

**Mobile Telecommunications Company KSC and subsidiaries
Kuwait**

**Consolidated Annual Financial Statements and
Independent Auditors' Report**

31 December 2006

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**Mobile Telecommunications Company KSC
Kuwait**

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Mobile Telecommunications Company KSC ("the Parent Company") and its subsidiaries (the Group), which comprise the consolidated balance sheet as of 31 December 2006, the related consolidated statements of income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the consolidated financial statements

The Parent Company's management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

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

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

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

Opinion


In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2006, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on other Legal and Regulatory Requirements

Furthermore, in our opinion proper books of accounts have been kept by the Group and the consolidated financial statements, together with the contents of the report of the Board of Directors relating to these financial statements, are in accordance therewith. We further report that we obtained all the information and explanations that we required for the purpose of our audit; and that the consolidated financial statements incorporate all information that is required by Commercial Companies Law of 1960, as amended, and by the Parent Company's Articles of Association; that an inventory was duly carried out; and 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 have occurred during the year ended 31 December 2006 that might have had a material effect on the business of the Group or on its consolidated financial position.



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Kuwaiti Accountant Auditing
A member of HLB International

Kuwait
18 February 2007

Consolidated Balance Sheet as of 31 December 2006

	Note	2006	2005 (Restated)
		KD'000	
ASSETS			
Current assets			
Cash and bank balances	4	474,322	292,879
Trade and other receivables	5	184,485	80,021
Inventories	6	14,791	7,025
Investment securities at fair value through profit or loss	7	18,455	14,566
Total current assets		<u>692,053</u>	<u>394,491</u>
Non-current assets			
Deferred tax assets	8	40,618	6,723
Investment securities available for sale	7	134,842	147,111
Investment in associates	9	8,026	236,383
Property and equipment	10	1,090,029	499,853
Intangible assets	11	1,504,773	756,838
Other financial assets	12	6,648	14,908
		<u>2,784,936</u>	<u>1,661,816</u>
Total assets		<u>3,476,989</u>	<u>2,056,307</u>
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables	13	426,605	240,915
Due to banks	14	460,721	248,417
Due to minority interest holders	16	155,262	-
		<u>1,042,588</u>	<u>489,332</u>
Non-current liabilities			
Due to banks	14	921,117	190,342
Deferred tax liabilities	8	9,980	5,879
Other non-current liabilities	15	16,022	21,016
Due to minority interest holders	16	-	131,154
		<u>947,119</u>	<u>348,391</u>
Equity			
Attributable to Parent Company's shareholders			
Share capital	17	126,182	109,723
Treasury shares	17	(15,576)	(15,576)
Share premium	17	624,465	624,465
Legal reserve	17	63,091	54,862
Voluntary reserve	17	63,091	54,862
Foreign currency translation reserve		(24,352)	2,352
Investment fair valuation reserve		41,778	55,540
Share based compensation reserve		5,736	-
Retained earnings		480,367	299,512
		<u>1,364,782</u>	<u>1,185,740</u>
Minority interest		<u>122,500</u>	<u>32,844</u>
Total equity		<u>1,487,282</u>	<u>1,218,584</u>
Total Liabilities and Equity		<u>3,476,989</u>	<u>2,056,307</u>

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

Asa'ad Ahmed Al Banwan
Chairman

Dr. Saad Hamad Al Barrak
Managing Director - Deputy Chairman

Mobile Telecommunications Company KSC and subsidiaries

Consolidated Statement of Income – Year ended 31 December 2006

	Note	2006	2005 (Restated)
		<u>KD'000</u>	
Revenue	18	1,210,407	579,496
Cost of sales		<u>(187,721)</u>	<u>(90,741)</u>
Gross profit		1,022,686	488,755
Distribution, marketing & operating expenses		(336,515)	(158,396)
General and administrative expenses		(115,829)	(56,079)
Depreciation and amortization	10,11	(150,652)	(66,326)
Goodwill written off on disposal of shares in subsidiaries	3	(5,785)	(1,663)
Provision for impairment – trade and other receivables		<u>(2,921)</u>	<u>(7,075)</u>
Operating profit		410,984	199,216
Interest income		18,254	4,613
Investment income	19	7,810	20,930
Share of profit of associates (net)		5,825	25,300
Other income		9,505	4,213
Finance cost		(88,084)	(50,224)
Gain from currency revaluation		3,396	5,191
Board of Directors' remuneration		(28)	(28)
Contribution to Kuwait Foundation for Advancement of Sciences		(3,045)	(1,811)
National Labour Support Tax	20	<u>(4,319)</u>	<u>(2,877)</u>
Profit for the year before income tax		360,298	204,523
Income tax expense of subsidiaries	21	<u>(34,972)</u>	<u>(28,912)</u>
Profit for the year from continuing operations		325,326	175,611
Discontinued operations			
Profit for the year from discontinued operations		<u>-</u>	<u>10,995</u>
Profit for the year		<u><u>325,326</u></u>	<u><u>186,606</u></u>
Attributable to:			
Shareholders of the Parent Company		305,298	181,912
Minority interest		<u>20,028</u>	<u>4,694</u>
		<u><u>325,326</u></u>	<u><u>186,606</u></u>
		<u>Fils</u>	<u>Fils</u>
Basic earnings per share	22		
From continuing operations		247	171
From discontinued operations		<u>-</u>	<u>11</u>
For the year		<u>247</u>	<u>182</u>
Diluted earnings per share	22	<u>246</u>	<u>182</u>

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

Mobile Telecommunication Company KSC and subsidiaries

Consolidated Statement of Changes in Shareholders' Equity – 31 December 2006

	Equity attributable to Parent Company's Shareholders									Minority interest	Total equity
	Share capital	Share Premium	Treasury shares	Legal reserve	Voluntary reserve	Foreign currency translation reserve	Investment fair valuation reserve	Share based compensation reserve	Retained earnings		
	KD '000										
Balance at 1 January 2006 (restated)	109,723	624,465	(15,576)	54,862	54,862	2,352	55,540	-	299,512	32,844	1,218,584
Net exchange differences	-	-	-	-	-	(26,704)	-	-	-	(742)	(27,446)
Realised loss on available-for-sale investments (net)	-	-	-	-	-	-	39	-	-	-	39
Changes in fair value of available-for-sale investments	-	-	-	-	-	-	(13,801)	-	-	-	(13,801)
Share based compensation (Note 24)	-	-	-	-	-	-	-	5,736	-	-	5,736
Net income / (expense) recognised directly in equity	-	-	-	-	-	(26,704)	(13,762)	5,736	-	(742)	(35,472)
Profit for the year from continuing operations	-	-	-	-	-	-	-	-	305,298	20,028	325,326
Total recognised income/(loss) for the year	-	-	-	-	-	(26,704)	(13,762)	5,736	305,298	19,286	289,854
Transfer to reserves	-	-	-	8,229	8,229	-	-	-	(16,458)	-	-
Business combinations	-	-	-	-	-	-	-	-	-	74,281	74,281
Sale/purchase of shares to/from minority interest (net)	-	-	-	-	-	-	-	-	-	854	854
Share of put option liability - Zambia	-	-	-	-	-	-	-	-	-	(1,827)	(1,827)
Issue of bonus shares (2005)	16,459	-	-	-	-	-	-	-	(16,459)	-	-
Cash dividends (2005)	-	-	-	-	-	-	-	-	(91,526)	(2,938)	(94,464)
Balance at 31 December 2006	126,182	624,465	(15,576)	63,091	63,091	(24,352)	41,778	5,736	480,367	122,500	1,487,282
Balance at 1 January 2005	51,796	-	(4,028)	49,330	44,733	(702)	30,080	-	218,157	2,006	391,372
Net exchange differences	-	-	-	-	-	3,054	-	-	-	(436)	2,618
Realised gain on available-for-sale investments (net)	-	-	-	-	-	-	(6,129)	-	(72)	-	(6,201)
Changes in fair value of available-for-sale investments	-	-	-	-	-	-	31,589	-	-	-	31,589
Net income / (expense) recognised directly in equity	-	-	-	-	-	3,054	25,460	-	(72)	(436)	28,006
Profit for the year from continuing operations (as restated) Note 31	-	-	-	-	-	-	-	-	170,917	4,694	175,611
Profit from discontinued operations	-	-	-	-	-	-	-	-	10,995	-	10,995
Total recognised income for the year	-	-	-	-	-	3,054	25,460	-	181,840	4,258	214,612
Issue of share capital	54,301	624,465	(11,548)	-	-	-	-	-	-	3,095	670,313
Transfer to reserves	-	-	-	5,532	10,129	-	-	-	(15,661)	-	-
Business combinations	-	-	-	-	-	-	-	-	-	25,193	25,193
Issue of bonus shares (2004)	3,626	-	-	-	-	-	-	-	(3,626)	-	-
Cash dividends (2004)	-	-	-	-	-	-	-	-	(81,198)	(1,708)	(82,906)
Balance at 31 December 2005 (restated)	109,723	624,465	(15,576)	54,862	54,862	2,352	55,540	-	299,512	32,844	1,218,584

