



LEADING AGAINST ALL ODDS

20th anniversary of extinguishing the oil well fires



In appreciation of all those who believed
that no obstacle is insurmountable

LEADING AGAINST ALL ODDS

ANNUAL REPORT 2011







H.H. Sheikh Sabah
Al-Ahmed Al-Jaber Al Sabah
Amir of the State of Kuwait



H.H. Sheikh Nawwaf
Al-Ahmed Al Sabah
Crown Prince



H.H. Sheikh Jaber Mubarak
Al-Hamad Al Sabah
Prime Minister



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BOARD OF DIRECTORS

**MR. ASAAD
AHMED
AL BANWAN**
CHAIRMAN



**MR. ABDULAZIZ
YAQOUB
AL NAFISI**
DEPUTY CHAIRMAN

**MS. SHAIKHA
KHALED
AL BAHAR**
BOARD MEMBER



**MR. ABDUL-
MOHSEN
IBRAHIM
AL FARES**
BOARD MEMBER



**MR. BADER
NASSER
AL-KHARAFI**
BOARD MEMBER



**MR. WALEED
ABDULLAH
AL-ROUDAN**
BOARD MEMBER



**MR. JAMAL
AHMED
AL KANDARY**
BOARD MEMBER



**MR. JAMAL
SHAKER
AL KAZEMI**
BOARD MEMBER

CHAIRMAN'S MESSAGE

DEAR SHAREHOLDERS,

On behalf of my fellow members of the Board of Directors, it gives me great pleasure to welcome shareholders once again to the Annual General Assembly, in which we review the progress and further success of the Zain Group during 2011.

Thanks to your generous support and trust, Zain Group has continued to achieve positive results, maintaining strong momentum in its key operational and financial indicators, despite the negative impact of the global financial crisis. Thus the company has succeeded in keeping its commitments to its customers and partners even at a challenging time such as this.

Zain Group managed to reinforce its competitive edge thanks to its investment choices and upgrade programs, despite intensifying competition in many of our markets.

The initiatives launched by the Group during 2011 reinforced Zain's strategy, as the company succeeded in maintaining its high quality service offering and remained a source of innovation and best practice, given our years of experience and vast investments in managing advanced telecommunications networks.

While the Group adopted a well-balanced strategy in all its investment decisions, 2011 witnessed a turning point in the nature and quality of its business relations as Zain bolstered its interactions with its global and regional distributors and partners on all levels. These initiatives helped the Group maintain its market share and position as a pioneering telecom operator in the Middle East.

Zain Group has managed to reformulate its business and marketing operations, placing them in line with the latest trends in the telecom market. The efforts of employees, who have gone about their duties in a highly professional manner, has helped us overcome many challenges that lay before us.

The Group achieved consolidated net profit of USD 1.033 billion in 2011 compared to USD 1.022 billion in 2010 on an operating level, as 2010 was a unique year in which profit was boosted by an exceptional capital gain of USD 2.653 billion received from the proceeds of the sale of Zain Africa's assets in June 2010.

Group consolidated revenues reached USD 4.791 billion in 2011 compared to USD 4.719 billion in 2010, an increase of 2%, while consolidated earnings before interest, taxes and depreciation and amortization -EBITDA- reached USD 2.176 billion, a 1% increase year-on-year. Total shareholders' equity amounted to USD 7.925 billion at the end of the year.

The Group's customer base expanded by 8% in 2011, ending the year with more than 40.2 million, which is even more encouraging given the new standards and controls implemented by the Group in reclassifying its base of active customers in 2011.

Large fluctuations in foreign currency exchange cost the Group USD 124 million during 2011, negatively affecting the growth of net profit for the year compared to the previous year, given that 2010 profits included a USD 42 million contribution from positive exchange rate fluctuations.

We continued to build on the foundations of our success in 2011, and recorded a performance very much in line with our strategic goals. Our expectations for the coming year are positive, given our current operational and financial indicators. We are confident that our operational plans are the correct ones and will help us fulfill our ambitions, while all the time increasing shareholder value.

2011 was a significant year for the Group in many respects. In Kuwait, one of our main markets, the Group succeeded in reinforcing its market share, and maintaining its leadership, counting over two million customers at the end of the year. In Saudi Arabia, the Zain KSA Board of Directors recommended a capital restructuring that will result in a positive shift in the course of the company's operations in the Kingdom. During the year, the Group offered significant support to the new management in place at Zain KSA, with the view to assisting in the implementation of the new strategy.

Zain Iraq took the necessary steps to list the company on the country's stock market in conformity with the licensing requirements. The Group also succeeded in settling the last payment of its license fee, which amounted to USD 500 million, prior to the due date. Zain Iraq also undertook and completed a successful expansion plan, with the operator launching services in the northern areas of Kurdistan.

Across the Group we expect continued growth in operations in 2012, with Sudan, which ended 2011 with a customer base of over 13 million, expected to continue growing strongly.

2011 witnessed radical changes in our operations in Sudan, after the complete separation of Sudan operations from those of the new country of South Sudan. Zain successfully undertook and completed the separation of the respective networks and new management is now in place in South Sudan.

In Jordan, Zain successfully launched high-speed HSPA+ services, benefiting from strong mobile broadband demand.

In Bahrain, the Group made a qualitative change to its services, launching a set of innovative products aimed at attracting more customers. In Lebanon, the Group succeeded in renewing mtc touch's management contract for another 12-month period, while the operator successfully launched 3.9G services.

As part of the Group's commitment to its employees across its operations, an occupational development program was recently implemented, developing the human capital in the company to even higher levels. A number of occupational and rehabilitative programs were also developed to promote the highest performance rates and nurture pride and loyalty in employees.

Zain has also remained faithful to its core values, continuing with various support programs and corporate social responsibility activities in the communities in which it serves.

Our commitment to our shareholders guides us to run our business professionally as we look to increase shareholder value. Zain Group management promises to exert every possible effort to continue achieving the best results.

I would like to take this opportunity to express my deep appreciation for the trust placed in all of our investment decisions by Zain's shareholders. This trust has allowed the management to develop the company to its enviable current position. I would also like to extend my deep thanks and gratitude to my fellow members of the Board of Directors for their outstanding efforts and constructive contributions, which have resulted in many decisions being taken that have helped the Group to achieve its strategic goals for the year.

My sincere thanks and gratitude are extended to the executive management team for its highly-professional performance in terms of carrying out the plans of the Group and materializing positive accomplishments. To all the employees of the Group, please accept my deep appreciation for your continued devotion and sincere efforts in performing your duties at the highest levels.

In conclusion, on my own behalf, and on behalf of all my fellow members of the Board of Directors and the executive management, as well as all the employees of the Group, I offer our deepest gratitude and appreciation to His Highness the Amir of the State of Kuwait Sheikh Sabah Al-Ahmad Al-Jaber Al-Sabah; His Highness the Crown Prince Sheikh Nawaf Al-Ahmad Al Jaber Al-Sabah; His Highness the Prime Minister Sheikh Jaber Mubarak Al-Hamad Al-Sabah and to the members of our government for their continued support of Kuwait's companies and organizations.

ASAAD AHMED AL-BANWAN

Chairman, Board of Directors



CEO STATEMENT

Despite the continued repercussions of the global financial crisis and the accompanying negative effects on all markets across the Middle East, where Zain operates, the Zain Group managed to attain its strategic goals in 2011, thanks to a balanced and focused strategy of maximizing shareholder wealth combined with a cautious investment approach.

During this challenging time, Zain Group nevertheless managed to attain appealing profitability levels and also succeeded in establishing a new phase for its mobile operations, positively harnessing the promising growth opportunities in its main markets and maximizing the integration momentum among its companies. In fact, 2011 witnessed a new chapter in the history of Zain, with a concentrated focus purely on operations in the Middle East; post the sale of the African assets in June 2010.

Considering the huge challenges that exist in our field, the strong competition and the latest technological developments in the telecommunications industry, it is pleasing that the consolidated annual financial results showed improvement, with the Group achieving strong growth levels in its key financial indicators.

What helped us achieve this level of performance was the successful restructuring of the Group and its subsidiaries, and the establishment of a new operational model that conforms to our strategy direction and vision set for this stage in our development, where we enjoy a unique competitive position and the largest customer markets share in most of our markets.

The initiatives that we carried out in the areas of our commercial and marketing operations proved successful as we met and often exceeded the expectations of our customers. During the year, Zain Group focused on introducing a variety of products and services as well as creating an innovative and comprehensive list of value added services.

Thanks to our enthusiastic initiatives, based on the aspirations of our customers, the Group managed to prove itself as the quintessential partner for its wide base of customers in this highly competitive industry where we succeeded in achieving a unique position in the services we offer.

ENCOURAGING FINANCIAL INDICATORS

While the Group started implementing its investment strategy and value enhancing projects this year, it remains committed to protecting and enhancing the interests of our shareholders. Thanks to their full support, the financial results for the year met our expectations with net consolidated profit reaching USD 1.033 billion compared to USD 1.022 billion in 2010.

The consolidated revenues reached USD 4.791 billion compared to the USD 4.719 billion in 2010, representing an increase of 2%, while the earnings before deducting the interest, taxes, depreciation, and amortization (EBITDA) reached USD 2.176 billion, reflecting a 1% increase compared to USD 2.151 billion in 2010.

The strong performance of our mobile operations during the year helped boost our customer base by 8% compared to the same period in 2010, reaching more than 40.2 million customers as of December 31, 2011, noting that this growth rate is quite encouraging considering the new standards and controls implemented by the Group in the reclassification of its active customer base across its companies in 2011.

2011 was an important milestone year for Zain as we succeeded in highlighting and cementing our leadership in this highly competitive telecommunications industry. Our leadership vision goes to creating a true value for all concerned parties who have an interest in our activities, while at the same time creating real value for our shareholders.

PARTNERSHIP BUILT ON SUCCESS

In order to achieve the goals we set for this stage in our development, we had to extensively reinforce our relationship with our partners. This helped us exceed our customers' expectations in all contact points and allowed us to benefit from the increased demand on data services, which generated more income.

In fact, thanks to the increased interest of the Group in acquiring cutting-edge technologies, we have implemented many modernization projects on our networks, including the inauguration of high-speed LTE services.

Our network in Saudi Arabia was upgraded with this modern technology, making the Kingdom the first country in the Middle East to offer high-speed Internet, up to 150Mbps, on its mobile network.

The Group also managed to enter strategic partnerships with international and leading technology providers

such as Apple, Motorola and Research In Motion that have allowed us to offer many new innovative services to our customers. We have seen significant growth in broadband revenues particularly as a result of increased use of social networking sites and applications via smart phones and tablets. The gap between voice and data revenues as a percentage of total company revenues is diminishing.

Zain Group is preparing to adopt a new vision by entering into parallel markets that complement its core operations in the telecommunications industry by intensifying its efforts in the field of data transfer. This strategy will be achieved through partnerships with companies that offer Internet services and marine cables, with a view to supporting Zain's revenue base from these new activities. In fact, data transfer opportunities will be our main focus, as the increasing demand for data transfer services is self-evident.

SUPERIORITY AND LEADERSHIP FOR OUR COMPANIES

In this context, the Group shall continue investing in the improvement and development of its services in order to maintain its outstanding competitive positions in its main markets. The Group enjoys a market leading position in the great majority of its markets. For example in Kuwait, the mobile operation managed to achieve a tangible increase in the total customer base in 2011, counting over 2 million customers at the end of the year. Moreover, our operations in Iraq are increasing steadily and we expect to achieve impressive results in the country throughout 2012, especially after the operator ended the year with 12.4 million customers.

Recently, Zain Iraq also entered into agreements with an international company to enhance and provide specialized services to its network. At the same time, we have taken serious steps to prepare for the initial public offering (IPO) of Zain Iraq shares on the local stock exchange.

