

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

**Interim Consolidated Financial Information (Unaudited)  
30 June 2008**

**PRICEWATERHOUSECOOPERS** 

**AL- AHLI BUREAU  
Certified Accountants**

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**INDEPENDENT AUDITORS' REVIEW REPORT TO THE BOARD OF DIRECTORS**

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

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

*Introduction*

We have reviewed the accompanying condensed consolidated balance sheet of Mobile Telecommunications Company K.S.C. (the Parent Company) and its subsidiaries (together called "the Group") as at 30 June 2008 and the related condensed consolidated statement of income, statement of changes in equity and statement of cash flows for the six month period then ended. Management is responsible for the preparation and presentation of this interim consolidated financial information in accordance with International Accounting Standard 34 – Interim Financial Reporting. Our responsibility is to express a conclusion on this interim consolidated 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.

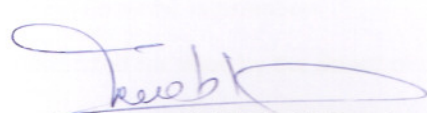
*Conclusion*

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim consolidated 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 interim consolidated 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, no violations of the Commercial Companies' Law of 1960, as amended, or of the Articles of Association of the Parent Company have occurred during the period ended 30 June 2008 that might have had a material effect on the business of the Group or on its financial position.

  
**Bader A. Al Wazzan**  
Licence No. 62A  
PricewaterhouseCoopers

  
**Nasser Abdullah Al Muqait**  
Licence No.9A  
Al-Ahli Bureau

Kuwait  
25 July 2008

Condensed Consolidated Balance Sheet as at 30 June 2008 (Unaudited)

	Note	Unaudited 30 June 2008	Audited 31 December 2007	Unaudited 30 June 2007
<b>KD '000</b>				
<b>Assets</b>				
<b>Current assets</b>				
Cash and bank balances	3	255,128	261,263	284,227
Trade and other receivables		316,436	246,276	282,668
Inventories		25,934	22,047	17,268
Loan to an associate	4	76,524	-	-
Investments – at fair value through profit or loss		23,415	23,002	23,564
		<u>697,437</u>	<u>552,588</u>	<u>607,727</u>
<b>Non current assets</b>				
Deferred tax assets		70,901	64,724	52,454
Other financial assets		417	6,850	6,804
Investments – available-for-sale		173,769	179,468	174,652
Loan to an associate		165,750	170,875	-
Investment in associates		249,353	259,640	8,144
Property and equipment		1,647,608	1,495,602	1,209,928
Intangible assets		1,566,005	1,637,255	1,546,673
		<u>3,873,803</u>	<u>3,814,414</u>	<u>2,998,655</u>
<b>Total Assets</b>		<u>4,571,240</u>	<u>4,367,002</u>	<u>3,606,382</u>
<b>Liabilities and Equity</b>				
<b>Current liabilities</b>				
Trade and other payables	5	573,465	554,754	505,120
Due to banks	6	580,039	453,747	427,170
Due to minority interest holders		-	18,509	19,532
		<u>1,153,504</u>	<u>1,027,010</u>	<u>951,822</u>
<b>Non current liabilities</b>				
Due to banks	6	1,649,159	1,531,512	1,048,993
Deferred tax liabilities		37,308	31,763	10,849
Other non current liabilities		27,515	28,411	19,622
		<u>1,713,982</u>	<u>1,591,686</u>	<u>1,079,464</u>
<b>Equity</b>				
<b>Attributable to the Parent Company's shareholders</b>				
Share capital	7	284,348	189,398	189,273
Treasury shares	9	(15,576)	(15,576)	(15,576)
Share premium		624,465	624,465	624,465
Legal reserve		94,699	94,699	63,091
Voluntary reserve		63,091	63,091	63,091
Foreign currency translation reserve		(47,959)	(26,014)	(15,578)
Equity issue transaction cost of associate		(1,636)	-	-
Investment fair valuation reserve		57,400	67,704	70,936
Share based compensation reserve		15,611	12,222	7,320
Retained earnings		457,637	571,938	432,044
		<u>1,532,080</u>	<u>1,581,927</u>	<u>1,419,066</u>
<b>Minority interest</b>		<u>171,674</u>	<u>166,379</u>	<u>156,030</u>
<b>Total equity</b>		<u>1,703,754</u>	<u>1,748,306</u>	<u>1,575,096</u>
<b>Total Liabilities and Equity</b>		<u>4,571,240</u>	<u>4,367,002</u>	<u>3,606,382</u>

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

This interim consolidated financial information was approved and authorized for issue by the Board of Directors on 25 July 2008.