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

Mobile Telecommunications Company KSC and subsidiaries

Consolidated Statement of Cash Flows – year ended 31 December 2006

	2006	2005 (Restated)
	KD '000	
Cash flows from operating activities		
Profit for the year before income tax (2005 - includes profit from discontinued operations)	360,298	215,518
Adjustments for:		
Depreciation, amortization and goodwill written off	156,437	67,989
Provision for contingencies	-	(4,541)
Finance cost	88,084	50,224
Interest income	(18,254)	(4,613)
Investment income	(7,810)	(20,930)
Share of profit of associates	(5,825)	(25,300)
Gain from currency revaluation	(3,396)	(5,190)
Gain on sale of property and equipment	1,062	(4)
Profit on sale of subsidiary	(268)	(10,995)
<i>Operating profit before working capital changes</i>	<u>570,328</u>	<u>262,158</u>
Decrease in trade and other receivables	177,980	10,613
Increase in inventories	(5,145)	(197)
Increase in trade and other payables	85,804	30,219
(Increase)/ decrease in other non-current liabilities	<u>2,287</u>	<u>(4,809)</u>
<i>Cash generated from operations</i>	831,254	297,984
<i>Payments:</i>		
Income tax	(31,146)	(10,833)
Board of Directors' remuneration	(28)	(28)
Kuwait Foundation for Advancement of Sciences	(1,851)	(1,239)
National Labour Support Tax	<u>(2,877)</u>	<u>(2,403)</u>
<i>Net cash from operating activities</i>	<u>795,352</u>	<u>283,481</u>
Cash flows from investing activities		
Proceeds from sale of investment securities	4,144	60,875
Acquisition of investments	(8,136)	(20,138)
Proceeds from sale of subsidiaries	268	15,813
Acquisition of subsidiaries (Note 29)	(529,441)	(839,972)
Acquisition of property and equipment (net)	(441,764)	(130,186)
Acquisition of intangible assets	(37,292)	(13,616)
Interest received	<u>15,879</u>	<u>4,062</u>
<i>Net cash used in investing activities</i>	<u>(996,342)</u>	<u>(923,162)</u>
Cash flows from financing activities		
Proceeds from/(repayment) of bank borrowings (net)	545,451	228,602
Minority shareholder's capital contribution - Bahraini subsidiary	-	3,095
Proceeds from issue of share capital	-	667,218
Dividends paid	(93,321)	(83,447)
Finance cost paid	<u>(92,136)</u>	<u>(37,552)</u>
<i>Net cash from financing activities</i>	<u>359,994</u>	<u>777,916</u>
Net increase in cash and cash equivalents	159,004	138,235
Effects of exchange rate changes on cash and cash equivalents	11,272	(375)
Cash and cash equivalents at beginning of year	292,879	151,472
Cash with Celtel Stichting International (Note 24)	<u>11,167</u>	<u>3,547</u>
Cash and cash equivalents at end of year (Note 4)	<u>474,322</u>	<u>292,879</u>

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

1. Incorporation and activities

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

The Parent Company and its subsidiaries (the Group) along with associates provide mobile telecommunication services in Kuwait and 19 other countries (2005 : Kuwait and 18 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. The principal subsidiaries and associates are listed in Note 3.

These consolidated financial statements have been approved for issue by the Board of Directors of the Parent Company on 18 February 2007 and are subject to approval of the shareholders at the forthcoming Annual General Meeting.

2. Basis of preparation and significant accounting policies

2.1 Basis of preparation

These consolidated financial statements have been prepared in conformity with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC). These financial statements are prepared under the historical cost basis of measurement as modified by the revaluation at fair value of financial assets held as “at fair value through profit or loss” or “available for sale” and revaluation of previously held interests arising from a business combination achieved in stages. These consolidated financial statements have been presented in Kuwaiti Dinars, rounded to the nearest thousand.

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that may affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. It also requires management to exercise its judgment in the process of applying the accounting policies. The areas involving a high degree of judgment or complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 30.

In 2005 the Group used provisional values to account for business combinations that took place in that year and completed the purchase price allocation (PPA) in 2006. Previous year figures have been restated as disclosed in Note 31 to give effect to adjustments arising from the PPA.

2.2 Changes in accounting policies

The following IASB Standards and Interpretations have been issued but are not yet mandatory, and have not yet been adopted by the Group:

IFRS 7 Financial Instruments: Disclosures

IFRIC Interpretation 8 Scope of IFRS 2

IFRIC Interpretation 9 Reassessment of Embedded Derivatives

IFRIC Interpretation 10 *Interim Financial Reporting and Impairment*

IFRIC Interpretation 11 *IFRS 2 – Group and Treasury Share Transactions*

The application of IFRS 7, which will be effective for the year ending 31 December 2007 will result in amended and additional disclosures relating to financial instruments and associated risks. The application of IFRIC 8, 9, 10 and 11, which will be effective for the year ending 31 December 2007, is not expected to have a material impact on the financial statements of the Group.

Business Combinations

A business combination is the bringing together of separate entities or businesses into one reporting entity as a result of one entity, the acquirer, obtaining control of one or more other businesses. The purchase method of accounting is used to account for business combinations. The cost of acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of the exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination (net assets acquired in a business combination) are measured initially at the fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired in a business combination is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the statement of income.

When a business combination is achieved in stages, each exchange transaction is treated separately and the cost of the transaction and fair value information at the date of transaction is used to determine the amount of goodwill associated with the transaction. An adjustment is made to recognise previously held interests at their fair values on the date of the latest exchange transaction which is accounted for as a revaluation.

The Group separately recognizes the contingent liabilities of an acquiree at the acquisition date, if its fair value can be measured reliably.

The Group uses provisional values for the initial accounting of a business combination and recognizes any adjustment to these provisional values within twelve months from the acquisition date.

2.3 Consolidation

Subsidiaries are those enterprises, including special purpose entities, controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements on a line-by-line basis, from the date on which control is transferred to the Group until the date that control ceases.

Minority interest in an acquiree is stated at the minority's proportion of the net fair value of the identifiable assets, liabilities and contingent liabilities at the date of the original business combination and the minority's share of changes in the equity since the date of the combination. Equity and net income attributable to minority shareholders' interests are shown separately in the balance sheet and statement of income respectively. Minority interest is classified as financial liability to the extent there is an obligation to deliver cash or another financial asset to settle the minority interest.

Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances based on latest audited financial statements or audited financial information of the subsidiaries. Intra group balances, transactions, income and expenses are eliminated in full. Unrealised losses resulting from inter-company transactions are also eliminated unless cost cannot be recovered.

2.4 Financial instruments

Classification

In the normal course of business the Group uses financial instruments, principally cash, deposits, receivables, investments, payables, due to banks and derivatives.

In accordance with International Accounting Standard (IAS) 39, the Group classifies financial assets as “at fair value through profit or loss”, “loans and receivables” or “available for sale”. All financial liabilities are classified as “other than at fair value through profit or loss”.

Recognition/ de-recognition

A financial asset or a financial liability is recognized when the Group becomes a party to the contractual provisions of the instrument. A financial asset (in whole or in part) is de-recognised when the contractual rights to receive cash flows from the financial asset has expired or the Group has transferred substantially all risks and rewards of ownership and has not retained control. If the Group has retained control, it continues to recognise the financial asset to the extent of its continuing involvement in the financial asset

All regular way purchase and sale of financial assets are recognized using settlement date accounting. Changes in fair value between the trade date and settlement date are recognized in the statement of income in accordance with the policy applicable to the related instrument. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulations or conventions in the market place.

Measurement

Financial instruments

All financial assets or financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue are added except for those financial instruments classified as “at fair value through profit or loss”.

Financial assets at fair value through profit or loss

Financial assets “carried at fair value through profit or loss” are divided into two sub categories: financial assets held for trading, and those designated at fair value through income statement at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if they are managed and their performance is evaluated and reported internally on a fair value basis in accordance with a documented investment strategy. Derivatives are classified as “held for trading” unless they are designated as hedges and are effective hedging instruments, in which case they are classified as “at fair value through profit or loss”.

Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are subsequently measured and carried at amortised cost using the effective yield method.

Available for sale

These are non-derivative financial assets not included in any of the above classifications and principally acquired to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices. These are subsequently measured and carried at fair value and any resultant gains or losses are recognized in equity. When the “available for sale” asset is disposed of or impaired, the related accumulated fair value adjustments are transferred to the statement of income as gains or losses.

Financial liabilities/ equity

Financial liabilities “other than at fair value through profit or loss” are subsequently measured and carried at amortized cost using the effective yield method. Equity interests are classified as financial liabilities if there is a contractual obligation to deliver cash or another financial asset.

Fair values

Fair values of quoted instruments are based on quoted closing bid prices. If the market for a financial asset is not active or the financial instrument is unquoted, fair value is derived from recent arm’s length transactions, discounted cash flow analysis, other valuation techniques commonly used by market participants or determined with reference to market values of similar instruments.

The fair value of financial instruments carried at amortised cost is estimated by discounting the future contractual cash flows at the current market interest rates for similar financial instruments.

Impairment

A financial asset is impaired if its carrying amount is greater than its estimated recoverable amount. An assessment is made at each balance sheet date to determine whether there is objective evidence that a specific financial asset or a group of similar assets may be impaired. If such evidence exists, the asset is written down to its recoverable amount. The recoverable amount of an interest bearing instrument is determined based on the net present value of future cash flows discounted at original effective interest rates; and of an equity instrument is determined with reference to market rates or appropriate valuation models. Any impairment loss is recognised in the statement of income. For available for sale equity investments, reversals of impairment losses are recorded as increases in fair valuation reserve through equity.

Financial assets are written off when there is no realistic prospect of recovery.

2.5 Cash and cash equivalents

Cash on hand, demand and time deposits with banks whose original maturities do not exceed three months are classified as cash and cash equivalents in the statement of cash flows.

2.6 Inventories

Inventories are stated at the lower of weighted average cost and net realizable value.

2.7 Income taxes

Income tax payable on profits is recognized as an expense in the period in which the profits arise based on the applicable tax laws in each jurisdiction.

Deferred income tax on the net operating results is provided using the liability method on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax provisions depend on whether the timing of the reversal of the temporary difference can be controlled and whether it is probable that the temporary difference will reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or subsequently enacted at the balance sheet date.

Deferred tax assets are recognized for all temporary differences, including carry-forward of unused tax losses, to the extent that it is probable that taxable profit will be available against which the temporary difference can be utilised. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is not probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilised.

2.8 Investments in associates

Associates are those entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are initially recognised at cost and are subsequently accounted for by the equity method of accounting from the date of significant influence to the date it ceases. Under the equity method, the Group recognises in the statement of income, its share of the associate's post acquisition results of operations and in equity, its share of post acquisition movements in reserves that the associate directly recognises in equity. The cumulative post acquisition adjustments, and any impairment, are directly adjusted against the carrying value of the associate. Appropriate adjustments such as depreciation, amortisation and impairment losses are made to the Group's share of profit or loss after acquisition to account for the effect of fair value adjustments made at the time of acquisition.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivable, the Group does not recognise further losses unless it has incurred obligations or made payments on behalf of the associate.

2.9 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Property and equipment are depreciated on a straight-line basis over their estimated economic useful lives, which are as follows:

	Years
Buildings	8 – 50
Cellular and other equipment	4 – 12
Aircraft	10
Furniture	1 – 12

These assets are reviewed periodically for any impairment. If there is an indication that the carrying value of an asset is greater than its recoverable amount, the asset is written down to its recoverable amount and the resultant impairment loss is taken to the statement of income. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

2.10 Intangible assets and goodwill

Identifiable non-monetary assets acquired in connection with the business and from which future benefits are expected to flow are treated as intangible assets. Intangible assets comprise of telecom license fees, customer contracts and relationships, key money and software rights.

Intangible assets with indefinite useful lives are not subject to amortisation and are tested at least annually for impairment.

Intangible assets which have a finite life are amortized over their useful lives. For acquired network businesses whose operations are governed by fixed term licenses, the amortisation period is determined primarily by reference to the unexpired license period and the conditions for license renewal. Telecom license fees are amortised on a straight line basis over the life of the license. Key money and software rights are amortized on a straight line basis over a period of five years. Customer contracts and relationships are amortised over a period of three years.

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of identifiable net assets acquired in a business combination or an associate at the date of acquisition. Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates. Goodwill is allocated to each cash generating unit for the purpose of impairment testing. Goodwill is tested at least annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on disposal of an entity or a part of the entity include the carrying amount of goodwill relating to the entity or the portion sold.

Assets are grouped at the lowest levels for which there are separately identifiable cash flows for the purpose of assessing impairment. If there is an indication that the carrying value of an intangible asset is greater than its recoverable amount, it is written down to its recoverable amount and the resultant impairment loss taken to the statement of income and that relating to goodwill cannot be reversed in a subsequent period.

2.11 Provisions for liabilities

Provisions for liabilities are recognized when as a result of past events it is probable that an outflow of economic resources will be required to settle a present legal or constructive obligation; and the amount can be reliably estimated.

2.12 Share-based payment transactions

The Group operates both an equity settled and a cash settled, share based compensation plan. The cost of these share based transactions is measured at fair value at the date of the grant taking into account the terms and conditions upon which the instruments were granted. The fair value is expensed over the vesting period with recognition of a corresponding adjustment in equity in the case of equity settled plans and in liability in the case of cash settled plans. The cost of equity settled plan is measured with reference to the fair value at the date on which they are granted using an option pricing model, which is then recognised as an expense over the vesting period with a corresponding increase in equity. The fair value of these options excludes non-market vesting conditions, which are included in assumptions about the number of options that are expected to vest. It recognises the impact of the revision to the original estimates, if any in the statement of income, with a corresponding increase or decrease in equity.

2.13 Post employment benefits

The Group is liable to make defined contributions to State Plans and lump sum payments under defined benefit plans to employees at cessation of employment, in accordance with the laws of the place where they are deemed to be employed. The defined benefit plan is unfunded and is computed as the amount payable to employees as a result of involuntary termination on the balance sheet date. This basis is considered to be an approximation of the present value of the final obligation.

2.14 Treasury shares

The cost of the Parent Company's own shares purchased, including directly attributable costs, is classified under equity. Gains or losses arising on sale are separately disclosed under shareholders' equity and these amounts are not available for distribution. These shares are not entitled to cash dividends and rights issues. The issue of bonus shares increases the number of treasury shares proportionately and reduces the average cost per share without affecting the total cost of treasury shares.

2.15 Accounting for leases

Where the Group is the lessee

Operating leases

Leases of property and equipment under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the statement of income on a straight-line basis over the period of the lease.

Finance leases

Leases of property and equipment where the Group assumes substantially all the benefits and risks of ownership are classified as finance leases. Finance leases are recognised as assets in the balance sheet at the estimated present value of the related lease payments. Each lease payment is allocated between the liability and finance charge so as to produce a constant periodic rate of interest on the balance of liability outstanding.

2.16 Revenue

Airtime revenue is recognized based on actual usage. Subscription income is recognized on a time proportion basis. Other revenues primarily comprising of handset equipment and sim card starter pack sales are recognized upon delivery to customers. Interest income is recognized on a time proportion basis using the effective yield method and dividend income is recognized when the right to receive payment is established.

2.17 Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred, except to the extent that they are capitalised. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of the asset.

2.18 Foreign currencies

The functional currency of an entity is the currency of the primary economic environment in which it operates and in the case of the Parent Company it is the Kuwaiti Dinar and in the case of subsidiaries it is generally their respective national currencies. Foreign currency transactions are recorded at the rates of exchange prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Kuwaiti Dinars at the rates of exchange prevailing on that date. Resultant gains and losses are taken to the statement of income.

Translation differences on non-monetary items, such as equities classified as available for sale financial assets are included in the investment fair valuation reserve in equity.

The income and cash flow statements of foreign operations are translated into the Parent Company's reporting currency at average exchange rates for the year and their balance sheets are translated at exchange rates ruling at the year-end. Exchange differences arising from the translation of the net investment in foreign operations (including goodwill and fair value adjustments arising on business combinations) and of borrowings and other currency instruments designated as hedges of such instruments, are taken to shareholders' equity. When a foreign operation is sold, any resultant exchange differences are recognised in the statement of income as part of the gain or loss on sale.

2.19 Discontinued operations

An entity is classified as a discontinued operation when the criteria to be classified as held for sale has been met or it has been disposed of. An item is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. Such a component represents a separate major line of business or geographical area of operations.