In Saudi Arabia, Zain (Zain KSA) is preparing to start its capital restructuring program, which is expected to proceed soon after obtaining the required approvals from the official governmental regulatory bodies and Zain KSA's General Assembly. This is a step the Group supports wholeheartedly, in the long-term interests of all stakeholders as the fresh equity will strengthen the mobile operation's financial position and help fund its future growth. The relationship between Zain KSA and Zain Group is stronger today, and is achieving genuine synergies with the new management team in the operation. Zain KSA will be transformed, allowing the company to deliver the very latest network technology and exciting broadband product offerings to its customers.

Our operations in Sudan achieved good growth rates



in 2011 and we are expecting even more growth in the size of our operations in terms of revenues, especially after the increase in the customer base, which has surpassed 13 million as of December 30, 2011. Recently, Sudan has experienced major changes following the separation of Sudan in two countries – Sudan and South Sudan, and Zain succeeded in completing the separation of operations with a new management team been put in place in South Sudan.

We are optimistic regarding improving results in Sudan, notably after the outstanding success of our operations there in 2011, a year in which the Group achieved strong growth rates in its consolidated revenues (9% increase year-on-year in local currency terms). However, the increase of income tax and company tax, in addition to the high fuel prices had a great impact on financial indicators.

In light of the strong competition in Jordan, which is one of the most competitive telecommunications markets in the region, Zain Jordan has started to focus on its data transfer services and launched HSPA+ technology, which earned the operator positive growth indicators that exceeded expectations.

Our operations in Lebanon (whereby we manage mtc touch on behalf of the government) last year saw a qualitative development in terms of services delivered, with the operator successfully launching hi-speed 3G mobile services last summer while maintaining a market leadership position.

With the increased competition in Bahrain, especially after the introduction of a new company into the market, the Group intensified its investment in the Kingdom and continued to develop services and initiatives in the fields of data transfer and value added services, always taking into consideration quality and innovation.

PARTNERSHIP WITH OUR COMMUNITIES

At Zain Group we make it a point to always act conscientiously and are aware of the importance of building lasting partnerships and links with the societies in which we operate. As such, the Group started implementing a series of programs that show our social commitment towards the people of the region. 'Drive Zain' was among our main initiatives in 2011, based on a huge awareness campaign launched in Kuwait by the operator in order to highlight the risks of using mobile phones while driving.

Simultaneously, we were keen on showing the emotional side of the Group when dealing with social issues that have a profound impact on people's lives. Thus, our advertisements contained a central theme, and we recently launched a 'Help the Environment' campaign to show our moral duty towards the environment.

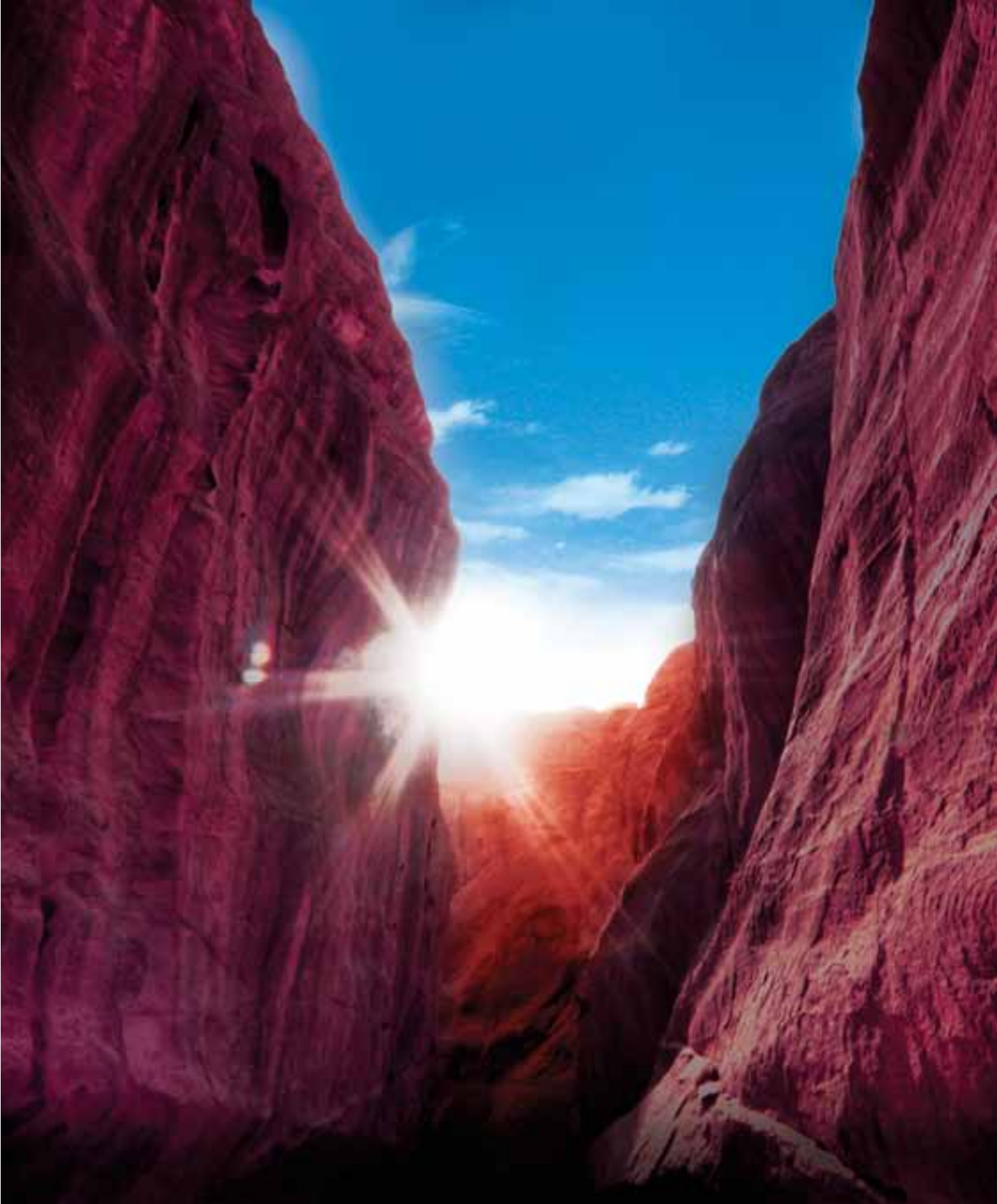
On another level, the Group continued to carry out our developmental and training programs for its employees (where the company's true wealth lies). Through these programs, Zain Group generates a sense of belonging and a strong commitment within its administrative structure. The Group is totally convinced that the more it enhances the skills and competencies of its human capital, the more successful it will become.

In this base rich of experiences and skills, we are keen on maintaining a high level of corporate governance principles on which we rely to run the company in a manner that serves our strategies and ambitions.

In conclusion, I would like to thank our employees for their efforts throughout 2011 and for their positivity with regards to the recent developments and challenges during a period where everyone had increased responsibilities. We still have a strong commitment to continue materializing the hopes and aspirations of our shareholders, partners, communities and customers in 2012 and beyond.

NABEEL BIN SALAMAH

Zain Group CEO



40.3
million customers

FOR THE **2ND**
THE
CONSECUTIVE
YEAR

WWW.ZAIN.COM
RANKS

N° 1

IN THE TELECOM INDUSTRY,
ACROSS THE MENA REGION,
BY KING WORLD-
WIDE DIGITAL

WINNER OF THE
**2011 GLOBAL TELECOMS
BUSINESS INNOVATIONS AWARD**
FOR THE SUCCESSFUL LAUNCH AND
IMPLEMENTATION OF 'ZAIN E-MAL', MOBILE
WALLET SERVICE, IN JORDAN.

6,500+
employees

118
MILLION
+
PEOPLE
UNDER
LICENSE

15
million + daily
total SMS

305
million + daily
total calls

13
million
customers
in Sudan

88TB OF DAILY
DATA USAGE**US\$
4.79**

Billion In Revenues

**US\$
2.2**

billion in EBITDA

#1

operator in

6

out of

8

markets

Zain Saudi Arabia launches

**4G Long-Term
Evolution (LTE)**
network**5.5**million + km²
under license**12.4**million
customers
in Iraqwinner of the 'Best Overall Middle East
and Africa Mobile Operator' at the**Annual CommsMEA
AWARDS,**

for the

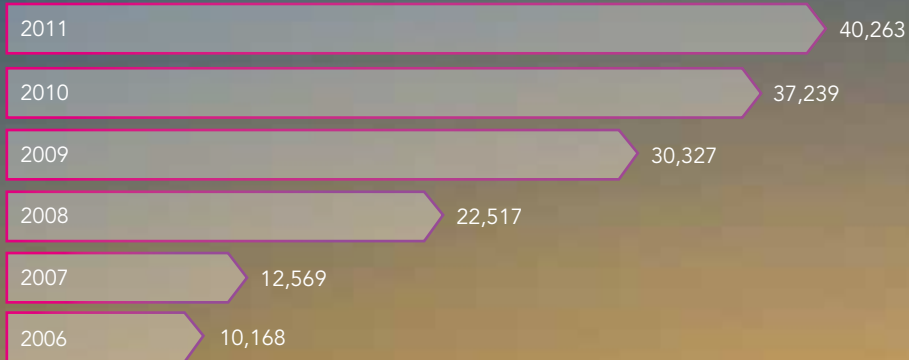
3rd time

in the space of 6 years

KEY PERFORMANCE INDICATORS

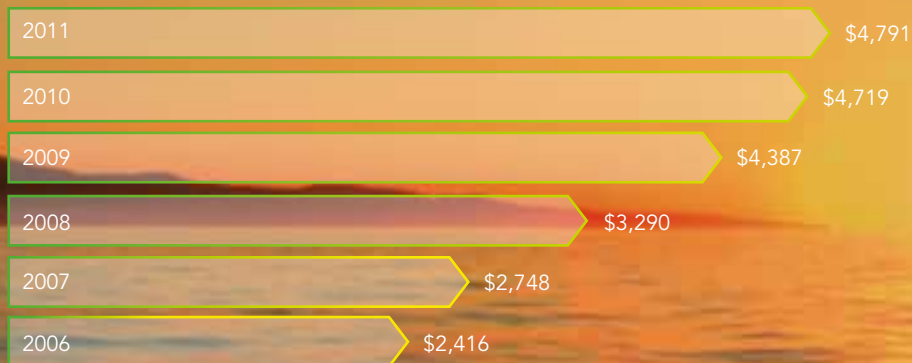
Customers (000s)

CAGR 32%



Revenues (in million dollars)

CAGR 15%



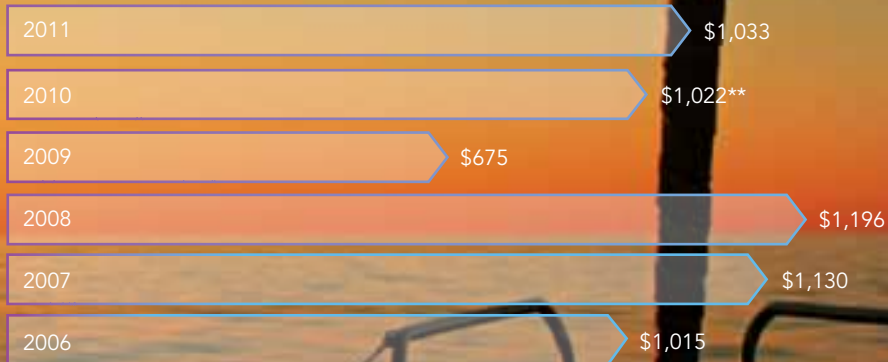
* Zain Saudi Arabia is an associate company (not consolidated)



