensed consolidated interim financial information does not contain all of the information and disclosures 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 2014, including the impact of the matter stated above regarding application of IAS 29. For further information, refer to the audited consolidated financial statements and notes thereto for the year ended 31 December 2013.

Al Khatem/Atheer

Notes to the Condensed Consolidated Interim Financial Information - 31 March 2014 (Unaudited)

Under the terms of the telecom license agreement with the Iraqi telecom regulator CMC, Atheer and the other two telecom operators in Iraq were required to make an initial public offer (IPO) of at least 25% of the aggregate number of its qualifying shares in their Iraqi operations and list on the Iraqi Stock Exchange before 31 August 2011. The process for complying with the listing conditions is now ongoing. For this purpose, Al Khatem Telecom Company was incorporated as an Iraqi Private Shareholding Company in 2013 and became the direct parent company of Atheer through a share swap arrangement.

Zain Bahrain

In accordance with the terms of the telecom license agreement with the Telecommunications Regulatory Authority of the Kingdom of Bahrain, Zain Bahrain is required to make an IPO of its shares in Bahrain and the process is now ongoing.

Change in accounting estimate

During the period, the Group reviewed the estimated useful life of certain equipment and revised their estimated useful lives as follows:

	Revised estimated useful life Years
Buildings and leasehold improvements	8 - 50
Cellular and other equipment	3 - 20
Furniture and fixtures	5

This change in accounting estimate resulted in a lower depreciation charge during the period of KD 4.1 million. The impact of this change for the year ending 31 December 2014 will be a lower depreciation charge of approximately KD 19.5 million.

Financial support to associate and group companies

The Group has committed to provide working capital and other financial support to Mobile Telecommunications Company, Saudi Arabia (SMTC) and Zain South Sudan whose working capitals are in deficit. Based on business plans, the Group does not expect these conditions to have a material adverse impact on the operations of these Group companies.

3. Cash and bank balances

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

	Unaudited 31 March 2014	Audited 31 December 2013	Unaudited 31 March 2013
	KD '000		
Cash on hand and at banks	215,612	242,983	191,224
Short-term deposits with banks	132,933	155,753	121,770

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Government certificates of deposits held by subsidiaries	505	506	4,304
	<u>349,050</u>	<u>399,242</u>	<u>317,298</u>
Bank balances blocked (refer note 13)	(116,732)	(112,068)	(109,798)
Cash at bank under lien	(2,784)	(3,981)	-
Government certificates of deposits held by subsidiaries	(505)	(506)	(4,304)
Deposits with maturities exceeding three months	-	-	(2,532)
	<u>229,029</u>	<u>282,687</u>	<u>200,664</u>

4. Investments in associates and joint ventures

4.1) Investments in associates

This represents the Group's share of investments in SMTC accounted for using the equity method:

	Unaudited	Audited	Unaudited
	31 March	31 December	31 March
	2014	2013	2013
	KD '000		
Current assets	273,776	249,599	317,463
Non-current assets	1,698,404	1,726,419	1,770,181
Current liabilities	298,770	288,105	1,176,080
Non-current liabilities	1,191,229	1,178,986	300,272
Net asset of SMTC	482,181	508,927	611,292
Revenue	115,933	491,151	134,893
Loss	(23,929)	(124,723)	(29,910)
Total comprehensive income	(830)	(3,142)	-
Proportion of Group's ownership interest in SMTC	37.045%	37.045%	37.045%
Group's share of SMTC's net assets	178,625	188,533	226,454
Goodwill	11,531	11,569	11,671
Carrying amount of Group' interest in SMTC	<u>190,156</u>	<u>200,102</u>	<u>238,125</u>

As at 31 March 2014 the fair value of the Group's investment in SMTC, being its quoted market share price on the Saudi Stock Exchange, was KD 310,597,000 (31 December 2013 – KD 280,204,000; 31 March 2013: KD 247,511,000).

SMTC's independent auditor's modified review report dated 15 April 2014 draws attention to its net loss and the accumulated deficit and states that its interim financial information for the period ended 31 March 2014 have been prepared on a going concern basis as its management believes it will be successful in meeting its target business plans and its obligations in the normal course of operations.

4.2) Interest in a joint venture

Notes to the Condensed Consolidated Interim Financial Information - 31 March 2014 (Unaudited)

This represents Group's interest in the joint venture, Zain Al Ajial S.A. which owns 31% of the equity shares and voting rights of Wana Corporate, (a Moroccan joint stock company which is specialized in the telecom sector in that country). The Group's share of profit for the period in the joint venture amounting to KD 374,000 (31 March 2013 - KD 1,627,000) has been recognized in the condensed consolidated interim statement of profit or loss. The carrying value of this joint venture and its results for the period are determined by Group management using the equity method based on management information provided by Wana Corporate.