2.20 Contingencies

Contingent assets are not recognised as an asset till realisation becomes virtually certain. Contingent liabilities, other than those arising on acquisition of subsidiaries, are not recognized as a liability unless as a result of past events it is probable that an outflow of economic resources will be required to settle a present, legal or constructive obligation; and the amount can be reliably estimated. Contingent liabilities arising in a business combination is recognized only if its fair value can be measured reliably.

3. Subsidiaries and Associates

The principal subsidiaries and associates are:

Subsidiary	Country of Incorporation	Percentage of ownership	
		2006	2005
Mobile Telecommunications Company International B.V. – “MTCI”	The Netherlands	100%	100%
Pella Investment Company – “Pella”	Jordan	96.516%	96.516%
MTC Vodafone Bahrain B.S.C (Closed) - “MTCB”	Bahrain	60%	60%
Mobile Telecommunications Company Lebanon (MTC) S.A.R.L. “MTCL”	Lebanon	100%	100%
Associate			
Atheer Telecom Iraq Limited – “Atheer”	Cayman Islands	30%	30%

MTCI holds 100% of Celtel International B.V Netherlands (Celtel) which is a Dutch holding and finance company principally engaged in the business of operating cellular telecommunications networks in 15 countries in Africa.

Subsidiary	Country of Incorporation	Percentage of ownership	
		2006	2005
Celtel Burkina Faso S.A	Burkina Faso	95.71%	95.71%
Celtel Tchad S.A	Chad	100%	100%
Celtel Congo (DRC) SARL	Dem. Rep of Congo	98.50%	98.50%
Celtel Congo S.A	Republic of Congo	90%	98.12%
Celtel Gabon S.A	Gabon	84%	84%
Celtel Kenya Limited	Kenya	60%	60%
Celtel Malawi Limited	Malawi	100%	100%
Celtel Niger S.A	Niger	80%	70%
Celtel (S.L) Limited	Sierra Leone	100%	100%
Celtel Limited Uganda	Uganda	100%	100%
Celtel Zambia Limited	Zambia	88.88%	88.88%
Celtel Tanzania Limited	Tanzania	60%	60%
Madacom SA	Madagascar	100%	100%
Vee Networks Limited (trading as Celtel Nigeria)	Nigeria	65%	-
Sudanese Mobile Telephone Company Limited	Sudan	100%	39%
Special Purpose Entity			
Stichting Celtel International (Note 24)	The Netherlands		

On 6 February 2006 the Group obtained control of Sudanese Mobile Telephone Company Limited, Sudan (Mobitel) by acquiring an additional 61% of its ordinary shares taking its effective ownership to 100% for a purchase consideration of US\$ 1.332 billion (approximately KD 389 million).

On 31 May 2006 the Group obtained control of Vee Networks Limited, Nigeria (V Mobile) by acquiring 65% of its ordinary shares for a purchase consideration of US\$ 1.005 billion (approximately KD 293 million) from the shareholders of V Mobile (the vendors). The business which was trading as V Mobile is now trading as Celtel Nigeria.

The vendors of V Mobile were obliged under the pre-emption right provision of a shareholders agreement to first offer the shares to each other and then to a third party. The vendor offered to the third party its right of use of its pre-emptive rights under the above provisions, but it lapsed since they were unable to provide the finance within the 30 days deadline as specified in the shareholders agreement. The third party has filed a suit in Nigerian Courts to uphold its pre-emption status but Group management believes that it has meritorious defenses. During the year a number of court decisions have been in the Group's favour but a final decision has not been issued.

Details of these transactions are disclosed in Note 27.

During the year, the Group sold 8.12% of its equity holding in Celtel S.A., Congo for a total deferred consideration of Congolese Francs 5 billion (KD 2.7 million), bringing down its holding to 90%, at a loss of KD 6.6 million. The consideration is to be settled against future dividends from Celtel S.A Congo. In 2005, the Group transferred 1.5% of its equity holding in Celtel Congo (DRC) SARL to the Government of the Democratic Republic of Congo. During the year, the Group increased its ownership in Celtel Niger S.A. from 70% to 80% by acquiring additional equity shares.

Pella owns 100% of Jordan Mobile Telecommunications Services Co. JSC – "JMTS".

JMTS, MTCB and Atheer operate the cellular mobile telecommunications network in Jordan, Bahrain and Iraq respectively. MTCL manages the state owned cellular mobile telecommunications network in Lebanon.

Atheer's telecom license has been renewed since 30 June 2006 for further periods of up to three months at a time. Atheer plans to bid for the new licence but at present there is no certainty regarding the outcome of the bid. Furthermore, Atheer's working capital is in deficit. The financial statements of Atheer included in these financial statements have been prepared on a going concern basis as it expects to retain the licence due to its service capabilities and the commitment of its shareholders to provide financial support.

4. Cash and bank balances

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

	<u>2006</u>	<u>2005</u>
	<u>KD'000</u>	
Cash on hand and at banks	371,731	91,788
Short-term deposits with banks with original maturities of less than three months	<u>102,591</u>	<u>201,091</u>
Cash and cash equivalents	<u>474,322</u>	<u>292,879</u>

The effective interest rate on short-term deposits as of 31 December 2006 was 5.15% to 7.25% per annum (2005 – 3.625% to 5.25%).

5. Trade and other receivables

	<u>2006</u>	<u>2005</u>
	<u>KD'000</u>	
Subscribers	100,972	63,921
Distributors	31,231	12,373
Provision for impairment	<u>(39,038)</u>	<u>(37,510)</u>
	93,165	38,784
Accrued income	7,485	3,892
Staff	1,833	936
Due from an associate	11,512	2,152
Prepayments, advances and deposits	<u>70,490</u>	<u>34,257</u>
	<u>184,485</u>	<u>80,021</u>

Reconciliation of provision for impairment of trade and other receivables:

	<u>2006</u>	<u>2005</u>
	<u>KD'000</u>	
Opening balance - 1 January	37,510	21,039
On acquisition of subsidiaries	8,787	12,998
Recoveries/Write back of provisions	(10,180)	(3,602)
Charge for the year	<u>2,921</u>	<u>7,075</u>
Closing balance – 31 December	<u>39,038</u>	<u>37,510</u>

6. Inventories

	<u>2006</u>	<u>2005</u>
	<u>KD'000</u>	
Handsets and accessories	17,094	9,253
Provision for obsolescence	<u>(2,303)</u>	<u>(2,228)</u>
	<u>14,791</u>	<u>7,025</u>

7. Investment securities

	<u>2006</u>	<u>2005</u>
	<u>KD'000</u>	
<i>Current investments</i>		
Investment securities at fair value through profit or loss		
Quoted equities	12,165	14,566
Funds	<u>6,290</u>	<u>-</u>
	<u>18,455</u>	<u>14,566</u>
<i>Non current investments</i>		
Available for sale		
Quoted equities	78,546	90,201
Funds	38,408	40,598
Unquoted equities	19,580	18,004
Impairment loss	<u>(1,692)</u>	<u>(1,692)</u>
	<u>134,842</u>	<u>147,111</u>

Available for sale investments include unlisted securities with original cost of KD 7,678,000 (2005 – KD 7,763,000) carried at cost less impairment since it is not possible to reliably measure its fair value.

During the year the Group recognized unrealized loss of KD 13,801,000 (2005 – unrealized gain of KD 31,589,000) in investment fair valuation reserve arising from fair valuation of 'available for sale' investments and transferred a loss of KD 39,000 (2005 – profit of KD 6,129,000) from investment fair valuation reserve to the statement of income, arising from disposals.