EBITDA (in million dollars) CAGR 13%



Net Profit (in million dollars) CAGR 0.35%



**Excluding capital gain of USD million 2,653 from the sale of Zain Africa in 2010

KEY MILESTONES

Leading mobile operator in Kuwait

Acquired Fastlink, the leading Jordanian mobile operator

Awarded 2nd GSM license in the Kingdom of Bahrain

Awarded GSM license in Iraq

Awarded Management Agreement in Lebanon

Acquired Celtel in 13 African nations

Acquired Madacom in Madagascar

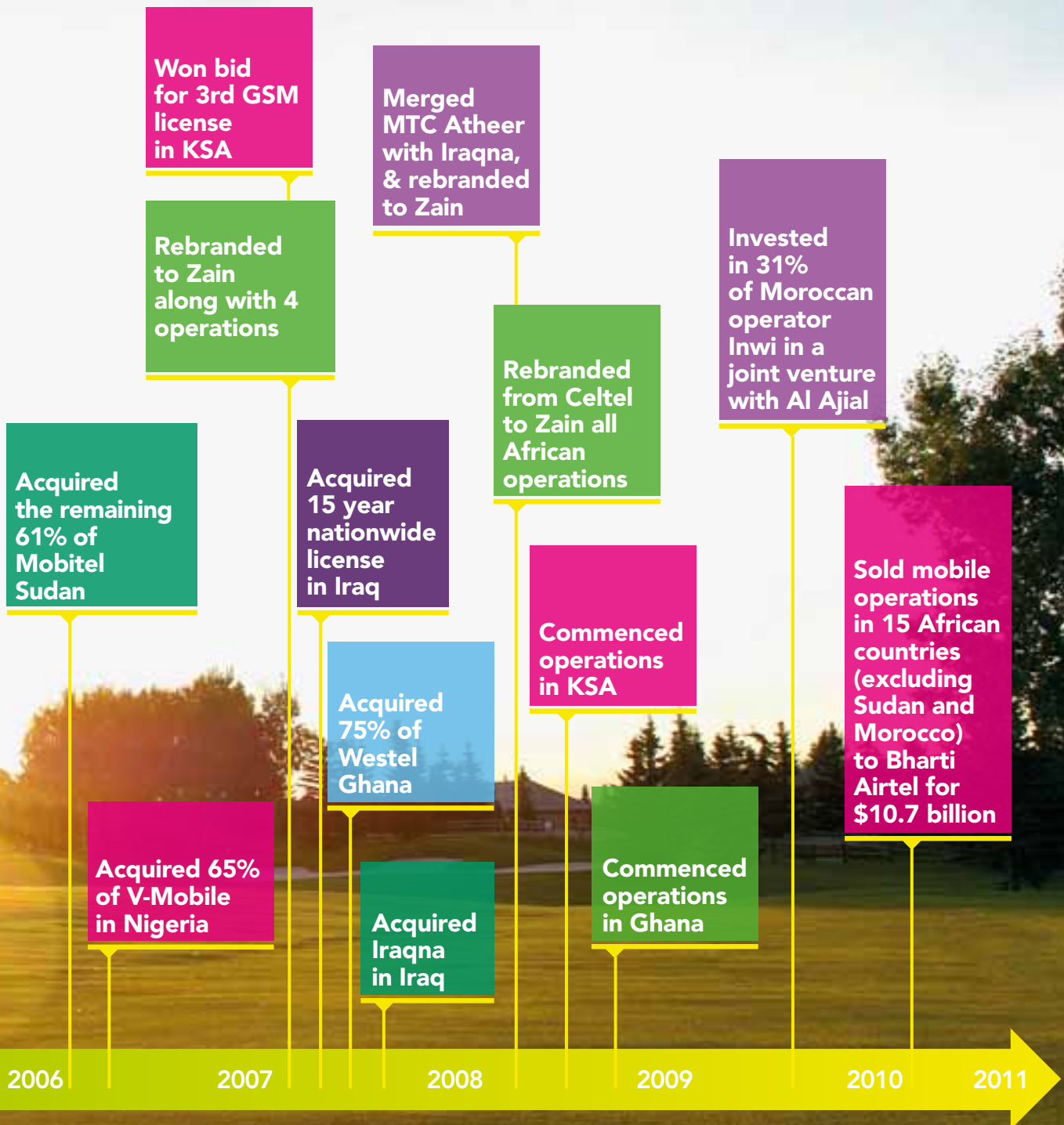
1983

2002

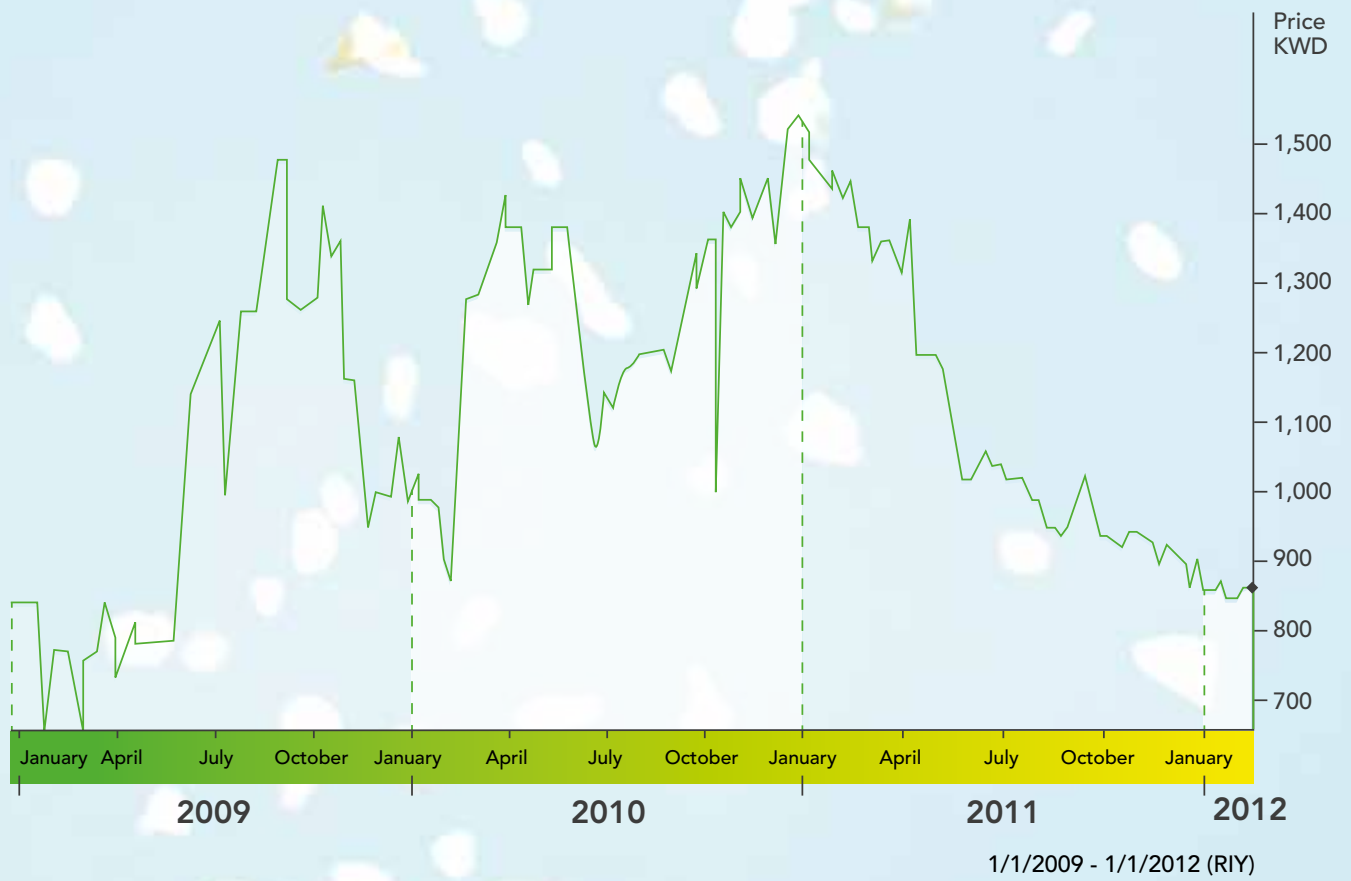
2003

2004

2005







GROUP HIGHLIGHTS

30 January: Zain declares its support for the Mobile Privacy Principles laid down by the Global System for Mobile Communication Association or GSMA. The Mobile Privacy Principles can be viewed in their entirety by visiting: www.gsmworld.com.

30 January: Mobile commerce comes to the Middle East with the launch of Zain E-mal mobile wallet in Jordan.

31 January: Zain wins the TelecomFinance Middle East and Africa 'Deal of the Year award' for the sale of its Africa assets to Bharti Airtel in June, 2010 for US\$10.7 billion. It is the first ever 'Deal of the Year' nominee to win by unanimous votes from all judges.

13 February: Zain's 'UNRWA 60 Years - It's a Wonderful Life' 60-second TV commercial supporting Palestinian refugees, wins three prizes – Best Production, Best Director and Best Soundtrack – at the 'MENA Cristal Awards'. To view the film: www.youtube.com/zain.

14 February: Zain formally joins the GSMA Mobile Alliance against Child Sexual Abuse Content, ensuring that individuals or organizations wishing to use, or profit from child sexual abuse content using the mobile environment, are prevented from doing so. For further details: www.gsmworld.com.

16 February: Zain announces a global partnership and the launch of Phone-to-Phone and International Top-Up services with ezetop, enabling Zain customers to send and receive airtime credit from their prepaid mobile line accounts to and from Zain mobile lines, as well as from other partner mobile operators, across the world. Additionally, customers can top up credit by visiting www.zain.com or any one of over 250,000 ezetop locations worldwide.

1 March: IFC, a member of the World Bank Group, leads a group of financial institutions in financing a landmark USD 400 million, seven-year debt facility for Zain Iraq, the country's largest mobile phone operator.

1 March: Zain Group signs an agreement with the Lebanese Ministry of Telecommunication to manage the mtc touch network on behalf of the Lebanese government for another 12 months, commencing retrospectively on February 1st, 2011.

5 March: Zain Jordan officially launches high-speed Zain Broadband services using the latest HSPA+ technology.

23 March: Zain Iraq announces the expansion of its voice and data services to the governorates of the Kurdistan region.



30 January



30 January



31 January



13 February



1 March



5 March

1 June: In collaboration with, and under the auspices of Kuwait's first Deputy Prime Minister and Minister of Interior, Sheikh Ahmed Al-Hamoud Al-Sabah and the Kuwait Ministry of Interior (Moi), Zain Kuwait launches 'Drive Zain', a humanitarian multimedia awareness and action campaign to highlight the dangers of using mobile phones while driving.

7 June: Zain wins the 2011 Global Telecoms Business Magazine Innovations award for the successful launch and implementation of its Zain E-mail service in Jordan.

12 June: Zain launches the iPhone 4 in Kuwait, Jordan and Bahrain with a wide range of tailored tariff plans.

14 September: Zain Saudi Arabia becomes the first mobile network operator in the Middle East (and one of the first in the world) to commercially launch a 4G Long-Term Evolution (LTE) network.

2 November: Lebanon's mtc touch launches high-speed Internet 3.9G HSPA+ services, contributing to the country's economic and social well-being.

23 November: Zain enters into a strategic USD 650 million five-year network outsourcing and optimization agreement with Ericsson in Iraq.

29 November: For the third time in the space of six years, Zain is awarded the prestigious 'Best Overall Middle East and Africa Mobile Operator' at the annual CommsMEA Awards 2011. Zain's mobile operation in Jordan is also selected as the 'Best Customer Service Provider' for its 'In-Life Care' program.