Asaad Ahmed Al Banwan  
Chairman

  
Dr. Saad Hamad Al Barrak  
Managing Director - Deputy Chairman

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

**Condensed Consolidated Statement of Income – six months ended 30 June 2008 (Unaudited)**

	Note	Three months ended		Six months ended	
		30 June		30 June	
		2008	2007	2008	2007
		KD'000		KD'000	
Revenue		482,624	407,079	935,802	799,540
Cost of sales		(107,991)	(87,610)	(213,400)	(168,429)
<b>Gross profit</b>		<u>374,633</u>	<u>319,469</u>	<u>722,402</u>	<u>631,111</u>
Distribution, marketing & operating expenses		(141,662)	(115,992)	(268,701)	(232,308)
General and administrative expenses		(58,194)	(39,016)	(102,540)	(82,313)
Depreciation and amortization		(71,822)	(62,598)	(140,095)	(116,694)
Provision for doubtful debts		(207)	503	(929)	(874)
<b>Operating profit</b>		<u>102,748</u>	<u>102,366</u>	<u>210,137</u>	<u>198,922</u>
Interest income		4,494	2,967	13,124	9,620
Investment income	10	4,028	8,420	8,728	17,366
Income from sale of share in a subsidiary	11	26,594	-	26,594	-
Share of (loss)/profit of associates		(2,682)	358	(756)	117
Other income		2,233	2,534	8,383	3,397
Finance cost		(29,242)	(28,006)	(60,951)	(55,986)
(Loss)/ gain on currency revaluation		(1,039)	4,178	(10,280)	6,780
Board of Directors' remuneration		(7)	(7)	(14)	(14)
Contribution to Kuwait Foundation for Advancement of Sciences		(768)	(797)	(1,526)	(1,531)
National Labour Support Tax and Zakat		(1,298)	(1,359)	(3,064)	(2,635)
Profit for the period before income tax		<u>105,061</u>	<u>90,654</u>	<u>190,375</u>	<u>176,036</u>
Income tax expense		(24,133)	(7,053)	(35,213)	(13,196)
<b>Profit for the period</b>		<u>80,928</u>	<u>83,601</u>	<u>155,162</u>	<u>162,840</u>
<b>Attributable to:</b>					
Shareholders of the Parent Company		74,711	77,552	147,970	148,911
Minority interest		6,217	6,049	7,192	13,929
		<u>80,928</u>	<u>83,601</u>	<u>155,162</u>	<u>162,840</u>
<b>Earnings per share</b>	12				
Basic – Fils		27	28	53	53
Diluted – Fils		20	28	44	53