8. Deferred tax assets/ liabilities

	<u>2006</u>	<u>2005</u>
	<u>KD'000</u>	
<i>Deferred tax assets:</i>		
Deferred tax assets to be recovered after more than 12 months	1,939	4,449
Deferred tax assets to be recovered within 12 months	<u>38,679</u>	<u>2,274</u>
	<u>40,618</u>	<u>6,723</u>
<i>Deferred tax liabilities:</i>		
Deferred tax liability payable after more than 12 months	9,980	5,879
Deferred tax liability payable within 12 months	<u>-</u>	<u>-</u>
	<u>9,980</u>	<u>5,879</u>

9. Investments in associates

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

	2006	2005
		(Restated)
	KD'000	
Opening balance	236,383	5,362
On acquisition of subsidiaries	-	39,586
Capital contribution during the year	450	-
Share of profit for the year	5,825	25,300
On transfer of ownership of Celtel Tanzania	-	(4,524)
Transferred to goodwill	(515)	(14,255)
Foreign currency translation adjustment	761	3,715
Dividend received	(34,126)	-
Transferred to available-for-sale investment securities	-	(9,726)
Adjustments to identifiable assets and liabilities	(189,096)	190,925
Adjustment – Mobitel, Sudan (Note 3)	(11,656)	-
Closing balance	<u>8,026</u>	<u>236,383</u>

10. Property and equipment

	Land and buildings	Cellular and other equipment	Projects in progress	Total
	KD '000s			
Cost				
As at 31 December 2005	58,077	709,376	72,969	840,422
Additions	8,974	226,800	206,526	442,300
Transfers and adjustments	252	62,097	(62,349)	-
Disposals	(1,105)	(13,624)	(40,407)	(55,136)
On acquisition of subsidiaries	7,491	301,621	144,507	453,619
Exchange adjustment	569	(20,441)	(1,645)	(21,517)
As at 31 December 2006	<u>74,258</u>	<u>1,265,829</u>	<u>319,601</u>	<u>1,659,688</u>
Depreciation				
As at 31 December 2005	21,472	319,097	-	340,569
Charge for the year	5,395	133,506	-	138,901
Disposals	(168)	(13,456)	-	(13,624)
On acquisition of subsidiaries	869	108,890	-	109,759
Exchange adjustment	457	(6,403)	-	(5,946)
As at 31 December 2006	<u>28,025</u>	<u>541,634</u>	<u>-</u>	<u>569,659</u>
Net Book Value				
As at 31 December 2006	<u>46,233</u>	<u>724,195</u>	<u>319,601</u>	<u>1,090,029</u>
As at 31 December 2005	<u>36,605</u>	<u>390,279</u>	<u>72,969</u>	<u>499,853</u>

Amounts shown against acquisition of subsidiaries arise on acquisition of V Mobile, Nigeria and Mobitel, Sudan.

Property and equipment include vehicles with a net book value of KD 367,000 (2005 – KD 95,000) acquired under a finance lease by JMTS - Jordan. It also includes buildings with a net book value equivalent to KD 843,000 (2005–KD 870,000) acquired under a finance lease by MTCB Bahrain. Projects in progress comprise of cellular and other equipment.

11. Intangible assets

	<u>Goodwill</u>	<u>Licence fees</u>	<u>Others</u>	<u>Total</u>
	<u>KD'000</u>			
Cost				
At 31 December 2005 (as previously reported)	924,790	30,422	19,955	975,167
Adjustment to provisional values of business combinations effected in 2005 (Note 27)	(210,870)	22,750	6,523	(181,597)
Disposal adjustment	<u>(1,663)</u>	<u>-</u>	<u>-</u>	<u>(1,663)</u>
At 31 December 2005 (as restated)	712,257	53,172	26,478	791,907
Additions	1,483	37,780	2,029	41,292
Adjustments to identifiable assets and liabilities	19,157	-	-	19,157
On subsidiaries acquired	458,088	76,672	18,926	553,686
Transferred from investment in associate relating to Mobitel, Sudan	174,165	3,346	12,100	189,611
Disposals/adjustments	6,827	(2,889)	(17,901)	(13,963)
Exchange adjustments	<u>(8,799)</u>	<u>(386)</u>	<u>(394)</u>	<u>(9,579)</u>
As at 31 December 2006	<u>1,363,178</u>	<u>167,695</u>	<u>41,238</u>	<u>1,572,111</u>
Accumulated amortization				
At 31 December 2005 (as previously reported)	17,953	13,021	1,441	32,415
Amortisation pertaining to 2005	<u>-</u>	<u>1,784</u>	<u>870</u>	<u>2,654</u>
At 31 December 2005 (as restated)	17,953	14,805	2,311	35,069
Charge for the year	-	9,779	1,972	11,751
Of subsidiaries acquired	-	23,790	-	23,790
Disposals/adjustments	(575)	(2,469)	(307)	(3,351)
Exchange adjustment	<u>(56)</u>	<u>166</u>	<u>(31)</u>	<u>79</u>
As at 31 December 2006	<u>17,322</u>	<u>46,071</u>	<u>3,945</u>	<u>67,338</u>
Net book value				
As at 31 December 2006	<u>1,345,856</u>	<u>121,624</u>	<u>37,293</u>	<u>1,504,773</u>
As at 31 December 2005 (Restated)	<u>694,304</u>	<u>38,367</u>	<u>24,167</u>	<u>756,838</u>

The residual amortisation period of licenses range from 2.5 to 14 years.

The adjustments recognised during the current period arise from completion of the purchase price allocation of the business combinations that were effected in 2005 as the initial accounting for those business combinations was determined only provisionally in that year.

Goodwill represents the excess of cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of acquired subsidiaries. Goodwill has been allocated to each country of operation as that is the Cash Generating Unit (CGU) which is expected to generate the benefit from the synergies of the business combination. It is also the lowest level at which goodwill is monitored for impairment purposes.

The additions to goodwill during the year are from the acquisitions of V Mobile Nigeria and Mobitel Sudan.

Goodwill and the CGU to which it has been allocated are as follows:

	<u>2006</u>
	<u>KD 000s</u>
Pella Investment Company, Jordan	79,516
Celtel Burkina Faso S.A	28,030
Celtel Tchad S.A	28,326
Celtel Congo (DRC) SARL	108,140
Celtel Congo S.A	67,922
Celtel Gabon S.A	92,961
Celtel Kenya Limited	106,599
Celtel Malawi Limited	22,517
Celtel Niger S.A	24,577
Celtel (S.L) Limited	41,764
Celtel Limited Uganda	7,571
Celtel Zambia Limited	65,409
Celtel Tanzania	18,231
Madacom SA, Madagascar	24,809
Vee Networks Limited, Nigeria	152,594
Sudanese Mobile Telephone Company Limited	476,890
	<u>1,345,856</u>

The goodwill of KD 152.59 million allocated to Vee Networks Limited, Nigeria and KD 305.49 million included in Sudanese Mobile Telephone Company Limited, Sudan are provisional values. The allocation between goodwill and fair values of identifiable assets and liabilities including contingent liabilities will be finalised in 2007 on completion of the purchase price allocation within one year of the date of acquisition.

Impairment testing

The Group determines whether goodwill or intangible assets are impaired at least on an annual basis. This requires an estimation of the recoverable amount of the CGUs to which these items are allocated. The recoverable amount is determined based on value-in-use calculations.

Management used the following approach to determine values to be assigned to the following key assumptions in the value in use calculations:

Key assumption	Basis used to determine value to be assigned to key assumption
Growth rate	<p>Average market share in the period immediately before budget period increased each year for anticipated growth in market share of (14) % to 13%. Value assigned reflects past experience and changes in economic environment.</p> <p>Increase in competition expected but no significant change in market share of any CGU as a result of ongoing service quality improvements and expected growth in market penetration.</p> <p>Cash flows beyond the five year period have been extrapolated using a steady 3% growth rate. This growth rate does not exceed the long term average growth rate of the market in which the CGU operate.</p>
Exchange rate	Average market forward rate over the budget period. Value assigned is consistent with external source of information
Discount rate	Discount rates range from 12% per annum to 17.3% per annum. Discount rates used are pre-tax and reflect specific risks relating to the relevant CGU.

These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five year period. The recoverable amount so obtained was significantly above the carrying amount of the CGUs.

The Group has performed a sensitivity analysis by varying these input factors by a reasonably possible margin and assessing whether the change in input factors result in any of the goodwill allocated to appropriate cash generating units being impaired. Based on the analysis performed, there are no indications that an impairment of goodwill related to any of its cash generating units is required at the year end.