6 December: For the second consecutive year, leading online ranking agency King Worldwide Digital, ranks Zain's corporate website www.zain.com no. 1 in the telecom industry across the MENA region.



1 June



7 June



12 June



14 September



2 November



23 November



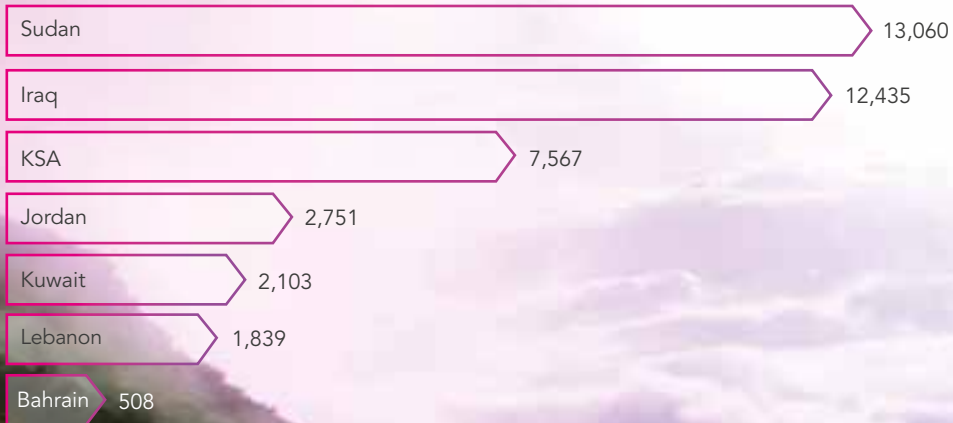
29 November

40,263**ACTIVE CUSTOMERS
2011 (000s)****+8%****YOY****37,239****ACTIVE CUSTOMERS
2010 (000s)**

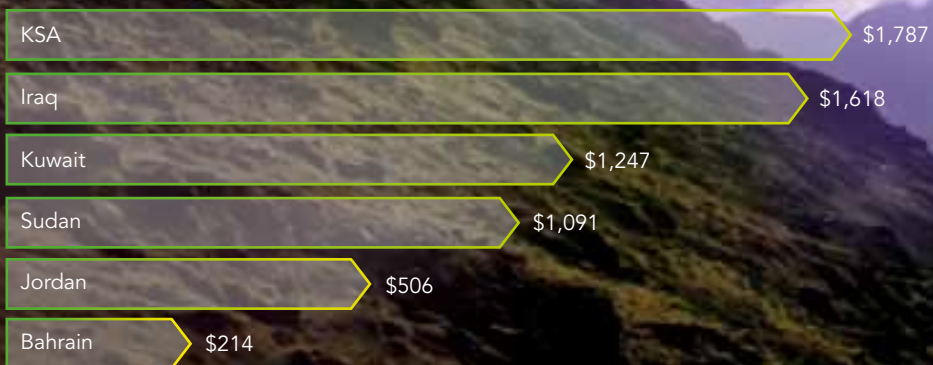


GROUP OVERVIEW 2011

Customers (000s)



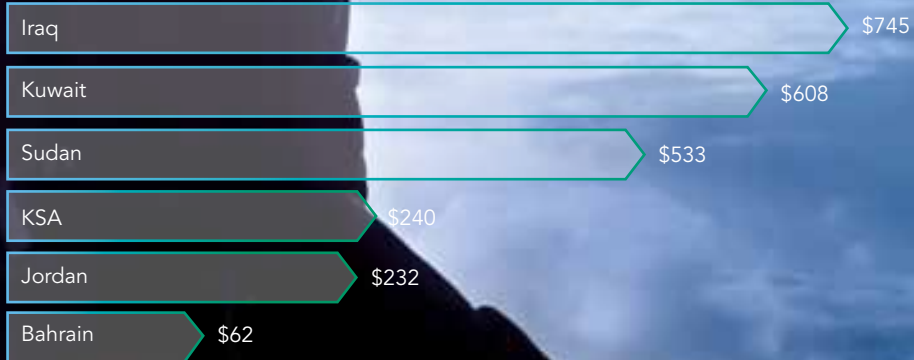
Revenues (in million dollars)



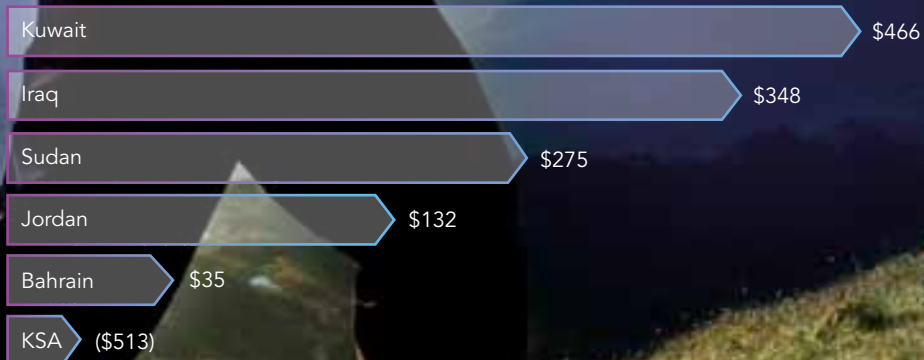
* Zain Saudi Arabia is an associate company (not consolidated)



EBITDA (in million dollars)



Net Profit (in million dollars)





**OVER 40.2 MILLION
ACTIVE CUSTOMERS
IN 8 COUNTRIES***

The numbers show active customers
year end 2011

**Exclusive of Morocco, in which
Zain has a 15.5% ownership
in the mobile operator 'inwi'*



KUWAIT

Founded in 1983, Mobile Telecommunications Company (MTC) was Kuwait's first mobile operator. In 1994, it made history by becoming the first telecom operator to launch a commercial GSM service in the region. The mother ship of all Zain's mobile operations across the Middle East, Zain is listed on the Kuwait Stock Exchange with a market capitalization of over US\$ 14.1 billion, as of December 2011.

Despite stiff competition from rivals, Zain continues to capture the lion's share of the Kuwaiti mobile market with 41% customer market share. Zain Kuwait successfully increased its customer base by 13% in 2011, exceeding the 2 million-customer milestone by the end of the year.

Zain Kuwait contributed 5% to the Group's total customer base. The operator was able to sustain its market share due to the revamping of prepaid offers such as 'eeZee Unlimited'; introducing new data and postpaid offers like the 'Wiyana Mix'; as well as introducing an aggressive strategy for promoting smartphones with competitive pricing plans for devices including the iPhone, BlackBerry, Samsung, and others.

The postpaid segment accounted for 33% of Zain Kuwait's customer base in 2011, with the prepaid segment accounting for the remaining 67%.

Zain Kuwait continues to have one of the highest ARPU levels in the Group's portfolio, standing at USD 49 with the saturated Kuwaiti market continuing to be a major contributor of 27% to the Group's total consolidated revenues.

The operation reported total revenue of USD 1.25 billion in 2011, with EBITDA increasing by 7% to USD 608 million. Net profit for the same period reached USD 466 million, representing a year-on-year increase of 4%. Additionally, capex (capital expenditure) witnessed a considerable year-on-year increase of 50% and stood at USD 106 million by year-end 2011.

As of 2011, the Zain's network covered the entire population of Kuwait with a total of 1,841 sites.

On the regulatory front, the Ministry of Telecommunications (MoC) issued a decree in August 2011 pertaining to fees required from the country's mobile operators for the issue of additional mobile numbers.

Zain Kuwait's future strategy falls under two main objectives: To consistently exceed customers' expectations at all touch points; and to capitalize on the growth in demand for data services and the associated sales of smartphones as a way to generate incremental revenues.

Customers (000s)	2011	2010
Postpaid	694	632
Prepaid	1,410	1,238
Total	2,104	1,870

Market Share	
Zain	41%
Wataniya	39%
Viva	20%

Operational & Financial Performance	2011	2010	2009	YOY Growth (11 vs 10)
Customers (000s)	2,104	1,870	1,838	13%
Revenues (US\$m)	1,247.3	1,204.3	1,221.1	4%
EBITDA (US\$m)	607.9	569.5	565.8	7%
EBITDA (%)	49%	47%	46%	-
Net Profit (US\$m)	465.6	446.9	456.4	4%
ARPU	\$49	\$52	\$54	-
Capex (US\$m)	105.7	70.7	117.4	50%

Financials: P&L (US\$m)	2011	2010	2009	CAGR
Gross Revenues	1,247.3	1,204.3	1,221.1	2%
Cost of Sales	351.1	333.0	341.2	3%
Gross Margin	896.2	871.3	879.9	1%
Opex	288.3	301.8	314.2	(4%)
EBITDA	607.9	569.5	565.8	7%
Net Profit/(Loss)	465.6	446.9	456.4	2%

Capex Breakdown (US\$m)	2011	2010
Capex	105.7	70.7
Networks	86.7	53.5
IT	17.5	15.1
Others	1.5	2.1

NETWORK PERFORMANCE

Network Quality KPIs

2G Network availability	99.5%
3G Network availability	99.5%
2G Call setup success rate	99.2%
3G Call setup success rate	97.8%
2G Drop call rate	0.44%
3G Drop call rate	0.30%
% Network with congestion > 1%	3.66%
Data attach success rate	98.38%

2G and 3G drop call rates are less than 1% as per international standards

Broadband KPIs

Total monthly data volume (TB)	1359
--------------------------------	------

Service availability KPIs

Contact center availability	100%
-----------------------------	------

IRAQ

Zain has been providing mobile services in Iraq since December 2003. After securing a 15-year license in August 2007, Zain acquired Iraqna's network, becoming the largest mobile operator in the country. The Zain Group subsequently increased its ownership from 30% to 71.67% in 2008, to assume majority control.

Leading the Iraqi mobile market, Zain ended 2011 with a 53% market share, following net additions of 361,000 customers during the course of the year and bringing its customer base to over 12.4 million. This customer base accounted for 31% of the Group's total customers at the end of 2011. The healthy customer growth experienced in Iraq was related to Zain's launch of new value-added services (VAS) including the 'Ramadan' and 'Zyara' offers, and other bundle packages, as well as data services.

Prepaid customers dominate the local market with Zain's prepaid customers accounting for 99.4% of its overall base at the end of 2011.

Zain Iraq's revenues for 2011 reached USD 1.6 billion, up by 8% year-on-year, while EBITDA increased by 4% to USD 745 million. The operator's revenues represented 35% of Zain Group's total consolidated revenues for 2011. Net profit for the period showed year-on-year growth of 9%, rising to USD 348 million. ARPU levels stood at USD 11.

During 2011, Zain Iraq expanded mobile phone services to the Northern Iraq region of Kurdistan, and the operation remains keen on network expansion throughout the country, which is reflected in the 34% increase in capex during 2011. At year-end 2011, Zain Iraq counted 3,467 sites across Iraq, with a population coverage of 94% and geographical coverage of 50%.

During the year, Zain Iraq also paid USD 500 million to the Iraq government, in final payment of its license fee. In the same year, the IFC, a member of the World Bank Group, led a group of financial institutions in financing a landmark USD 400 million, seven-year debt facility for Zain Iraq. The long-term debt facility will help the operator further expand service coverage and improve telecommunications quality throughout the country; help unlock opportunities for entrepreneurship and innovation; as well as increase employment in a key industry.

Zain Iraq is currently preparing to launch an initial public offering (IPO), with several regional and international investment banks and other advisors already engaged in the process. The IPO process is in accordance with Zain Iraq's license's agreement, allowing for Iraqi citizens to own shares and benefit from the tremendous growth potential of the operator.

Going forward, competition is set to become even more fierce due to aggressive expansions and price competition, compounded by the potential entrance of a fourth mobile provider during the course of 2012. However Zain Iraq expects to maintain its leadership position by enhancing voice ARPU, revenue, and focusing on data and VAS.