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

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

**Condensed Consolidated Statement of Changes in Equity – six months ended 30 June 2008 (Unaudited)**

	Equity attributable to Parent Company's Shareholders										Minority interest	Total
	Share capital	Share premium	Treasury shares	Legal reserve	Voluntary reserve	Foreign currency translation reserve	Equity issue transaction cost of associate	Investment fair valuation reserve	Share based compensation reserve	Retained earnings		
	<b>KD '000</b>											
Balance at 1 January 2008	189,398	624,465	(15,576)	94,699	63,091	(26,014)	-	67,704	12,222	571,938	166,379	1,748,306
Net exchange differences	-	-	-	-	-	(21,945)	-	-	-	-	(7,967)	(29,912)
Equity issue transaction cost of associate	-	-	-	-	-	-	(1,636)	-	-	-	-	(1,636)
Realised gain on available-for-sale investments (net)	-	-	-	-	-	-	-	(4,391)	-	-	-	(4,391)
Changes in fair value of available-for-sale investments	-	-	-	-	-	-	-	(5,913)	-	-	-	(5,913)
Share based compensation	-	-	-	-	-	-	-	-	3,389	-	-	3,389
Net income/ (expense) recognised directly in equity	-	-	-	-	-	(21,945)	(1,636)	(10,304)	3,389	-	(7,967)	(38,463)
Profit for the period	-	-	-	-	-	-	-	-	-	147,970	7,192	155,162
Total recognised income/ (loss) for the period	-	-	-	-	-	(21,945)	(1,636)	(10,304)	3,389	147,970	(775)	116,699
Sale to minority	-	-	-	-	-	-	-	-	-	-	9,036	9,036
Purchase of minority	-	-	-	-	-	-	-	-	-	-	(2,001)	(2,001)
Exercise of share options	114	-	-	-	-	-	-	-	-	-	-	114
Issue of bonus shares (2007)	94,836	-	-	-	-	-	-	-	-	(94,836)	-	-
Cash dividends (2007)	-	-	-	-	-	-	-	-	-	(167,435)	(965)	(168,400)
Balance at 30 June 2008	<u>284,348</u>	<u>624,465</u>	<u>(15,576)</u>	<u>94,699</u>	<u>63,091</u>	<u>(47,959)</u>	<u>(1,636)</u>	<u>57,400</u>	<u>15,611</u>	<u>457,637</u>	<u>171,674</u>	<u>1,703,754</u>
Balance at 1 January 2007 – as previously reported	126,182	624,465	(15,576)	63,091	63,091	(24,352)	-	41,778	5,736	480,367	122,500	1,487,282
Amortisation pertaining to previous year	-	-	-	-	-	-	-	-	-	(10,194)	16,739	6,545
Exchange differences	-	-	-	-	-	26	-	-	-	(118)	-	(92)
Balance at 1 January 2007 – as restated	<u>126,182</u>	<u>624,465</u>	<u>(15,576)</u>	<u>63,091</u>	<u>63,091</u>	<u>(24,326)</u>	<u>-</u>	<u>41,778</u>	<u>5,736</u>	<u>470,055</u>	<u>139,239</u>	<u>1,493,735</u>
Net exchange differences	-	-	-	-	-	8,748	-	-	-	-	3,403	12,151
Realised gain on available-for-sale investments (net)	-	-	-	-	-	-	-	(1,051)	-	-	-	(1,051)
Changes in fair value of available-for-sale investments	-	-	-	-	-	-	-	30,209	-	-	-	30,209
Share based compensation	-	-	-	-	-	-	-	-	1,584	-	-	1,584
Net income / (expense) recognised directly in equity	-	-	-	-	-	8,748	-	29,158	1,584	-	3,403	42,893
Profit for the period	-	-	-	-	-	-	-	-	-	148,911	13,929	162,840
Total recognised income/(loss) for the period	-	-	-	-	-	8,748	-	29,158	1,584	148,911	17,332	205,733
Capital contribution	-	-	-	-	-	-	-	-	-	-	1,611	1,611
Adjustment to minority interest share	-	-	-	-	-	-	-	-	-	-	(363)	(363)
Share of put option liability - Zambia	-	-	-	-	-	-	-	-	-	-	(590)	(590)
Issue of bonus shares (2006)	63,091	-	-	-	-	-	-	-	-	(63,091)	-	-
Cash dividends (2006)	-	-	-	-	-	-	-	-	-	(123,831)	(1,199)	(125,030)
Balance at 30 June 2007	<u>189,273</u>	<u>624,465</u>	<u>(15,576)</u>	<u>63,091</u>	<u>63,091</u>	<u>(15,578)</u>	<u>-</u>	<u>70,936</u>	<u>7,320</u>	<u>432,044</u>	<u>156,030</u>	<u>1,575,096</u>