5. Due to banks

During the period, the Parent Company:

- availed US\$ 800 million (KD 224.880 million) long term revolving loan facility maturing in February 2019.
- drew down US\$ 31.400 million (KD 8.864 million) from the US\$ 400 million long term loan that was availed in December 2013. As of 31 March 2014, US\$ 95.897 million (KD 27.072 million) (31 December 2013 - KD 18.207 million) was outstanding on this facility.
- repaid US\$ 420 million (KD 118.062 million) from the US\$ 800 million revolving credit facility availed in 2013. As of 31 March 2014 US\$ 380 million (KD 107.778 million) (31 December 2013 - KD 225.840 million) was outstanding on this facility.
- fully repaid the US\$ 1.3 billion revolving credit facility that was availed in March 2011. Balance outstanding on this facility as of 31 December 2013 was KD 39.522 million.

These facilities carry floating interest rate of a fixed margin over London Inter-Bank Offer Rate (LIBOR).

6. Share capital

The authorized share capital as of 31 March 2014 is 4,327,058,909 shares (31 December 2013 - 4,327,058,909; 31 March 2013 - 4,322,574,895) of 100 fils each.

The issued and fully paid up share capital as of 31 March 2014 consists of 4,326,374,365 shares of 100 fils each (31 December 2013 - 4,322,684,279 shares of 100 fils each; 31 March 2013 - 4,321,488,917 shares of 100 fils each).

7. Dividend

The annual general meeting of shareholders for the year ended 31 December 2013 held on 20 February 2014 (2012 - 7 April 2013) approved distribution of cash dividends of 50 fils (2012 - 50 fils) per share amounting to KD 195,033,000 (2012 - KD 194,789,000) to be paid to the registered shareholders as of the date of annual general meeting.

8. 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.

Unaudited	Audited	Unaudited
31 March	31	31 March
2014	December	2013
	2013	

Notes to the Condensed Consolidated Interim Financial Information - 31 March 2014 (Unaudited)

Number of shares	425,711,648	425,711,648	425,711,648
Percentage of issued shares	9.84%	9.85%	9.85%
Market value (KD '000)	285,227	293,741	327,798
Cost (KD '000)	567,834	567,834	567,834

9. Investment income

	Three months ended 31 March (Unaudited)	
	2014	2013
	KD'000	
(Loss)/gain from investment securities "at fair value through profit or loss"	(95)	155
Realised gain/(loss) from investment securities 'available for sale'	<u>2,566</u>	<u>(57)</u>
	<u><u>2,471</u></u>	<u><u>98</u></u>

10. Earnings per share

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

	Three months ended 31 March (Unaudited)	
	2014	2013
	KD'000	
Profit for the period attributable to shareholders	55,914	52,001
	Shares	Shares
Weighted average number of shares in issue	3,900,662,717	3,895,777,269
Effect of dilution	-	3,939,852
Weighted average number of shares in issue outstanding during the period adjusted for the effect of dilution	<u><u>3,900,662,717</u></u>	<u><u>3,899,717,121</u></u>
	Fils	Fils
Earnings per share – Basic	14	13
Earnings per share – Diluted	-	13

There are no dilutive potential ordinary shares outstanding as of 31 March 2014.

11. Segmental information

Notes to the Condensed Consolidated Interim Financial Information - 31 March 2014 (Unaudited)

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, South Sudan and Iraq. This forms the basis of the geographical segments. Based on the quantitative thresholds, the Group has identified its operations in Kuwait, Jordan, Sudan and Iraq as the basis for disclosing the segment information.

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Notes to the Condensed Consolidated Interim Financial Information - 31 March 2014 (Unaudited)