12. Other financial assets

Other financial assets comprise the following:

	2006	2005
	KD'000	
Cash held in a restricted foundation account – amount due to be settled after 12 months (note 24)	3,321	11,493
Import duties recoverable	2,826	2,699
Deferred consideration on sale of LinkAfrica business	471	668
Others	30	48
	6,648	14,908

13. Trade and other payables

	2006	2005 (Restated)
	KD'000	
Trade payables	55,407	58,877
Deferred revenue	55,955	24,312
Due to roaming partners	19,454	4,346
Due to Government of Jordan	17,858	14,455
Provision for income taxes – foreign subsidiaries	50,422	33,263
Kuwait Foundation for the Advancement of Sciences	3,004	1,807
National Labour Support Tax	4,319	3,199
Dividend payable	5,364	4,288
Accrued expenses	156,385	64,978
Directors' remuneration	28	28
Other payables	58,409	31,362
	<u>426,605</u>	<u>240,915</u>

14. Due to banks

	2006	2005
	KD '000	
<i>MTC (the Parent Company)</i>		
Short term loans – unsecured	17,569	17,569
Long term loans – unsecured	40,038	58,177
	<u>57,607</u>	<u>75,746</u>
<i>JMTS – Jordan</i>		
Long term loans	32,672	-
Notes payable	3,078	6,920
Finance lease obligations	319	100
	<u>36,069</u>	<u>7,020</u>
<i>MTCB – Bahrain</i>		
Long term loans	15,634	17,416
Finance lease obligations	650	748
	<u>16,284</u>	<u>18,164</u>
<i>Celtel – The Netherlands</i>		
Short term loan	90,392	20,386
Long term loan	244,360	98,143
	<u>334,752</u>	<u>118,529</u>
<i>MTCI – The Netherlands</i>		
Islamic finance (Murabaha)	347,520	219,300
Long term loan	589,606	-
	<u>937,126</u>	<u>219,300</u>
	<u>1,381,838</u>	<u>438,759</u>

These dues mature as follows:

	<u>2006</u>	<u>2005</u>
	<u>KD '000</u>	
Less than one year	460,721	248,417
Between one and two years	143,481	54,170
Between two and five years	776,400	111,891
Over five years	<u>1,236</u>	<u>24,281</u>
	<u>1,381,838</u>	<u>438,759</u>

The effective interest rates as at 31 December 2006 was 4% to 6.85% (2005 – 4% to 8.25%) per annum.

The Parent Company's borrowings are in US Dollars from a Kuwaiti bank and that of subsidiaries in US Dollars and in their respective local currencies from banks.

JMTS

JMTS's loan agreements contain covenants relating to compliance of financial ratios and foreclosure of loans in the event of non-compliance.

MTCB

MTCB's long term loan is secured by a mortgage of its freehold land and buildings.

Celtel - Netherlands

These facilities are secured by Celtel's interest in the shares held by Celtel in certain group companies and by a charge over all the bank accounts of Celtel, the bank accounts of the various intermediate holding companies, an assignment of the shareholder loans from Celtel to the various intermediate holding companies and an assignment of certain shareholder loans from the various intermediate holding companies to the Celtel operations.

These facilities include syndicated loans and medium term notes of KD 38,504,000 owed by Celtel Kenya Limited of which KD 21,464,000 is secured by the assets and shares of Celtel Kenya Limited and KD 12,780,000 is guaranteed by a Dutch financial institution.

The majority of the assets of Celtel are pledged and certain of its subsidiaries have entered into various financial covenants covering amongst others, minimal levels of cash repatriation and levels of profitability. Financial covenants include restrictions over dividend payments and asset disposals. Furthermore certain political risks require prepayment of the loans.

MTCI

In June 2006 MTCI obtained a revolving financing with a limit of US \$ 4 billion (KD 1. 58 billion) from a consortium of local and foreign banks. This facility is secured by a guarantee given by the Parent Company and JMTS. Financial covenants stipulate maximum net borrowings of 4 times consolidated EBITDA (Earnings before Interest, Tax, Depreciation and Amortisation) and ratio of annualized consolidated EBIDTA of not less than 3 times annualized consolidated net interest payable.

In December 2006 MTCI obtained a US \$ 1,200 million (KD 347 million) Islamic Murabaha financing from a foreign bank. This facility is secured by a guarantee given by the Parent Company. Financial covenants stipulate maximum debt of 4 times consolidated EBITDA (Earnings before Interest, Tax, Depreciation and Amortisation) and ratio of annualized consolidated EBIDTA to annualized net financial charges of not less than 1.

15. Other non-current liabilities

	<u>2006</u>	<u>2005</u>
	<u>KD '000</u>	
Subscribers' deposits	4,946	5,127
Post employment benefits	7,756	4,396
Employee share option liability	<u>3,320</u>	<u>11,493</u>
	<u>16,022</u>	<u>21,016</u>

16. Due to minority interest holders

Under the terms of the purchase offer made to the shareholders of Celtel, the Parent Company has an irrevocable obligation to acquire at a fixed price of US\$57.04 (KD 16.52) per share, the minority interest of 15.014% in the equity of Celtel for cash by 29 April 2007 - the second anniversary of the closing date of the purchase offer. The obligation amounts to KD 135.66 million and is stated at amortised cost using an effective interest rate of 4.31%.

The Group has an obligation to acquire a further 10% interest in Celtel Zambia Limited from one of its local partners (also a shareholder in Celtel). The exercise period of this option ends should Celtel Zambia Limited be listed on a stock exchange. The Group has accounted for this put option as if it had acquired the 10% interest. The assumed purchase price is US\$ 67.7 million (KD 19.6 million). This assumed price is based on a multiple of EBIDTA that is in the put option contract. This created goodwill US\$ 61.4 million (KD 17.8 million) after deducting minority interest from the assumed purchase price.

The equity instruments held by such minority interest share holders are classified as financial liabilities other than at fair value through profit or loss rather than equity since there is an irrevocable obligation to deliver cash to settle the minority's interest.

17. Share capital and reserves

Share capital

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

Treasury shares

	<u>2006</u>	<u>2005</u>
Number of shares	23,512,779	20,445,895
Percentage of issued shares	1.86%	1.86%
Market value (KD '000)	78,062	71,969
Cost (KD '000)	15,576	15,576

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. Reserves equivalent to the cost of treasury shares held are not distributable.

Legal reserve

The Parent Company is permitted by its Articles of Association to maintain legal reserve up to a maximum of 50% of its share capital. Accordingly during the year legal reserve has been appropriated to the extent necessary to bring it to 50% of the share capital. This reserve can be utilised only for distribution of a maximum dividend of 5% in years when the retained earnings are inadequate for this purpose.

Voluntary reserve

The parent Company is permitted to maintain voluntary reserve up to a maximum of 50% of its share capital. Accordingly, during the year voluntary reserve has been appropriated to the extent necessary to bring it to 50% of the share capital. There is no restriction on distribution of this reserve.

Dividend for the year 2005

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

Proposed dividend

The Board of Directors, subject to approval of shareholders, recommends distribution of a cash dividend of 100 fils per share (2005 - 85 fils per share) and bonus shares in the ratio of 50 shares for every 100 shares (2005 – 15 shares for every 100 shares) to the registered shareholders as of the date of the Annual General Meeting.

18. Revenue

	<u>2006</u>	<u>2005</u>
	<u>KD'000</u>	
Airtime and subscription	1,201,613	572,359
Trading income	<u>8,794</u>	<u>7,137</u>
	<u><u>1,210,407</u></u>	<u><u>579,496</u></u>

19. Investment income

	<u>2006</u>	<u>2005</u>
	<u>KD'000</u>	
(Loss)/gain from investments at fair value through profit or loss	(2,888)	7,003
Realised gains from available for sale investments	6,054	10,949
Dividend income	<u>4,644</u>	<u>2,978</u>
	<u>7,810</u>	<u>20,930</u>

20. National Labour Support Tax

This is the tax payable to Kuwait's Ministry of Finance under National Labour Support Law No. 19 of 2000.

21. Income tax expense of subsidiaries

	<u>2006</u>	<u>2005</u>
	<u>KD'000</u>	
JMTS	12,841	13,264
MTCL	1,223	531
Mobitel	1,668	-
Celtel	<u>19,240</u>	<u>15,117</u>
	<u>34,972</u>	<u>28,912</u>

22. Earnings per share

Basic and diluted earnings per share based on weighted average number of shares outstanding during the year and restated for the previous year are as follows:

	<u>2006</u>	<u>2005</u>
	<u>(Restated)</u>	
	<u>KD'000</u>	
Net profit for the year from continuing operations	<u>305,298</u>	<u>170,917</u>
Net profit for the year from discontinued operations	<u>-</u>	<u>10,995</u>
Total net profit	<u>305,298</u>	<u>181,912</u>
	<u>Shares</u>	<u>Shares</u>
Number of shares issued and paid-up	1,261,819,591	1,017,638,940
Weighted average number of treasury shares	<u>(23,512,779)</u>	<u>(20,172,209)</u>
	1,238,306,812	997,466,731
Effect of dilution (Note 24)	<u>2,514,662</u>	<u>-</u>
Weighted average number of shares, less treasury shares outstanding during the year adjusted for the effect of dilution	<u>1,240,821,474</u>	<u>997,466,731</u>
	<u>Fils</u>	<u>Fils</u>
<i>Basic earnings per share</i>		
Profit from continuing operations	247	171
Profit from discontinued operations	<u>-</u>	<u>11</u>
Profit for the year	247	182
<i>Diluted earnings per share</i>	<u>246</u>	<u>182</u>

Earnings per share from operations reported for the year ended 31 December 2005 was 222 Fils, before retroactive adjustment relating to bonus shares and the effect of the restatement carried out during the year for business combination accounting (Note 27).