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

**Condensed Consolidated Statement of Cash Flows – six months ended 30 June 2008 (Unaudited)**

	<b>Six months ended 30 June</b>	
	<b>2008</b>	<b>2007</b>
	<b>KD'000</b>	
<b>Cash flows from operating activities</b>		
Profit for the period before income tax	190,375	176,036
Adjustments for:		
Depreciation and amortization	140,095	116,694
Interest income	(13,124)	(9,620)
Investment income	(8,728)	(17,366)
Income from sale of share in a subsidiary	(26,594)	-
Share of loss/ (profit) of associates	756	(117)
Loss on disposal of property and equipment	-	282
Finance cost	60,951	55,986
Loss/ (gain) from currency revaluation	10,280	(6,780)
Operating profit before working capital changes	354,011	315,115
Increase in trade and other receivables	(70,159)	(69,590)
Increase in inventories	(4,795)	(1,958)
Increase/ (decrease) in trade and other payables	44,602	(47,483)
Cash generated from operations	323,659	196,084
Paid to Kuwait Foundation for Advancement of Sciences	(3,004)	-
National Labour Support Tax & Zakat	(5,414)	-
Board of Directors' remuneration	(28)	(28)
Income tax paid	(33,411)	(17,900)
<i>Net cash from operating activities</i>	<u>281,802</u>	<u>178,156</u>
<b>Cash flows from investing activities</b>		
Purchase of investments	(2,510)	(148)
Proceeds from sale of investments	27,161	457
Acquisition of minority interest	(4,346)	-
Sale of share in a subsidiary	49,997	-
Acquisition of property and equipment (net)	(303,283)	(208,434)
Acquisition of intangible assets	(3,383)	(51,214)
Interest received	15,792	9,583
<i>Net cash used in investing activities</i>	<u>(220,572)</u>	<u>(249,756)</u>
<b>Cash flows from financing activities</b>		
Capital contribution – employees stock option	114	-
Capital contribution of the minority shareholders of the Bahraini subsidiary	-	1,611
Proceeds from bank borrowings (net)	243,939	72,887
Loan to an associate	(76,978)	-
Dividends paid to Parent Company's shareholders	(167,084)	(121,981)
Dividends paid to minority shareholders of subsidiaries	(983)	(1,199)
Finance cost	(63,491)	(67,388)
<i>Net cash used in financing activities</i>	<u>(64,483)</u>	<u>(116,070)</u>
Net decrease in cash and cash equivalents	(3,253)	(187,670)
Effect of foreign currency translation	(2,882)	(2,425)
Cash and cash equivalents at beginning of period	261,263	474,322
<b>Cash and cash equivalents at end of period</b> (Note 3)	<u>255,128</u>	<u>284,227</u>

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

**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 20 other countries (31 December 2007 - Kuwait and 20 other countries; 30 June 2007 - Kuwait and 19 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.

In March 2008, a joint stock company Saudi Mobile Telecommunications Company (SMTC) with a share capital of SAR 14 billion, was formed in Kingdom of Saudi Arabia to hold the Group's mobile telecommunication licence in that country. The Parent Company now holds 25% of SMTC's voting shares following the mandatory initial public offering for SAR 7 billion in February 2008 which was fully subscribed to. Commercial operation is expected to commence during the year.

**2. Basis of preparation**

This interim consolidated financial information is prepared in accordance with IAS 34: Interim Financial Reporting. The accounting policies used in the preparation of the interim consolidated financial information are consistent with those used in the annual consolidated financial statements for the year ended 31 December 2007.

This interim consolidated 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. Results for the interim period are not necessarily indicative of the results that may be expected for the year ending 31 December 2008. 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 2007.

**3. Cash and bank balances**

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

	<u>Unaudited</u> <u>30 June</u> <u>2008</u>	<u>Audited</u> <u>31 December</u> <u>2007</u>	<u>Unaudited</u> <u>30 June</u> <u>2007</u>
	<u>KD '000</u>		
Cash on hand and at banks	158,640	148,226	214,549
Short-term deposits maturing within three months	96,488	113,037	69,678
Cash and bank balances	<u>255,128</u>	<u>261,263</u>	<u>284,227</u>

**4. Loan to an associate**

This represents an interest free shareholder loan of SAR 1.082 billion (approximately KD 77 million) to SMTC that is repayable on demand.

**5. Trade and other payables**

This includes dividend of KD 6,821,984 (31 December 2007-KD 8,616,000; 30 June 2007-KD 7,126,000) payable to the shareholders of the Parent Company.

**6. Due to banks**

During the period, the Group obtained the following short term loans

- KD 50 million at an interest rate of 125 basis points over the Central Bank of Kuwait Discount Rate (CBDR) from a local Kuwaiti bank repayable in September 2008.
- KD 60 million at an interest rate of 140 basis points over CBDR from a local Kuwaiti bank repayable in July 2008.