Customers (000s)	2011	2010
Postpaid	80	81
Prepaid	12,355	11,993
Total	12,435	12,074

Market Share	
Zain	53%
Asiacell	38%
Korek	9%

Operational & Financial Performance	2011	2010	2009	YOY Growth (11 vs 10)
Customers (000s)	12,435	12,074	10,296	3%
Revenues (US\$m)	1,617.6	1,500.4	1,342.4	8%
EBITDA (US\$m)	744.7	715.4	670.4	4%
EBITDA (%)	46%	48%	50%	-
Net Profit (US\$m)	348.1	320.1	288.3	9%
ARPU	\$11	\$11	\$11	-
Capex (US\$m)	113.6	84.5	109.3	34%

Financials: P&L (US\$m)	2011	2010	2009	CAGR
Gross Revenues	1,617.6	1,500.5	1,342.4	10%
Cost of Sales	485.2	443.7	368.1	15%
Gross Margin	1,132.4	1,056.8	974.3	8%
Opex	387.7	341.3	304.0	13%
EBITDA	744.7	715.4	670.4	5%
Net Profit/(Loss)	348.1	320.1	288.3	10%

Capex Breakdown (US\$m)	2011	2010
Capex	113.6	84.5
Networks	101.1	70.9
IT	9.1	11.4
Others	3.4	4.3

NETWORK PERFORMANCE

Network Quality KPIs

2G Network availability	99.63%
2G Call setup success rate	95.48%
2G Drop call rate	0.61%
% Network with congestion > 1%	0.81%
Data attach success rate	73.37%

2G and 3G drop call rates are less than 1% as per international standards

Broadband KPIs

Total monthly data volume (TB)	24
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Service availability KPIs

Contact center availability	97.66%
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SUDAN

In February 2006, Zain acquired the remaining 61% stake of Mobitel in a deal valued at USD 1.332 billion. Mobitel is Sudan's first mobile operator, which is now wholly-owned by Zain Group. The company was rebranded to Zain in September 2007 and subsequently renewed its license for a period of 20 years.

At the end of 2011, and despite strict registration requirements implemented by the National Telecommunications Corporation (NTC) as well as aggressive competitive campaigns and price cuts, Zain continued to be the largest mobile operator in Sudan, accounting for 58% of the country's mobile customer base. The operator's customer base continues to grow, with the number of customers growing by 25% year-on-year in 2011, to reach over 13 million customers.

Additionally, Sudan has experienced radical changes following the separation of Sudan in two countries – Sudan and South Sudan. Zain successfully overcame the challenges this development raised and completed the separation of its operations into two. A new management team has since been put in place in South Sudan.

The operator contributed 32% of Zain Group's total customer base and 23% of its revenues, making Sudan one of the most significant strategic players in the Group with the highest customer acquisition share and one of the lowest churn rates of all Sudanese mobile operators.

Although Zain Sudan's postpaid base continues to grow at a flat rate, most of the operation's customer growth is driven by the robust prepaid segment, which contributed 99% to the operator's overall customer base.

Increasing competition in the Sudanese telecom market has contributed to a falling ARPU rate, which stood at USD 8 at the end of 2011.

On the regulatory front, the NTC issued several regulatory updates, which included new taxes, the transfer of tariff packages to a per second basis, and the lowering of interconnection rates, to name a few.

In terms of the local SDG currency, Zain Sudan experienced 9% revenue growth, however due to adverse currency variations, revenues in USD terms showed a 5% decrease. The overall year-on-year growth was affected due to the new government regulation instituted in 2011, which increased VAT on telecom companies from 20% to 30%, and increased income tax from 3% to 15%, leading to lower consumption levels.

Data and VAS technology will continue to be a priority for Zain's strategy in Sudan. Driving customer acquisition will also play an integral part of the operator's strategy, through partner relationships, and a focus on retention.

The fourth quarter of 2011 marked the launch of several promotions, which included a retention reward, Hajj offer, free calls for prepaid customers, ring back tones, and Me2U tariff change.

Zain's sound financial performance was also attributed to its network deployment and the expansion of its population coverage to 87% with a total number of 2,033 sites.

Customers (000s)	2011	2010
Postpaid	84	94
Prepaid	12,976	10,322
Total	13,060	10,416

Market Share	
Zain	58%
MTN	21%
Sudani	21%

Operational & Financial Performance	2011	2010	2009	YOY Growth (11 vs 10)
Customers (000s)	13,060	10,416	8,493	25%
Revenues (US\$m)	1,091.1	1,145.3	994.3	(5%)
EBITDA (US\$m)	532.5	612.8	505.3	(13%)
EBITDA (%)	49%	54%	51%	-
Net Profit (US\$m)	275.0	403.5	351.5	(32%)
ARPU	\$8	\$10	\$12	-
Capex (US\$m)	295.0	406.3	229.3	(27%)

Financials: P&L (US\$m)	2011	2010	2009	CAGR
Gross Revenues	1,091.1	1,145.3	994.3	5%
Cost of Sales	218.4	229.7	219.6	0%
Gross Margin	872.7	915.6	774.7	6%
Opex	340.3	302.7	269.4	12%
EBITDA	532.5	612.8	505.3	3%
Net Profit/(Loss)	275.0	403.5	351.5	(12%)

Capex Breakdown (US\$m)	2011	2010
Capex	295.0	406.3
Networks	266.9	389.7
IT	12.4	8.3
Others	15.7	8.3

NETWORK PERFORMANCE

Network Quality KPIs

2G Network availability	98%
3G Network availability	98.6%
2G Call setup success rate	96%
3G Call setup success rate	97%
2G Drop call rate	0.82%
3G Drop call rate	0.42%
% Network with congestion > 1%	1.50%
Data attach success rate	95%

2G and 3G drop call rates are less than 1% as per international standards

Broadband KPIs

Total monthly data volume (TB)	504.5
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Service availability KPIs

Contact center availability	99.97%
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JORDAN

In 1994, Zain in Jordan revolutionized the telecom sector in the Kingdom by becoming the first to introduce mobile services (as Fastlink). In 2003, the operator became the first to join Zain Group's Middle East portfolio and, despite intense competition in this liberalized market, Zain Jordan has remained the leading telecom operator in the country.

In 2011, Zain Jordan was able to maintain its market leadership position, with a market share of 37% of all mobile customers.

Since the launch of HSPA+ in 2011, Zain Jordan increased its' customer base by over 263,000 customers year-on-year, supported by ongoing offers and promotions. The operator revolutionized the broadband segment in the Kingdom, capitalizing on faster speeds, superior network and wider coverage.

Zain Jordan's customer base reached 2.75 million as of year-end 2011, accounting for 7% of Zain Group's total customers. Although prepaid customers accounted for the bulk of Zain's mobile customer base, 2011 saw a notable increase in the postpaid segment, rising to an impressive 15% of the total customer base.

The regulatory landscape has undergone several positive changes with the application of new local interconnection rates that were introduced in April, 2011. New fixed number ranges were allocated to Zain Jordan during the year and the company managed to secure the Telecommunications Regulatory Commission's (TRC) approval on the amended HSPA+ spectrum license.

Going forward, Zain Jordan will look to rationalize its products and portfolio, expanding and focusing on different governorates across Jordan, and further penetrating the broadband market. As for Zain E-Mal (the operator's m-commerce service), the company will work on expanding the cash in/out touch point network across the Kingdom, in addition to attracting new partners and introducing new services and technologies.

The fourth quarter saw the launch of many promotions including 'Mish Tabeei', which targets the youth segment, 'Bela Hudoud', targeting the governorates, HSPA+ devices, targeting the postpaid customers, as well as the launch of the iPhone, BlackBerry and other devices.

As of year-end 2011, the operator achieved 99.98% 2G coverage for the population area with a total number of 1,567 (2G) sites and 1,022 (3G) sites. Zain Jordan also achieved 97% HSPA+ coverage for the population area in less than a year since its launch.

Customers (000s)	2011	2010
Postpaid	399	343
Prepaid	2,352	2,145
Total	2,751	2,488

Market Share	
Zain	37%
Orange	36%
Umniah	27%

Operational & Financial Performance	2011	2010	2009	YOY Growth (11 vs 10)
Customers (000s)	2,751	2,488	2,493	11%
Revenues (US\$m)	505.8	514.2	480.2	(2%)
EBITDA (US\$m)	231.5	228.5	237.7	1%
EBITDA (%)	46%	44%	50%	-
Net Profit (US\$m)	131.6	143.9	133.9	(9%)
ARPU	\$15	\$16	\$15	-
Capex (US\$m)	23.8	70.9	33.9	(66%)

Financials: P&L (US\$m)	2011	2010	2009	CAGR
Gross Revenues	505.8	514.2	480.2	3%
Cost of Sales	141.7	150.2	120.1	9%
Gross Margin	364.1	364.0	360.1	1%
Opex	132.5	135.4	122.4	4%
EBITDA	231.5	228.5	237.7	(1%)
Net Profit/(Loss)	131.6	143.9	133.9	(1%)

Capex Breakdown (US\$m)	2011	2010
Capex	23.8	70.9
Networks	17.2	47.7
IT	0	13.0
Others	6.6	10.2

NETWORK PERFORMANCE

Network Quality KPIs

2G Network availability	99.95%
3G Network availability	99.95%
2G Call setup success rate	95.57%
3G Call setup success rate	99.4%
2G Drop call rate	0.38%
3G Drop call rate	0.47%
% Network with congestion > 1%	1.37%
Data attach success rate	97.1%

2G and 3G drop call rates are less than 1% as per international standards

Broadband KPIs

Total monthly data volume (TB)	470.9
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Service availability KPIs

Contact center availability	100%
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BAHRAIN

Zain Bahrain began commercial operations in the Kingdom in December 2003 as MTC-Vodafone, and became the first operator to offer 2G and 3G services from the outset. With its historic introduction of 3.5G, and WiMAX, Zain has tapped into a rich seam of telecommunication records, placing it and Bahrain on the global telecom map.

The operator showed consistent growth in its customer base over the second half of 2011, driven by a strong focus on offering superior value in the mobile data space, and innovative prepaid offers and promotions. Zain Bahrain managed to increase its customer base by 2% year-on-year despite competitive and social pressures. As at 30 December 2011, Zain Bahrain had a total of 508,000 customers, which accounted for 1% of the Group's total customer base.

At the end of 2011, Bahrain's mobile penetration rate exceeded 221%, reflecting the prevalence of multi-SIM card prepaid customers. During the course of the year, Zain Bahrain sought to encourage growth in its postpaid base through a number of initiatives aimed at driving more data usage while generating strong ARPU levels which stood at USD 28 for the year-end 2011. The postpaid segment represented around 28% of total customer base.

The operator reported total revenues of USD 214 million for 2011. Despite a 14% year-on-year decrease due to a fierce competition by the third entrant, Zain Bahrain contributed 5% to the Group's total consolidated revenues. EBITDA decreased by 14% to USD 62 million resulting in a 5% fall in EBITDA margin.

Zain Bahrain successfully upgraded its network to the latest version of nationwide WiMAX, which offers state-of-art technology to an increasingly technologically-savvy customer base. Capex increased by 43% due to ongoing network expansion throughout the year. The operator's network currently covers 100% of the population, with a total of 298 sites.

As part of the Group, Zain Bahrain's strategy moving forward involves capitalizing on recent investments in WiMAX, increasing value share through smart acquisition, and engaging in other revenue streams, such as data.

To offset the effects of intensive competition, Zain introduced a range of tailored services in the fourth quarter, including the Home and Business broadband packages, as well as the launch of the iPhone 4S and BlackBerry packages and data bundles.