23. Staff costs

	<u>2006</u>	<u>2005</u>
	<u>KD'000</u>	
Wages and salaries	92,796	51,740
Share based compensation granted to employees	11,206	5,066
Post employment benefits	<u>5,542</u>	<u>1,253</u>
	<u>109,544</u>	<u>58,059</u>

This is allocated as follows:

	<u>2006</u>	<u>2005</u>
	<u>KD'000</u>	
Distribution, marketing & operating expenses	52,051	33,012
General and administrative expenses	<u>57,493</u>	<u>25,047</u>
	<u>109,544</u>	<u>58,059</u>

24. Share-based compensation plans

Kuwait

At an Extraordinary General Meeting held on 29 March 2006 the Parent Company's shareholders approved amendment of the Parent Company's articles of association to permit issue of employee stock options in accordance with a scheme to be approved by its Board of Directors.

The total number of shares to be granted under the scheme or Employee Share Option Plan (ESOP) is not to exceed 10% of the issued shares over ten years. The shares to be allotted under the scheme shall be provided through a capital increase and issue of new shares or through treasury shares held by the Parent Company.

The ESOP scheme is available only to employees who hold certain specified posts within the Group. Eligible employees are granted the option to purchase a predetermined number of Parent Company's shares at a specified exercise price. The exercise price of the granted options is the closing share price as of 01 January 2006 less a discount of 50%. The options vest over three years at the rate of 25%, 35% and 40% each year, beginning 1 January 2006, exercisable from the date of vesting, up to five years from the service date.

Under the ESOP the Parent Company has granted 5,485,000 options at an exercise price of KD 1.760 per share. The fair value of options granted during the period determined using an option pricing model was KD 1.873 per share (2005-Nil). The significant inputs into the model were a share price of KD 3.220 - the market price at the grant date, the exercise price shown above, volatility of 10%, dividend yield of nil (due to the ESOP terms), option life of 5 years and an annual interest rate of 5.5%

The number of outstanding options under the ESOP as of 31 December 2006 was 5,485,000 shares (2005 – Nil).

The Parent Company recognised total expenses of KD 5,736,000 (2005 – Nil) related to equity settled share-based compensation during the year.

Celtel – Netherlands

Until March 2005 Celtel had an employee share incentive plan for the granting of non-transferable options to employees. This plan was modified to a cash settled share based compensation plan when Celtel was acquired in April 2005. The agreement provided for the holders of Celtel options to be given the opportunity to cash-out those options that had vested at the closing date for US\$ 56.04 (KD 16.39) per share subject to option, less the exercise price of the option. It was also agreed that holders of options that had not vested at the closing date of the agreement would be able to cash-out their options at the same price as and when the vesting conditions provided for in the original plan are met.

To structure the adjustment to the option plan, Celtel issued letters to its option holders to cancel their options and to accept the terms of the revised plan. Celtel Stichting International (foundation) was created to take care of the option settlements. This included a direct cash payment of US\$ 108,000,000 (KD 31,579,000) for all vested options in May 2005 and the recognition of a liability for all non-vested options. Funding of the foundation came from the Parent Company, which separated US\$ 171,000,000 (KD 50,000,000) from the Celtel acquisition price and contributed that to the foundation upon incorporation.

A total amount of KD 5,066,400 (US\$ 17,327,000) was charged to the statement of income for this modified scheme in respect of the cash settlement liability arising from the options that vested in 2006.

In accordance with Interpretation (SIC-12 'Consolidation - Special Purpose Entities'), the foundation has been treated as a Special Purpose Entity ("SPE") as Celtel obtains the benefits of this foundation. This arises because the amounts paid by the foundation are remuneration to employees of Celtel who have to provide employee services to Celtel in order to obtain the benefits.

Accordingly the cash balance held in the foundation together with the corresponding liability to pay the option holders has been included in these consolidated financial statements as follows:

	<u>2006</u>	<u>2005</u>
	<u>KD'000</u>	
Current assets		
Cash held in restricted foundation account – due to be settled within the next 12 months	11,167	3,547
Foundation receivables	-	3,340
Non-current assets		
Cash held in restricted foundation account – due to be settled after 12 months	<u>3,286</u>	<u>11,493</u>
	<u>14,453</u>	<u>18,380</u>
Current liabilities		
Accrued expenses and other liabilities	11,167	6,887
Non-current liabilities		
Liability to pay option holders	<u>3,286</u>	<u>11,493</u>
	<u>14,453</u>	<u>18,380</u>

25. Segment 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.

	31 December 2006						Total KD '000
	Kuwait	Jordan	Bahrain	Lebanon	Sudan	Sub-Saharan Africa	
Segment revenues	235,070	141,017	30,973	16,910	190,835	595,602	1,210,407
Net profit	141,097	37,944	3,320	2,733	95,876	24,328	305,298
Segment assets	1,537,944	199,960	48,182	5,813	150,553	2,614,726	4,557,178
Consolidation adjustment							(1,080,189)
Consolidated assets							3,476,989
Segment liabilities	173,162	94,121	34,783	3,470	84,980	2,085,263	2,475,779
Consolidation adjustment							(486,072)
Consolidated liabilities							1,989,707
Net assets							1,487,282
Capital expenditure incurred during the period	27,065	52,691	3,254	41	49,936	345,801	478,788
Depreciation and amortisation	21,680	21,100	4,230	6	15,876	87,760	150,652
	31 December 2005						Total KD '000
	Kuwait	Jordan	Bahrain	Lebanon	Sudan	Sub-Saharan Africa	
Segment revenues	208,933	133,312	20,355	15,906	-	200,990	579,496
Net profit/(loss)	119,409	41,026	206	1,904	-	19,367	181,912
Segment assets	1,358,865	144,761	35,904	4,680	-	1,275,510	2,819,720
Consolidation adjustment							(763,413)
Consolidated assets							2,056,307
Segment liabilities	173,127	64,221	28,044	2,949	-	1,231,768	1,500,109
Consolidation adjustment							(662,386)
Consolidated liabilities							837,723
Net assets							1,218,584
Capital expenditure incurred during the period	28,848	22,281	3,818	11	-	104,964	159,922
Depreciation and amortisation	19,706	15,823	3,562	1	-	27,234	66,326

26. 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:

	<u>2006</u>	<u>2005</u>
	<u>KD'000</u>	
Transactions		
Management fees (included in other income)	5,095	3,239
Balances outstanding with related parties are:		
Balances		
Trade and other receivables	490	2,232
Trade and other payables	27,203	469
Key management compensation		
Salaries and other short term employee benefits	5,002	2,676
Post-employment benefits	675	109
Share based payments	7,974	162

27. Business combinations

The Parent company's acquisition of additional interest in Mobitel Sudan and its acquisition of V Mobile are business combinations and details of the acquisitions are shown below.

Mobitel, Sudan

The provisional values assigned to the identifiable assets and liabilities of Mobitel, Sudan as at the date of acquisition, which will be reviewed within one year of acquisition on finalisation of the Purchase Price Allocation (PPA), are shown below. The adjustments to fair values of previously held 39% interest will be given effect to on completion of the purchase price allocation.

	<u>KD'000</u>	
	<u>Book values</u>	<u>Provisional values</u>
Cash and bank	8,868	8,868
Short term deposits	34,183	34,183
Trade and other receivables	4,183	4,183
Inventories	879	879
Property, plant and equipment	35,769	35,769
Trade and other payables	(16,151)	(16,151)
Post employment benefits	(262)	(262)
Intangible assets – customer list	-	18,926
Intangible assets – Licence	-	5,235
Value of net assets	<u>67,469</u>	<u>91,630</u>
Purchase consideration settled in cash	382,869	
Cash and cash equivalents in subsidiary acquired	<u>(70,575)</u>	
Cash outflow on acquisition	<u>312,294</u>	

Details of net assets acquired and goodwill are as follows:

	KD'000	
	Book values	Provisional values
Purchase Consideration		
- Cash paid	375,222	375,222
- Adjustment for cash dividend	14,255	14,255
- Direct cost relating to acquisition	7,647	7,647
Total purchase consideration	397,124	397,124
Less: Provisional value of net assets acquired	(67,469)	(91,630)
Goodwill arising on acquisition	329,655	305,494

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

From the date of acquisition (6 February 2006), Mobitel contributed revenues of KD 190.8 million and net profit of KD 95.9 million to the net results of the Group. If the acquisition had taken place on 1 January 2006, the Group revenue and net profits would have been higher by KD 14.72 million and KD 5.76 million respectively.