Principal financial covenants include:

- consolidated total net borrowings, not to, exceed four times annualized consolidated EBITDA for the period
- the ratio of annualized consolidated EBITDA to annualized consolidated net finance charge payable not to be less than 3:1

During the quarter, the Group repaid US\$ 200 million loan obtained in March 2008 at an interest rate of 60 basis points over the six month London Inter Bank Offer Rate (LIBOR).

**7. Share Capital**

The authorized share capital as of 30 June 2008 is 4,280,306,722 (31 December 2007 - 1,895,655,826; 30 June 2007 - 1,895,655,826) shares of 100 fils each.

The issued and fully paid up share capital as of 30 June 2008 consists of 2,843,483,739 shares of 100 fils each after the bonus share issue during the period (31 December 2007 - 1,893,979,581 shares of 100 fils each; 30 June 2007 - 1,892,729,386 shares of 100 fils each).

**8. Dividend**

The annual general meeting of shareholders held in March 2008 approved distribution of cash dividend of 90 fils per share and bonus shares in the ratio of 50 shares for every 100 shares for the year ended 31 December 2007. (31 December 2006: cash dividend of 100 fils per share and bonus shares in the ratio of 50 shares for every 100 shares)

**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>Audited</u>	<u>Unaudited</u>
	<u>30 June</u>	<u>31 December</u>	<u>30 June</u>
	<u>2008</u>	<u>2007</u>	<u>2007</u>
Number of shares	52,903,752	35,269,169	35,269,169
Percentage of issued shares	1.86%	1.86%	1.86%
Market value (KD '000)	84,646	134,728	164,354
Cost (KD '000)	15,576	15,576	15,576

Notes to the Interim Consolidated Financial Information - 30 June 2008 (Unaudited)

10. Investment income

	Three months ended 30 June (Unaudited)		Six months ended 30 June (Unaudited)	
	2008	2007	2008	2007
	KD'000		KD'000	
Gain from investments "at fair value through profit or loss"	(1,414)	4,287	(179)	4,759
Realised gains from investments 'available-for-sale'	640	972	3,481	8,914
Dividend income	4,802	3,161	5,426	3,693
	<u>4,028</u>	<u>8,420</u>	<u>8,728</u>	<u>17,366</u>

11. Income from sale of share in a subsidiary

This represents net gain on sale of 20% of the equity investment in a subsidiary in Africa.

12. 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 30 June (Unaudited)		Six months ended 30 June (Unaudited)	
	2008	2007	2008	2007
	KD'000		KD'000	
Net profit for the period attributable to shareholders	74,711	77,552	147,970	148,911
	Shares	Shares	Shares	Shares
Parent Company's issued and paid-up shares	2,843,483,739	2,839,094,079	2,843,483,739	2,839,094,079
Less: Weighted average number of treasury shares	(52,903,752)	(52,903,752)	(52,903,752)	(52,903,752)
Weighted average shares	2,790,579,987	2,786,190,327	2,790,579,987	2,786,190,327
Dilutive potential shares	950,909,319	4,254,594	581,687,844	4,254,594
Adjusted weighted average shares	<u>3,741,489,306</u>	<u>2,790,444,921</u>	<u>3,372,267,831</u>	<u>2,790,444,921</u>
	Fils	Fils	Fils	Fils
Earnings per share – Basic	<u>27</u>	<u>28</u>	<u>53</u>	<u>53</u>
Earnings per share – Diluted	<u>20</u>	<u>28</u>	<u>44</u>	<u>53</u>

Basic and diluted earnings per share from operations reported for the three and six months ended 30 June 2007 was 42 and 80 fils respectively, before retroactive adjustment relating to issue of bonus shares.