Customers (000s)	2011	2010
Postpaid	142	137
Prepaid	366	362
Total	508	499

Operational & Financial Performance	2011	2010	2009	YOY Growth (11 vs 10)
Customers (000s)	508	499	662	2%
Revenues (US\$m)	214.1	248.3	260.7	(14%)
EBITDA (US\$m)	61.8	83.4	95.4	(26%)
EBITDA (%)	29%	34%	37%	-
Net Profit (US\$m)	34.6	58.0	74.1	(40%)
ARPU	\$28	\$29	\$26	-
Capex (US\$m)	54.9	38.4	25.2	43%

Financials: P&L (US\$m)	2011	2010	2009	CAGR
Gross Revenues	214.1	248.3	260.7	(9%)
Cost of Sales	68.4	66.8	69.8	(1%)
Gross Margin	145.7	181.5	190.9	(13%)
Opex	83.9	98.1	95.5	(6%)
EBITDA	61.8	83.4	95.4	(20%)
Net Profit/(Loss)	34.6	58.0	74.1	(32%)

Capex Breakdown (US\$m)	2011	2010
Capex	54.9	38.4
Networks	47.7	31.5
IT	3.5	6.1
Others	3.7	0.8

NETWORK PERFORMANCE

Network Quality KPIs

2G Network availability	99.98%
3G Network availability	99.13%
2G Call setup success rate	99.23%
3G Call setup success rate	99.7%
2G Drop call rate	0.33%
3G Drop call rate	0.17%
% Network with congestion > 1%	2%
Data attach success rate	92.5%

2G and 3G drop call rates are less than 1% as per international standards

Broadband KPIs

Total monthly data volume (TB)	147
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Service availability KPIs

Contact center availability	99.8%
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KINGDOM OF SAUDI ARABIA

Zain launched commercial operations in the Kingdom of Saudi Arabia on August 26, 2008, a year after it was awarded its mobile license. The Group holds management control of the operator through its 25% ownership stake, while the remaining shareholding is distributed among a Saudi consortium, which owns 25%, the Public Pension Authority with a 5% stake, and 45% are free float.

Zain KSA ended 2011 with over 7.5 million customers, a 10% year-on-year decrease that represented a market share of 12%, which was down 4% from a year earlier.

The market in Saudi Arabia is characterized by a transitory segment of customers, mainly pilgrims visiting throughout the year, for short periods. To align with the industry standard in terms of active customers and to avoid distortions resulting from the transitory segment, Zain KSA management reinforced the policy that active customers would be defined only as those who have transacted a billable event within a 90-day period. This policy reinforcement had no impact on the financial performance of Zain KSA.

The operator's customer base represents 19% of the Group's overall base. The operator's prepaid customer base stood at 83% at the end of 2011, while ARPU amounted to USD 18 in 2011.

With the mobile sector in Saudi Arabia being close to saturation, Zain KSA has managed to differentiate itself as the pre-eminent operator. For the year ending 31 December, 2011, the operator recorded a notable financial performance, with a 13% increase in revenues to USD 1.8 billion. EBITDA also increased by an impressive 172% to USD 240 million, while net loss decreasing by 18% to USD 513 million.

Zain KSA's sound financial performance was driven by a positive EBITDA, as well as lower net losses on the back of rising consumption of broadband services.

In 2011, Zain's network was upgraded with high-speed LTE technology, which made the Kingdom the first country in the Middle East to offer high-speed Internet at speeds of up to 150Mbps on its mobile network.

Saudi Arabia continues to be a growth market driven by the Saudi youth, expats, and data products. The market is becoming increasingly competitive, and Zain KSA will continue to focus on VAS, superior network, and optimized financial and operational structures.

Zain KSA is also preparing to commence its capital restructuring program, which is expected to proceed soon after the operator obtains the required approvals from the official parties and the General Assembly. Apart from reducing debt levels, this is a step that will help fund and fully maximize its future potential in the Kingdom.

To date, the operation in Saudi Arabia has 89.1% population coverage supported by 3,884 sites, with the remaining population coverage area covered by a national roaming agreement.

Customers (000s)	2011	2010
Postpaid	1,290	710
Prepaid	6,277	7,683
Total	7,567	8,393

Market Share	
Zain	16%
STC	42%
Mobily	42%

Operational & Financial Performance	2011	2010	2009	YOY Growth (11 vs 10)
Customers (000s)	7,567	8,393	5,232	(10%)
Revenues (US\$m)	1,786.6	1,582.3	801.0	13%
EBITDA (US\$m)	239.8	88.4	(248.7)	171%
EBITDA (%)	13%	6%	(36%)	-
Net Profit (US\$m)	(513.4)	(628.9)	(826.3)	(18%)
ARPU	\$18	\$19	\$18	-
Capex (US\$m)	190	255.3	504.1	(41%)

NETWORK PERFORMANCE

Network Quality KPIs

2G Network availability	99.55%
3G Network availability	99.55%
2G Call setup success rate	98.98%
3G Call setup success rate	99.1%
2G Drop call rate	0.43%
3G Drop call rate	0.25%
% Network with congestion > 1%	2.46%
Data attach success rate	99.39%

2G and 3G drop call rates are less than 1% as per international standards

Broadband KPIs

Total monthly data volume (TB)	547.62
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Service availability KPIs

Contact center availability	99.89%
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LEBANON

In June 2004, Zain Group won a four-year management contract to operate one of Lebanon's two GSM networks. The agreement has been renewed several times since, most recently in February 2012 for a 12 month period expiring 31 January, 2013. The operation is branded mtc touch, and Zain has developed the Lebanese operation to its full potential by providing unprecedented world-class services – enhancing its position as a pioneering telecommunication provider.

At the end of 2011, mtc touch counted 1.84 million customers – an increase of 23% year-on-year– accounting for just under 5% of the Group's total customer base.

2011 saw a qualitative development in terms of services delivered, with the operator succeeding in proving itself as a pioneer by launching 3.9G services in the summer.

mtc touch's strategy is to consistently exceed customers' expectations by delivering attractive products, capitalizing on mobile broadband, as well as by offering attractive bundles and mobile phones packages.

To date, the operation in Lebanon has 97% geographical coverage, representing almost 99% of the population with 770 sites.

Customers (000s)	2011	2010
Postpaid	262	240
Prepaid	1,577	1,259
Total	1,839	1,499



GROUP BRANDING CAMPAIGNS

Zain tirelessly aims to provide the most compelling service proposition available, while at the same time looking to improve the lives of the communities it serves. These company values are communicated through many targeted campaigns and advertisements whether they be print, radio, TV commercials or through several social media channels. Throughout the course of 2011 a number of themes garnered significant public attention for their messaging and delivery.

Many of Zain's campaigns and happenings can be viewed on the below channels whereby links are available to view all Zain country operations as well: www.youtube.com/zain, www.facebook.com/zain, www.twitter.com/zain

Many brand-enhancing campaigns peculiar to local market audiences were produced at local Zain country operational level. At Group level, the major campaigns undertaken that were extensively promoted across the region were:

December 2011: Hold on to your Dream

Because dreams know no boundaries - or at least, that's what the people who live in a wonderful world believe in - Zain turned to Kuwaiti superstar Shooji to shoot a series of commercials that aired during the latest season of Arab Idol in order to encourage people to hold on to their dreams, no matter what.



August 2011: Sesame Street

Happiness, smiles, and innocent fun... these references point to childhood, and a time in most people's lives that they long to recapture. At Zain we believe that we never really turn the page on our positive childhood memories, rather they remain dormant in our hearts and minds, waiting for the day they can be revived again.

In Zain's 2011 Eid greeting TV commercial, nostalgia was injected as characters from the popular Arabic version of Sesame Street assembled with Arabs Got Talent star Hala Turk, whose pure voice carried audiences to a time less complicated, reminding us all of holidays spent with loved ones, and that happiness isn't limited by time.



August 2011: Give a helping hand

The Holy Month of Ramadan is one in which generosity is the central theme. Though the issue is not so much what one gives, but that one offers a helping hand, a smile, or a kind word as they navigate the month. In 2011, Zain heralded another delightful Ramadan with a musical performance (song written by Hiba Hamada and composed by the famous Ahmad Kaabour and Mohammed Kebbi), this time with the Kuwaiti Star, Shooji, who is overly eager to help with Iftar preparations. Unfortunately, she seems to make a mess of each attempt; she is however reassured by neighbors that her sweet intentions more than make up for it all. For in the end, generosity springs from the heart, and not the hand.



August 2011: Zain to a Wonderful World

To celebrate the Holy Month of Ramadan Zain produced a play entitled "Zain to a Wonderful World". An adaptation of Oliver Twist, the famous novel by Charles Dickens, it was performed for 10 consecutive nights starting on the first day of Eid Al Fitr.

The play, which was performed on a converted ice rink in Kuwait, is about Zain, a mistreated orphan, who joins a street gang, and who is ultimately adopted by a kind and rich lady. The production was a 100% Zain effort.



ZAIN BRANDING CAMPAIGNS

August 2011: Help the environment

How is it that the most intelligent species on the planet also happens to be the most destructive? Our home has endured pollution at unprecedented levels; forests are being cut down, rivers are drying up, other species are either endangered or becoming extinct. This planet, which has given us life and sustenance, is the only one we have. Isn't it time we gave back?

In this TV commercial, Zain highlights the planet's plight through haunting images shot by famed director Matthias Zener, with some images courtesy of Green Peace. The original score was composed by Fabrice Smadja and Pascal Bonifay and the advertisement is a stark reminder that we must do all we can to save our beloved Earth, and in turn ourselves.



June 2011: Drive Zain

As a mobile service provider, we felt very strongly about communicating the dangers of using mobile phones while driving in the Middle East, particularly as the region does not have the highest safety record in such matters.

The campaign centered on a series of shocking messages that let viewers know that they could never guarantee what words would be their last if they risked using a mobile phone while driving.

The adverts concluded with a message that in order to remain safe while driving, one has to: Drive Zain (Drive Safe).



April 2011: Rapunzel

Sometimes things don't turn out exactly how one would like them to. However, this television commercial is all about making life's journey a more pleasant and satisfactory one. Drawing on the much-loved fairytale, Zain takes the audience on an epic journey of magical, heroic, and humorous proportions, proving yet again that when it comes to a wonderful world, expectations are always met.



Technology plays a central role in the development and deployment of network infrastructure, though the way in which operators follow their opex and capex strategies, and thus Zain, has increasingly become focused on the end-results of such developments rather than the investment in technology for technology's sake. Across all its country operations, Zain is at the forefront of managing the increasing complex world of converged mobile communications networks in a highly cost-efficient manner, which maximizes synergies and simplifies processes, while offering customers high quality connections at all times.

CONVERGENCE

Convergence means that previously separate technologies such as voice, video, data and Internet now share resources and interact with each other seamlessly. The rise of digital communication in the late 20th century has made it possible for organizations and individuals to deliver text, audio, and Internet content over the same wired, wireless, or fiber-optic connections.

Convergent charging and billing is a solution in the telecommunications industry that enables common management of all users and all services for operators. It includes convergence of payment methods like prepaid and postpaid, as well as access methods like fixed telephony, mobile telephony, broadband, TV and ISP services.

Today, we are surrounded by a multi-level convergent media world where all modes of communication and information are continually changing the way we create, consume, learn and interact with each other.

Zain is at the forefront of this new revolution, and has always been quick to adopt and embrace these powerful technology and communication trends. To help cater for and support our new multiconnected, multimedia world, Zain has embarked on a full-scale overhaul of its charging and billing systems across all its operations, incorporating a state-of-the-art billing and charging platform that offers more innovative and attractive services to our customers. For example, Zain has launched targeted promotions quickly, which deliver an improved customer experience, flexible payment methods, and multiple access technologies that are all handled under one billing and charging platform. Kuwait and Jordan are the pioneering Zain markets in which the convergent billing and charging initiative exists today.