	31 March 2014					Total KD '000
	Kuwait	Jordan	Sudan	Iraq	Others	
Segment revenues	88,250	31,492	45,018	121,815	24,556	311,131
Net profit before interest and tax	27,499	9,322	8,939	29,261	3,734	78,755
Interest income	1	352	515	86	37	991
Finance costs	-	-	-	(3,990)	(2,263)	(6,253)
Income tax expense	-	(2,205)	(926)	(3,304)	301	(6,134)
Net profit after interest and tax	<u>27,500</u>	<u>7,469</u>	<u>8,528</u>	<u>22,053</u>	<u>1,809</u>	67,359
<i>Unallocated items:</i>						
Investment income						2,471
Share of results of associates and joint ventures						(8,491)
Others						482
Profit for the period						61,821
Segment assets	245,121	231,379	450,801	1,040,018	218,763	2,186,082
<i>Unallocated items:</i>						-
Investment securities at fair value through profit or loss						1,835
Investment securities available for sale						42,947
Investment in associates and joint ventures						255,625
Dues from associates						284,953
Others						284,118
Consolidated assets						3,055,560
Segment liabilities	92,604	80,054	51,217	179,844	180,891	584,610
Due to banks	-	-	-	174,907	18,768	193,675
	<u>92,604</u>	<u>80,054</u>	<u>51,217</u>	<u>354,751</u>	<u>199,659</u>	778,285
<i>Unallocated items:</i>						
Due to banks						634,546
Others						21,605
Consolidated liabilities						1,434,436
Net consolidated assets						1,621,124
Capital expenditure during the period	10,687	1,885	3,054	17,443	6,031	39,100
Unallocated						13
Total capital expenditure incurred during the period						39,113

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Notes to the Condensed Consolidated Interim Financial Information - 31 March 2014 (Unaudited)

Depreciation and amortization	14,190	4,386	5,278	13,043	7,173	44,070
Unallocated						<u>1,797</u>
Total depreciation and amortization						<u>45,867</u>

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Notes to the Condensed Consolidated Interim Financial Information - 31 March 2014 (Unaudited)

	31 March 2013					Total KD '000
	Kuwait	Jordan	Sudan	Iraq	Others	
Segment revenues	81,122	34,132	43,416	119,012	21,325	299,007
Net profit before interest and tax	25,525	9,337	10,323	26,767	809	72,761
Interest income	4	208	875	216	29	1,332
Finance costs	-	(99)	-	(5,164)	(1,712)	(6,975)
Income tax expense	-	(2,089)	(1,446)	(4,019)	581	(6,973)
Net profit after interest and tax	25,529	7,357	9,752	17,800	(293)	60,145
<i>Unallocated items:</i>						
Investment income						98
Share of results of associates and joint ventures						(9,453)
Others						6,147
Profit for the period						56,937
Segment assets	231,412	227,162	460,794	1,037,955	209,564	2,166,887
<i>Unallocated items:</i>						
Investment securities at fair value through profit or loss						2,529
Investment securities available for sale						48,711
Investment in associates and joint ventures						295,347
Dues from associates						243,581
Others						272,901
Consolidated assets						3,029,956
Segment liabilities	79,217	46,508	59,868	231,853	174,489	591,935
Due to banks	-	-	-	209,879	3,743	213,622
	79,217	46,508	59,868	441,732	178,232	805,557
<i>Unallocated items:</i>						
Due to banks						441,915
Others						(33,352)
Consolidated liabilities						1,214,120
Net consolidated assets						1,815,836
Capital expenditure during the period	11,844	1,859	12,129	37,086	4,926	67,844
Unallocated						11
Total capital expenditure incurred during the period						67,855

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Depreciation and amortization	11,365	4,949	5,557	17,236	6,929	46,036
Unallocated						1,662
Total depreciation and amortization						47,698

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12. 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)	
	2014	2013
	KD'000	
Management fee (included in other income)	843	939
Interest income on loans to associates	3,180	2,652

Key management compensation

	Three months ended	
	31 March	
	(Unaudited)	
	2014	2013
	KD'000	
Salaries and other short term employee benefits	1,970	1,754
Post-employment benefits	677	481
Share based payments	-	76

13. Commitments and contingencies

	Unaudited	Audited	Unaudited
	31 March	31	31 March
	2014	December	2013
	KD '000		
Capital expenditure	92,097	81,384	66,135
Capital expenditure - share of an associate	10,011	7,683	4,114
Uncalled share capital of investee companies	156	157	158
Letters of credit	7,882	9,575	21,726
Letters of guarantee	466,025	465,009	323,098

The above include guarantees/letters of credit amounting to US\$ 1.464 billion (KD 412 million) (31 December 2013 - KD 421 million; 31 March 2013 – KD 289 million) relating to loans and other vendor financing availed by SMTC.

The Parent Company is a guarantor for credit facilities of US\$ 35 million (KD 10 million) (31 December 2013 – KD 10 million; 31 March 2013 – KD 10 million) granted to a founding shareholder in SMTC. The Parent Company believes that the collaterals provided by the founding shareholder to the bank, covers the credit facilities.