Vee Networks Limited, Nigeria (V Mobile)

The provisional values assigned to the identifiable assets and liabilities of V Mobile as at the date of acquisition, which will be reviewed within one year of acquisition on finalisation of the Purchase Price Allocation (PPA), are shown below:

	KD'000
Cash and bank	51,601
Trade and other receivables	24,838
Deferred tax asset	15,191
Inventories	687
Property, plant and equipment	185,546
Intangible assets	31,003
Trade and other payables	(160,339)
Due to banks	(9,517)
Provisional value of net assets	<u>139,010</u>
Purchase consideration settled in cash	294,647
Cash and cash equivalents in subsidiary acquired	<u>(79,388)</u>
Cash outflow on acquisition	<u>215,259</u>

Details of net assets acquired and goodwill are as follows:

	<u>KD'000</u>
Purchase Consideration	
- Cash paid	292,327
- Direct cost relating to acquisition	<u>2,571</u>
Total purchase consideration	294,868
Less: Provisional value of net assets acquired	(139,010)
Less : Post acquisition adjustments	<u>(3,264)</u>
Goodwill arising on acquisition	<u>152,594</u>

The above goodwill is attributable to the profitability of the acquired business and the significant synergies expected to arise from the acquisition.

From the date of acquisition (31 May 2006), V Mobile contributed revenues of KD 177.18 million and net profit of KD 14.22 million to the net results of the Group. If the acquisition had taken place on 1 January 2006, the Group revenue and net profits would have been higher by KD 105.45 million and KD 10.74 million respectively.

28. Commitments and contingencies

	<u>2006</u>	<u>2005</u>
	<u>KD '000</u>	
Capital commitments	244,469	72,008
Uncalled share capital of investee companies	1,003	2,057
Letters of credit	4,318	8,779
Letters of guarantee	15,056	55,129

JMTS is a defendant in lawsuits and arbitration proceedings amounting to approximately KD 3,267,000 (31 December 2005 – KD 949,000). Legal proceedings have been initiated by and against some of the other subsidiaries in a number of jurisdictions. On the basis of information currently available, and having taken counsel with legal advisers, Group management is of the opinion that the outcome of these proceedings is unlikely to have a material adverse effect on the consolidated financial position and the consolidated operations of the Group.

The Parent Company is 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 has filed an appeal against the verdict. The Parent Company believes that the verdict is currently unenforceable as it has not stipulated either the number of subscribers or the applicable period. The court returned the matter to the Expert's department for a new report and recommendation. The management has taken all steps necessary to ensure that the above claim will not materially affect the financial statements.

The regulator of a subsidiary has demanded US\$ 36 million (KD 10.4 million) based on revenue sharing agreement, whose validity has been disputed by the Group's management. Discussions are ongoing with that regulator and the Group's management believes that the outcome will be in its favour.

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

Operating lease commitments – Group as lessee

The Group leases various branches, offices and transmission sites under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	KD '000	
	2006	2005
Not later than 1 year	14,088	3,180
Later than 1 year and no later than 5 years	25,831	5,635
Later than 5 years	<u>10,389</u>	<u>1,256</u>
	<u>50,308</u>	<u>10,071</u>

29. Financial instruments, risk management and fair values

The Group's use of financial instruments exposes it to a variety of financial risks such as credit risk, market risk, liquidity risk and political risk. The Group continuously reviews its risk exposures and takes measures to limit it to acceptable levels. The significant risks that the Group is exposed to are discussed below:

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation causing the other party to incur a financial loss. Financial assets, which potentially subject the Group to credit risk, consist principally of fixed and short notice bank deposits, bonds and receivables. The Group manages this risk by placing fixed and short term bank deposits with high credit rating financial institutions. Credit risk with respect to receivables is limited due to dispersion across large number of customers and by using experienced collection agencies.

Market risk

Market risk, comprising of price risk, interest rate risk and currency risk arises due to movements in market prices of assets, interest rates and foreign currency rates. The Group manages market risk by setting limits on exposures to investments, currency and counterparty and transacting business in Kuwaiti Dinars and other major currencies with counterparties of repute.

Liquidity risk

Liquidity risk is the risk that the Group may not be able to meet its funding requirements. The Group manages this risk by monitoring on a regular basis that sufficient funds are available to meet maturing obligations.

Political risk

Political risk arises due to the instability of regimes ruling in certain African countries in which the Group operates. The Group operates in countries where the regulatory regimes are less developed than in matured markets and where there are political risks. The Group minimizes these risks by maintaining a portfolio, which reduces exposure to specific country risk, as well as working with strong local partners and proactively engaging with the regulators of each country to develop a mutually satisfactory environment for its continuous investment.

Fair value of financial instruments

The fair values of financial instruments carried at amortised cost are not significantly different from their carrying values.

30. Significant accounting judgments and estimates

In accordance with the accounting policies contained in IFRS and adopted by the Group, management is required to make the following judgments and estimations that may affect the carrying values of assets and liabilities.

Judgments

Business combinations

To allocate the cost of a business combination management exercises significant judgment to determine identifiable assets and liabilities and contingent liabilities whose fair value can be reliably measured, to determine provisional values on initial accounting of a business combination and to determine the amount of goodwill and the Cash Generating Unit to which it should be allocated.

Classification of investments

On acquisition of an investment, management has to decide whether it should be classified as carried at fair value through profit or loss, available for sale or as loans and receivables. In making that judgment the Group considers the primary purpose for which it is acquired and how it intends to manage and report its performance. Such judgment determines whether it is subsequently measured at cost or at fair value and if the changes in fair value of instruments are reported in the statement of income or directly in equity.

Substance of relationship with special purpose entities

Where the Group obtains benefits from a special purpose entity, management considers the substance of the relationship to judge if such an entity is controlled by the Group.

Impairment

When there is a significant or prolonged decline in the value of an “available for sale” quoted investment security management uses objective evidence to judge if it may be impaired.

At each balance sheet date, management assesses, whether there is any indication that inventories, property and equipment, goodwill and intangible assets may be impaired. The determination of impairment requires considerable judgment and involves evaluating factors including, industry and market conditions.

Contingent liabilities

Contingent liabilities are potential liabilities that arise from past events whose existence will be confirmed. Provisions for liabilities are recorded when a loss is considered probable and can be reasonably estimated. The determination of whether or not a provision should be recorded for any potential liabilities is based on management’s judgment.

Sources of estimation uncertainty

Fair values- unquoted equity investments and business combinations

The valuation techniques for unquoted equity investments and identifiable assets, liabilities and contingent liabilities arising in a business combination make use of estimates such as future cash flows, discount factors, yield curves, current market prices adjusted for market, credit and model risks and related costs and other valuation techniques commonly used by market participants where appropriate.

Accounts receivable

The Group estimates an allowance for doubtful receivables based on past collection history and expected cash flows from debts that are overdue.

Tangible and intangible assets

The Group estimates useful lives and residual values of tangible assets and intangible assets with definite useful lives.

Taxes

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

Any changes in the estimates and assumptions used as well as the use of different, but equally reasonable estimates and assumptions may have an impact on the carrying values of the above assets.

Goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with its accounting policy. The recoverable amounts of cash generating units have been determined based on value-in-use calculations. These calculations require the use of estimates and the input factors most sensitive to change have been disclosed in Note 11. Based on analysis performed there are no indications that the carrying value of any CGU exceeds its recoverable amount.

Share based compensation

The fair valuation of ESOP requires significant estimates regarding the expected volatility of the share price, the dividends expected on the shares, the market interest rate for the life of the plan and the expected term of the option.

31. Comparative figures

Certain prior year amounts have been reclassified to conform to current year presentation and to give effect to matters stated in Notes 3, 11 and 15 as follows:

Statement of Income	KD'000
Profit for the year 2005 as previously reported	185,921
Adjustments for accounting of business combinations of 2005 based on PPA – amortisation of intangible assets	(4,050)
KFAS adjustments	40
NLST adjustments	1
Net profit for the year 2005 – restated	<u>181,912</u>
Balance Sheet	KD'000
Investment in associates as of 31 December 2005 as previously stated	45,458
PPA adjustments – transfer from intangible assets	190,925
Investment in associates – 2005 restated	<u>236,383</u>
Intangible assets as of 31 December 2005 as previously stated	942,752
PPA adjustments – transfer to investments in associates	
Amortisation pertaining to 2005	(2,654)
Adjustments to provisional values	9,328
Adjustment – investment in associate	(190,925)
Goodwill - write of on disposal	(1,663)
Intangible assets – 2005 restated	<u><u>756,838</u></u>