FUTURE READY NETWORK (SINGLE RAN)

With the increased demand for better coverage and quality from Zain's loyal customers, in recent years, new radio sites with different technologies had to be installed and deployed in the operator's networks to meet these demands. This rapid deployment of radio technologies created complex network architecture, not to mention the need for more frequencies, making Zain's job of managing its quality and efficiency more challenging.

In order to overcome these complexities, Zain started to search for a new technical strategy that would help improve the customer experience and provide future scalability. Through the support of our partners, Single RAN technology was adopted and implemented in many of Zain's operations.

Single RAN involves the use of one radio platform to support different technologies (2G, WCDMA, LTE) in different frequencies (900MHz, 1800MHz, 2.1 GHz, etc) allowing the fast introduction of services to the customers with minimum impact on opex and capex.

From a technology standpoint, the further deployment of WCDMA and LTE is likely to take some time until it reaches the penetration of GSM. Thus, we are facing a period in which the three technologies will co-exist in Zain's network; with Single RAN being a technical solution to the challenges ahead, ensuring service availability and cost efficiency.

The Single RAN project commenced in Q4, 2011 in Kuwait and Jordan, with Zain operations in these two countries set to deliver a state-of-the-art radio network that will support better technology scalability, operational efficiencies through power consumption savings, and provide higher transmission bandwidth for broadband services.

OUTSOURCING

Outsourcing has been a key strategy for telecom operators over the past five years. For many mobile operators, the initial motivation for outsourcing was cost savings and the need to focus on core business in the face of the global economic downturn and slower growth within the industry.

At Zain, the strategy of outsourcing network and IT operations was adopted in early 2009 when the operator still had a presence in Africa, and had the first successful outsourcing project in Nigeria. That was a major learning experience for Zain and since then the company has greatly improved its outsourcing processes and tools.

Today Zain's approach to outsourcing seeks to achieve more strategic benefits rather than focus on cost control. Given the mostly saturated markets Zain operates in today, service differentiation and management of the customer experience are key strategies. To achieve these goals, the focus must be on innovation, time-to-market, and operational efficiency; although cost control also remains an important consideration. With the experience Zain gained from outsourcing network operations in Nigeria, East Africa (Kenya, Tanzania, Uganda and Madagascar) in 2010, and recently Iraq in November 2011, the company has acquired a good understanding of the risks of outsourcing and how to mitigate the risks. It is also important to emphasize that the basis of a successful outsourced activity is the establishment of trust-based relationships with our partners, which are built through solid contracts and flexible governance models that are responsive to change and have therefore enabled Zain to manage outsourcing with benefits to both parties. Of course the paradigm shift from vendor to partner is essential but a challenging one to achieve. Therefore post-outsourcing follow-up is needed to make sure the operation stays on course, and the outsourcing goals and targets are achieved to the greatest possible extent.

GREEN POWER

As part of its environmental and social responsibility program, which is also in compliance with GSMA requirements and provides optimum coverage to remote and urban areas, Zain has adopted a Green Power strategy to reduce carbon dioxide (CO₂) emission based on the following:

Deployment of green power/battery hybrid solutions

- Green Power is the application of renewable energy resources or technologies such as wind, solar, biogas, biomass, and others with the aim of providing alternative power solutions that are more environmentally friendly. Zain has chosen wind and solar or a combination of the two solutions as the way to power its radio base stations located in remote areas where commercial power does not extend to. Zain's operating companies located in geographies with adequate wind have tested this resource and 26 solar systems have been deployed in Zain Sudan alone, where site loads are adequate for deployment of the solar power solution
- The battery hybrid solution is the combination of diesel generator, deep cycle batteries and a controller. Diesel-battery hybrid cycling has become Zain standard for all off-grid sites where applicable. Fifty-eight battery hybrid solutions have been deployed and Zain intends to intensify this program in the future. Battery hybrid/green power solutions have led to savings of 40% - 70% on fuel consumption resulting in the reduction of CO₂ emission where these solutions have been deployed.

Usage of optimized generators

- Zain is moving from the use of standard generators to optimized ones that are designed to complement the load required by the sites taking into account the fact that generators are most efficient when their load is between 55% and 80% of their capacity. Therefore, these generators have lower capacities than standard ones, leading to less fuel consumption, which implies reductions in CO₂ emissions.

Zain is also an active member of the GSMA Green Power Working Group and supports their Green Power initiative mainly in Africa (Sudan). One of the GSMA initiatives that Zain benefits from is the Mobile Energy efficiency benchmarking in which operators are benchmarked on relative network efficiency. This has benefited Zain through exposure to other operators' experiences in energy efficiency.

SOUTH SUDAN SEPARATION

South Sudan officially came into existence as an independent country in July 2011, and with that the responsibility of building new government institutions from the ground up commenced in earnest. This extends to the establishment of an independent telecom regulator and the extension of the permission to offer a service, of the Republic of Sudan's telecom operators, including Zain.

Zain in Sudan and South Sudan are now two separate companies, operating two separate networks, and since the end of 2011 Zain South Sudan has been operating its own network.

Apart from the logical issues related to dividing a single network into two, Zain team members on the ground in Sudan and well as Zain Group representatives and partners, had to plan and execute the separation into two networks from both an operational as well as technical perspective. Zain Sudan has since spent USD 60 million on separating its operations into two, with an expectation that at some point in the near future South Sudan shall establish its own licensing regime.

As a separation project, Zain had to overcome a number of challenges, including:

- Limited time for separating the networks
- Implementing the new numbering plan
- Rolling out the network in an unstable social environment
- Migrating customers
- Allocating technical experts to undertake the implementation

In the end, Zain South Sudan succeeded in deploying the latest technology network, and on September 30, 2011 the first Zain call was successfully completed using the new country's allocated code +211.

Zain South Sudan now has one of the most robust networks in the region, which is scalable and compatible with the future mobile evolution.

ZAIN TEAM NETWORK AUDIT

For the purpose of leveraging on the existing expertise of the technical teams within Zain Group and its operations, the company has established a technical multi-function auditing team. The scope of the audit team includes all areas of network and IT including radio, core (CS/PS), IN, voice, VAS, IT, data quality, and passive network. The main benefits the network audit team brings include easy mobilization of resources within Zain operating companies, direct impact on operational efficiency through direct savings, and most important, the establishment of synergies within Zain operations through knowledge transfer in different technical fields. This focus on network auditing will enable Zain to continuously improve network quality, optimize operational processes that will directly result in a better overall customer experience. This team has piloted its activities in Bahrain and Sudan and the other operations will follow in due course, capitalizing on the pilot process learning.



MOBILE FINANCIAL SERVICES

The year 2011 began with Zain Jordan joining Zain Bahrain in reinforcing the Zain Group's commitment to the widespread uptake of mobile financial services with the introduction of 'Zain E-mal' mobile wallet in Jordan at the end of January. Mobile financial services is an area of focus for all Zain Group operations and significant regulator consultation and effort has been exerted during the course of the year in Iraq, Sudan, and Saudi Arabia to work towards the introduction of such services in these markets. Typical services offered in the mobile wallet include: International remittance (in Bahrain), utility bill payment, retail purchases, mobile phone top-up and bill payment.

HIGH-SPEED MOBILE INTERNET

Continuous expansion of high-speed mobile Internet networks set the scene for 2011. The introduction of HSPA+ technology by Zain Jordan and mtc touch (Zain's affiliate in Lebanon) has given our customers in both markets a feel of what is yet to come. They can now enjoy high-speed Internet usage on the move without barriers. This forms part of our commitment to our customers to provide them with market-leading innovate products and services.

The enhancement of our networks across all our markets also reiterated our commitment to provide customers with cutting edge technology. We introduced LTE 4G Saudi Arabia at the end of 2011, making Zain a technology leader in yet another market of operation.

Mobile Internet usage is no longer a luxury across the vast majority of markets we operate in; and the use of the mobile for data access on the move is on the rapid increase. With the right value propositions, customer demand for data access and content has enabled the growth of a new revenue stream that Zain has been successful at pursuing, with the offer of the latest smartphones and data offerings.

Coupled with the introduction of a wide range of personal devices, mobile essentials are increasing day by day. In 2011, Zain focused on providing customers with access to these necessities and ensuring the enhancement of the customer experience, helping them make the most of our products and services.



VOICE AND MESSAGING BUNDLES

Zain Group has introduced various unlimited usage (voice and or local SMS and or international SMS) bundles in a number of our mature markets, to tremendous success. Once again, these offerings underline our commitment to providing customers with services tailored to their usage habits and requirements, thus ensuring total customer satisfaction is the introduction phase to our service.

eeZee Unlimited International SMS
Send "T" to "999"

Choose the package that suits you best and enjoy unlimited international SMS for a day, a week, or a month.

KD 0.750 a day
KD 9 a month
KD 3 a week

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With Zain Stylee!
Your Unique Character... in Style

www.zain.com #WonderfulWorld

SMART DEVICES

The iconic Apple iPhone 4 was launched by Zain Kuwait, Jordan and Bahrain in May with a great deal of publicity and customer demand in all three markets, given the attractiveness of the offering. The introduction was supported by the right value proposition, enriched with data bundles on top of voice and messaging bundles. This allowed Zain customers in the three markets to enjoy a true smartphone experience, where the customers' typical monthly consumption of data, voice and messages was accommodated in the monthly bundle propositions offered.

Smartphones allow our customers to be exposed to a totally new communication experience, so they can enjoy and benefit from their mobile experience with a world of multi-tasking options including video, data, and access to rich mobile Internet content.

The further uptake of smartphones is a trend that is forecast to persist, as our customers move away from the traditional voice-only phones and upgrade to more sophisticated total communication devices, allowing them an enriched communications experience.

In 2011, Zain played an instrumental role in allowing our customers to be part of this rich data experience, offering a wide variety of smart devices, including tablets and laptops combined with an enhanced high speed mobile network.

BlackBerry® PlayBook™ Tablet, yours for just BD10.800/month.

Visit any Zain Experience Shop and buy the BlackBerry® PlayBook™ by cash or installments payable over a period of up to 24 months. Enjoy working, gaming and the ability to experience both - and more - in one sleekly designed smart device.

Device	Monthly Cost	Monthly Cost	Monthly Cost	Monthly Cost
BlackBerry PlayBook™ 16 GB	BD 10.800	BD 10.800	BD 10.800	BD 10.800
BlackBerry PlayBook™ 32 GB	BD 12.800	BD 12.800	BD 12.800	BD 12.800
BlackBerry PlayBook™ 64 GB	BD 14.800	BD 14.800	BD 14.800	BD 14.800

www.zain.com A Wonderful World

iPhone 4 now free on the largest network

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CORPORATE SOCIAL RESPONSIBILITY

The year 2011 represented a new approach to the way Zain Group views corporate social responsibility (CSR) within the organization.

While we continued to focus on our various communities, as they are key components of our CSR activities, we decided to take a closer look at the impact of our core business activities and the related deficits that might arise from it.

One obvious area of concern for Zain given our strong ties to the communities we serve, is of traffic accidents that are directly linked to the use of mobile phones while driving. As a mobile service provider, we felt strongly that taking a responsible stance on this issue would be extremely beneficial across all of our communities. The Middle East as a region ranks quite low in traffic safety as whole. Accordingly, we decided that this particular problem needed a radical approach that would capture people's attention, and make them pause and rethink their mobile telephone habits while driving.

The public's response to the 'Drive Zain' campaign was an overwhelming success given that the issues we addressed were extremely relevant. For us at Zain, the campaign meant a true commitment from our side and as such Drive Zain became one of the main strategic pillars for CSR.

The initiative will continue to evolve during the coming years, ensuring that we continue to positively affect the communities we operate in.