Notes to the Interim Consolidated Financial Information - 30 June 2008 (Unaudited)

13. 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 2008 (Unaudited)							
	Kuwait	Jordan	Bahrain	Lebanon	Sudan	Sub-Saharan Africa	Others	Total
	KD '000							
Segment revenues	189,279	61,946	28,881	9,057	113,761	532,878	-	935,802
Net profit	83,535	14,098	3,665	2,035	27,561	45,306	(28,230)	147,970
Segment assets	1,902,841	157,075	61,442	6,121	353,358	1,987,439	1,038,288	5,506,564
Consolidation adjustment								(935,324)
<b>Consolidated assets</b>								<b>4,571,240</b>
Segment liabilities	370,758	72,904	33,522	3,771	245,512	886,414	1,492,509	3,105,390
Consolidation adjustment								(237,905)
<b>Consolidated liabilities</b>								<b>2,867,485</b>
<b>Net assets</b>								<b>1,703,755</b>
Capital expenditure Incurred during the period	10,892	3,021	2,215	12	66,013	224,513	-	306,666
Depreciation and amortisation	12,293	8,141	2,355	5	6,709	103,994	6,598	140,095
	30 June 2007 (Unaudited)							
	Kuwait	Jordan	Bahrain	Lebanon	Sudan	Sub-Saharan Africa	Others	Total
	KD '000							
Segment revenues	177,313	66,693	19,242	8,753	117,822	409,717	-	799,540
Net profit	77,760	17,008	2,248	1,791	36,478	19,707	(6,081)	148,911
Segment assets	1,598,618	170,032	51,032	6,501	150,553	791,648	1,901,201	4,669,585
Consolidation adjustment								(1,063,203)
<b>Consolidated assets</b>								<b>3,606,382</b>
Segment liabilities	179,551	81,253	32,124	3,611	84,980	720,853	1,389,235	2,491,607
Consolidation adjustment								(460,321)
<b>Consolidated liabilities</b>								<b>2,031,286</b>
<b>Net assets</b>								<b>1,575,096</b>
Capital expenditure incurred during the period	14,982	2,029	1,513	4	11,475	229,645	-	259,648
Depreciation and amortisation	11,464	9,750	2,437	4	11,810	73,197	8,032	116,694

Notes to the Interim Consolidated Financial Information - 30 June 2008 (Unaudited)

14. Related party transactions

The principal transactions with related parties on terms approved by management are as follows:

Transactions

	<u>Three months ended 30 June</u>		<u>Six months ended 30 June</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
	<u>KD'000</u>		<u>KD'000</u>	
Management fee (included in other income)	2,490	1,136	4,981	2,234

Balances

	<u>Unaudited</u>	<u>Audited</u>	<u>Unaudited</u>
	<u>30 June</u>	<u>31 December</u>	<u>30 June</u>
	<u>2008</u>	<u>2007</u>	<u>2007</u>
	<u>KD '000</u>		
Trade and other receivables	40,399	72,660	13,403
Trade and other payables	-	43,251	-

Key management compensation

	<u>Unaudited</u>	<u>Audited</u>	<u>Unaudited</u>
	<u>30 June</u>	<u>31 December</u>	<u>30 June</u>
	<u>2008</u>	<u>2007</u>	<u>2007</u>
	<u>KD '000</u>		
Salaries and other short term employee benefits	2,345	3,243	2,202
Post employment benefits	291	277	352
Share based payments	1,695	3,243	890

15. Commitments and contingencies

	<u>Unaudited</u>	<u>Audited</u>	<u>Unaudited</u>
	<u>30 June</u>	<u>31 December</u>	<u>30 June</u>
	<u>2008</u>	<u>2007</u>	<u>2007</u>
	<u>KD '000</u>		
Capital expenditure	284,501	489,249	319,270
Capital expenditure- share of associates	95,904	82,899	999
Uncalled share capital of investee companies	470	7,558	-
Letters of credit	71,332	5,288	10,445
Letters of guarantee	500,775	184,485	41,853

Jordan Mobile Telecommunications Services Co. JSC is a defendant in lawsuits and arbitration proceedings amounting to approximately KD 420,500 (31 December 2007 – KD 425,000; 30 June 2007 - KD 936,000). 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 advisors, 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 or the consolidated operations of the Group.

The Parent Company is contingently liable for a claim filed by the Ministry of Communications (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 favour of MoC, but the Parent Company won an appeal against the verdict in September 2007. Pending the outcome of the appeal filed by MoC in the Supreme Court, the Parent Company's management is of the opinion that the above claim will not materially affect the Group's financial statements.

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