The Iraq income tax authority, the General Commission for Taxes (the "Tax Authority"), has raised claims for additional income taxes of US\$ 65 million (KD 18 million) for Atheer's operations upto fiscal year 2007. The Group has reviewed these claims and has filed an appeal denying liability for these additional tax claims on the basis that they are arbitrary, and contrary to the applicable Iraqi tax law. Based on the appeal filed by Atheer, the Ministry of Finance has instructed the Tax Authority to re-open the

assessment of the aforementioned tax years. In December 2013, the Tax Authority raised claim for income tax for the fiscal year 2008 amounting to US\$ 44 million (KD 12 million). Atheer filed an appeal against this by paying, under protest, 25% of the amount demanded, in order to comply with taxation laws and to protect its right to appeal. On the basis of the report of the attorneys, the Group believes that its chances of resolving these outstanding claims in its favour are reasonably good.

On 6 March 2011, the Iraqi Telecom Regulatory Authority, the Communication and Media Commission (CMC) claimed a total amount of US\$ 262 million (KD 74 million) (US\$ 100 million as a fine, and US\$ 162 million as the CMC's portion of the revenue share) (31 December 2013 - US\$ 262 million) from Atheer citing non-compliance with certain license terms. In response to the appeal made by Atheer, the Board of Appeals of the CMC issued an order dated 30 January 2012, which annulled the above claim and asked the CMC to review it again and determine the amounts that should be paid by Atheer. In March 2012, the CMC again demanded payment of US\$ 262 million. Atheer has appealed against this demand by citing the CMC's Board of Appeals order dated 30 January 2012 for cancellation of the penalty charged and its re-assessment. Furthermore, CMC also levied a penalty of US\$ 18 Million (KD 5 million) (31 December 2013 - US\$ 18 million; 31 March 2013 – US\$ 18 million) citing breach of network quality covenants. The Group believes that it has complied with the license terms and the network quality covenants and that it has strong meritorious defenses against these claims. On the basis of the report of the attorneys, the Group is confident that the decision of hearing panel would be consistent with the previous decisions of the Board of Appeals of CMC.

In 2007, Atheer acquired Iraqna Company for Mobile Phone Services Limited (Iraqna) from Orascom Telecom Iraq Corp. Limited (the Seller). Under the terms of the Share Purchase Agreement (SPA), the Seller is responsible for all income tax payable by Iraqna upto the Closing Date of the SPA. The Tax Authority has raised claims for additional corporate income taxes of US\$ 89 million (KD 25 million) for Iraqna upto 2007. Atheer has reviewed these claims and has filed appeals denying liability for these claims on the basis that they are arbitrary and contrary to the applicable Iraqi tax law. Atheer also has a contingent asset in the form of a right, under the SPA to make claims against the Seller for Iraqna tax claims upto US\$ 60 million (KD 17 million). Based on the appeal filed by Atheer, the Ministry of Finance has instructed the Tax Authority to re-open the assessment of the aforementioned tax years. On the basis of the report of the attorneys, the Group believes that its chances of resolving these outstanding claims in its favour are reasonably good.

The Tax Authority has also claimed from Atheer the capital gains taxes payable by the Seller amounting to US\$ 187 million (KD 53 million) arising on sale of Iraqna to Atheer and instructed the various banks in Iraq to block Atheer's bank balances with them to the extent of an equivalent amount. Atheer filed legal action in Iraqi courts requesting an order preventing the Tax Authority from continuing to block Atheer's bank accounts or claim the amount of the capital gains tax from Atheer. On 13 November 2012, the Court of First Instance of Rusafah, passed a decision in favour of Atheer canceling the capital gains tax claim and to release the freeze on Atheer's bank account. The Tax Authority appealed against this decision in the Court of Appeals, and the Court of Appeals issued an order on 9 December 2012 affirming the Court of First Instance of Rusafah's decision and ordered the Tax Authority to release the freeze on Atheer's bank accounts and to claim the capital gains tax from the Seller and not from Atheer or Iraqna. In January 2013, the Tax Authority filed an appeal against this order with the Court of Cassation of Iraq. The Court of Cassation ruled that the lower courts do not have the jurisdiction to hear tax related matters. Accordingly, the Court of Appeals reversed its earlier ruling. Atheer has filed a new appeal in the Court of Cassation against the new ruling of Court of Appeals. This appeal remains pending. In February 2013, Iraq's Ministry of Finance issued an order to limit the amount blocked to the extent of claim of US\$ 187 million (KD 53 million) and to release the balance amounts (refer note 3). On the advice of the attorneys, the Group expects a favourable outcome on this and does not consider that these matters could have an adverse impact on the Group's business or its operations in Iraq.

In August 2013, a telecom operator in Iraq filed a claim against CMC as the first defendant and Atheer as the second defendant in the Court of First Instance, alleging that certain actions by the CMC and

Atheer in 2007 deprived the telecom operator from acquiring the business of Iraqna, which ended up being acquired by Atheer. The telecom operator has claimed US \$ 4.5 billion (KD 1.3 billion) from Atheer and a combined claim of US\$ 1 billion (KD 281 million) from CMC and Atheer. The telecom operator's claim focuses on alleged lost revenues attributed to the subscribers of Iraqna that were migrated to Atheer's network after the acquisition. In conjunction with the claim, the telecom operator made an application to the Court of First Instance for the appointment of an Administrator to manage and collect revenues that are attributed to such Iraqna subscribers pending the outcome of the original claim. In January 2014, the Court issued a decision appointing an Administrator to collect and manage the disputed revenues on a monthly basis and hold such revenues in custody with an Iraqi bank pending the final outcome of the case. Having obtained the prior written approval of CMC prior to concluding the acquisition of Iraqna, the Group believes that it followed the rules and acted strictly in accordance with the directions of CMC in the Iraqna acquisition. On the basis of the advice of the attorneys, the Group is of the opinion that there is no reason to believe that these matters could have an adverse impact on the Group's business or its operations in Iraq.

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

In addition, legal proceedings have been initiated by and against the Group in a number of jurisdictions. On the basis of information currently available and the advice of the 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 condensed consolidated performance of the Group.

14. Financial instruments

14.1 Categories of financial assets and liabilities

The carrying amounts of the Group's financial assets and liabilities as stated in the condensed consolidated statement of financial position are categorized as follows:

	31 March 2014	31 December 2013	31 March 2013
	(Unaudited)	(Audited)	(Unaudited)
	KD'000		
Loans and receivables:			
Cash and bank balances	349,050	399,242	317,298
Trade and other receivables	353,027	350,300	345,725
Due from associates	284,953	271,952	243,581
Other assets	11,311	11,357	11,496
Investment securities - at fair value through profit or	1,835	1,930	2,529
Investment securities -available for sale	42,947	46,363	48,711

All financial liabilities are categorized as 'other than at fair value through profit or loss'.

14.2 Fair value hierarchy for financial instruments measured at fair value

The following table presents the financial assets which are measured at fair value in the condensed consolidated statement of financial position in accordance with the fair value hierarchy.

This hierarchy groups financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: 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: Inputs for assets or liabilities that are not based on observable market data (unobservable inputs).

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

31 March 2014

Level 1	Level 2	Level 3	Total
			KD'000

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Financial assets at fair value:

Investments at fair value through profit or loss	1,835	-	-	1,835
Available for sale investments	27,419	15,528	-	42,947
Total assets	29,254	15,528	-	44,782

31 December 2013

	Level 1	Level 2	Level 3	Total
	KD'000			
Financial assets at fair value:				
Investments at fair value through profit or loss	1,930	-	-	1,930
Available for sale investments	27,104	19,259	-	46,363
Total assets	29,034	19,259	-	48,293

31 March 2013

	Level 1	Level 2	Level 3	Total
	KD'000			
Financial assets at fair value:				
Investments at fair value through profit or loss	2,529	-	-	2,529
Available for sale investments	27,069	21,642	-	48,711
Total assets	29,598	21,642	-	51,240

Measurement at fair value

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous year.

15. Derivative financial instruments

The table below shows the positive and negative fair values of derivative financial instruments, together with the notional amounts 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 at the year end and are not indicative of either market or credit risk. All derivative contracts are fair valued based on observable market data.

At 31 March 2014:

	Notional amounts by term to maturity					
	Positive fair value	Negative fair value	Notional amount	Within 3 months	3 -12 months	Over 1 year
	KD '000					
<i>Derivatives held for hedging:</i>						
<i>Cash flow hedges</i>						
Profit rate swaps - share of an associate	-	(1,471)	119,898	-	-	119,898
	-	(1,471)	119,898	-	-	119,898

At 31 December 2013:

	Notional amounts by term to maturity					
	Positive fair value	Negative fair value	Notional amount	Within 3 months	3 -12 months	Over 1 year
	KD '000					
<i>Derivatives held for hedging:</i>						

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Cash flow hedges

Profit rate swaps - share of an associate	-	(1,164)	120,378	-	-	120,378
	-	(1,164)	120,378	-	-	120,378

At 31 March 2013:

Notional amounts by term to maturity

	Positive fair value	Negative fair value	Notional amount	Within 3 months	3 -12 months	Over 1 year
	KD '000					
<i>Derivatives held for hedging:</i>						
<i>Cash flow hedges</i>	-	-	-	-	-	-
	-	-	-	-	-	-

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.