Further to Drive Zain on a global level, all of our operations also focused on key community projects, where close ties to the community were reinforced. Education and health continued being key strategic thrusts for us, with great support offered to various disadvantaged segments in the community including the needy and the disabled. University labs were refurbished, scholarship programs progressed and youth empowerment programs continued to be a mainstay in all of our operations.

Across our group of companies, the environment as a whole was given greater emphasis as well. Most of our operations engaged in environmental initiatives with the aim of raising general awareness on the importance of having a healthy environment.

2011 also brought a new milestone for the organization with the introduction of sustainability reports from Zain Saudi Arabia and Zain Jordan. The reports represent a positive development as they symbolize a serious commitment to sustainability, transparency and socio-economic development.

In 2012 Zain Group will produce the first Group Sustainability Report, which will highlight our performance across areas of socio, economic and environmental impact of our operations.

Below is an overview of just some of the CSR activities instituted across Zain Group's operations during the course of 2011.

BAHRAIN

We believe that a corporate entity has an important role to play in supporting the aspirations of its community through focused CSR efforts.

Zain Bahrain's CSR focus is founded on the belief that every person has the potential to contribute to the progress of society. We pay particular attention to vulnerable segments, such as the physically and mentally challenged so that they can also play an active role in society. Our core areas of activity are: Education, going green, empowering women, building a healthy lifestyle, encouraging innovation, and supporting individuals with special needs.

BACK-TO-SCHOOL INITIATIVE: One of Zain Bahrain's longest-running CSR activities is our Back-to-School initiative, which sees deserving school children throughout the Kingdom receive sturdy schoolbags and stationery to help them face a new academic year with confidence. Children from all of Bahrain's Governorates receive Zain school bags.

SHAIKHA HESSA GIRLS SCHOOL SPONSORSHIP: Zain Bahrain reinforced its commitment to promoting the latest technology in the classroom by providing two interactive boards to the Shaikha Hessa Girls School. These boards will give students an additional edge in their academic environment. As part of the sponsorship arrangement, Zain Bahrain and the school are also working on a reciprocal basis where the school is using several services in the Zain portfolio.



CREATIVITY PRIVATE SCHOOL PROJECT SPONSORSHIP: In 2011, Zain Bahrain extended its support and sponsored a group of students who won a prestigious Robotics contest held under the patronage of the Minister of Education. The students were ranked first in the Arab World and 12th globally at the final competition in Abu Dhabi, where they showcased a robot they had designed.

F.U.N. WORK EXPERIENCE PROGRAM: Zain Bahrain assumed a leadership role in mentoring with its Future University Network (F.U.N) program, aimed at offering young people hands-on experience of work in the company. Participants are exposed to the well-regarded Zain work culture, which combines encouragement, development of leadership skills, and innovation. The F.U.N. project envisages preparing young Bahraini university students for the job market of the future, either within Zain or the wider economy.

DEVELOPING THE ZAIN E-LEARNING CENTER: We continued our commitment to the Zain e-learning Center, which is one of the most ambitious community educational projects of Zain Bahrain. Working closely with the University of Bahrain (UoB), we continued to support the Zain e-learning Center with an annual grant of BD 25,000 (USD 66,500) which increased in 2011 for further development.

THE ZAIN NATIONAL MOBILE PHONE AND E-WASTE RECYCLING CAMPAIGN: Zain launched the first ever e-waste collection initiative, 'The Zain National Mobile Phone and e-Waste Recycling Campaign', in collaboration with Enviroserve, a respected environmental waste disposal company, targeting mobile phone users. The project allows anyone to safely dispose of a mobile phone by dropping it off at any one of Zain's 11 experience shops. Zain will then safely dispose of the handsets, batteries, and other accessories using Enviroserve's expertise in waste management. Bahrain Polytechnic University also participated in the initiative.



ZAIN BAHRAIN SUPPORTS WOMEN'S GATEWAY PORTAL:

Zain sponsored the Bahrain Business Women's Society (www.womengateway.com) for the third consecutive year. The portal serves as an information search engine that supports the development of women in business, as well as raising awareness on social matters and health. The portal is a successful national product of Bahrain, which has won international and regional awards for its contribution to the empowerment of women. The portal is operated under the patronage of HRH Princess Sabeeka bint Ebrahim Al Khalifa, wife of HM King Hamad and Chairperson of the Supreme Council for Women.



SUPPORTING INDIVIDUALS WITH SPECIAL NEEDS: Zain Bahrain made a donation to the Bahrain Care Center, which offers care and a loving environment for Bahraini's frail and elderly. Zain also financially assisted Al Tafa'ol Center for Autism and Down's syndrome to print booklets for its students.

Zain also participated in a campaign with the Royal Charity Organization which works under the patronage of HM King Hamad and helped to conduct a Kingdom-wide charity campaign to raise funds for the people of Somalia. Zain Bahrain matched the amount raised and BD 47,000 (USD125,000) was donated to the Somali cause.

IRAQ

Due to the exceptional circumstances in Iraq, Zain's efforts have been channeled to targeting the wider spectrum of the society that has been passively impacted by the country's internal conflict and low security situation.

Optimism is at the core of Zain's approach to its operations and the various CSR activities in Iraq. Based on this belief, all of our campaigns are aimed at sustainable development of communities that have grown to trust Zain as a long-term, benevolent partner.

PROVIDING TELECOM COURSES: Several local universities, in collaboration with Zain Iraq, have agreed to train selected students each year and prepare them for careers in the telecom industry. Through one month courses, Zain provided its expertise in advanced technological solutions to trainees. The classes are accredited by Baghdad and Al Nahrain universities and are a requirement for graduation for all telecom majors. To date, more than 50 students have completed the training course.

CORPORATE SOCIAL RESPONSIBILITY

SUPPORTING THE AMAR INTERNATIONAL CHARITABLE FOUNDATION:

There has been growing cooperation between Zain and the Amar International Charitable Foundation founded by British peer, Baroness Emma Nicholson. This cooperation has resulted in the rehabilitation of the education and health infrastructure in south and central Iraq. The joint venture reflects a deep understanding of the precarious situation of the neediest people in the country, most of who live below the poverty line in remote areas, such as the marshes and surrounding rural suburbs.

With Zain's help, Amar has been able to undertake large-scale projects to extend essential social support. As a result, many education and health centers have been established to improve the living conditions of people in severely affected areas.

TRAINING COURSES OFFERED TO WIDOWS: Zain extended its support to the Development and Training Widows' Center, a non-governmental organization that provides specialized intensive training sessions for widows. The courses help women who have lost all financial support – especially those with children and no formal qualifications – to find suitable jobs.

RAMADAN CAMPAIGN: During the Holy Month of Ramadan, Zain sponsored the Social Commitment Project, by donating gift packages that included a prayer mat, lantern and a compass in Mosques across Iraq. The company also distributed food packages to poor families in the southern city of Basra.



JORDAN

Our firm belief in benevolence stems from our corporate culture and is considered the main motivation for implementing our sustainable CSR program.

ZAIN UNIVERSITY EDUCATION FUND: Zain increased the number of grants offered by the Zain University Education Fund for the 2011-2012 semester from 42 to 50. The Zain University Education Fund offers bachelor degree grants to students across Jordan, divided as follows: 26 grants are offered to underprivileged students with strong academic performance; 22 grants to students from the poorest regions in the Kingdom; and two grants to students with special needs.

ZAIN MOBILE MAINTENANCE TRAINING CENTER: Since its establishment in 2008, the Zain Mobile Maintenance Training Center, in cooperation with the Vocational Training Center, graduated eight units and a total of 125 trainees. The certificate, which helps graduates find work in the telecom sector, is the first specialized diploma of its kind in the Kingdom.

EMPLOYMENT PROGRAM: Zain launched a special ongoing program in 2009 offering job opportunities to university students across Jordan in its Customer Care and Telemarketing departments. Young people are able to develop their skills and gain invaluable work experience, and in 2011, 206 students benefited from the program.





RECYCLING CELLULAR PHONES INITIATIVE: Zain organized an exhibition for recycling cellular phones, offering customers who wished to replace their old phones with vouchers to buy a new Nokia mobile device at a discounted price during the exhibition. Customers could also choose to receive any of Zain's other offers and exchange their old mobile devices for new prepaid lines. This initiative aimed to promote the recycling of mobile phones amongst Jordanians.



PAPER RECYCLING PROJECT: Zain, along with Jordan Express Tourist Transportation (JETT) and the Jordan Environment Society, launched a paper-recycling project at a number of schools around Jordan. This initiative involved the recycling of paper collected from schools taking part in the Madrasati initiative. The recycled paper was then distributed to the participating schools.



MOBILE CLINIC: For the ninth year, Zain's mobile clinic offered free medical services to more than 100,000 children in remote villages across Jordan. The objective of the clinic is to visit communities lacking basic health services for children. The clinic remains stationed in each village for a full week before moving on to the next town, returning to follow up on certain cases. The clinic offers free and immediate health care for most patients and raises family awareness on how to look after and monitor sick children. The medical team performs a thorough medical checkup on children, which includes a dental hygiene exam. Medical cases are then evaluated and classified, and those with chronic diseases are transferred to a government health care specialist if the resources are not available to provide immediate treatment.



MAWAED AL RAHMAN: Zain held "Mawaed Al Rahman" in nine governorates across Jordan - Amman, Zarqa, Irbid, Karak, Aqaba, Salt, Ma'an, Mafraq and Tafeeleh - for the eleventh consecutive year during the Holy Month of Ramadan, providing more than 40,000 iftar meals.



SUSTAINABILITY REPORT: Zain launched its first sustainability report for 2011 titled, '15 years of Transforming Jordan'. The report is the first to be launched by a telecom operator in Jordan, and offers a detailed description of the company's performance on financial, environmental and social issues.

KUWAIT

Zain Kuwait, in line with the country's national agenda for development, plays a leading role in the community. Zain's strategy is to invest in projects related to: health; education; youth development; and personal safety. Zain Kuwait focuses its CSR efforts on the four main pillars: the workplace; the marketplace; the community; and the environment.

DRIVE ZAIN: In June, Zain in collaboration with Kuwait's first Deputy Prime Minister and Minister of Interior, Sheikh Ahmed Al-Hamoud Al-Sabah and the Kuwait Ministry of Interior launched the 'Drive Zain' program, focusing on the dangers of using mobile phones while driving. The campaign was launched in two phases with the initial phase featuring attention-grabbing slogans such as "ignore your best friend" or "reject your mom's call" in order to highlight the importance of ignoring distractions while driving.



CORPORATE SOCIAL RESPONSIBILITY

Phase two of the 'Drive Zain' program included Zain Kuwait organizing road shows and visiting private and government schools and universities, where young people were invited to participate in the development of applications and ideas through interactive competitions.

EYE HEALTH: Zain supported Kuwait University's Community Eye Health Initiative - Vision 2020, a joint initiative between the World Health Organization (WHO), and the International Agency for the Prevention of Blindness (IAPB).

Zain was the strategic partner in a preliminary project for eye care for the elderly, conducted in joint cooperation between the Kuwait University and the Kuwait Ministry of Health. Zain funded several eye care-related projects such as the Rapid Assessment for Avoidable Blindness (RAAB), Vision Screening of Kindergarten Children, and Vision for the Children: Eye Care Professionals into the Classroom.

Zain also launched the 'Shoof Zain' campaign that raised awareness about eye diseases and funded and branded a fully equipped mobile care unit for the Community Eye Health Initiative, with advanced facilities that detect eye disease.

F.U.N. (FUTURE UNIVERSITY NETWORK): This is the first and only youth program of its kind in Kuwait, fully and completely created and run by Zain, and targeting college students. The program offers students the chance to bridge the gap between studies and actual work experience, combining training sessions, innovation incubators, social programs, as well as fun activities and youth discounts.

ZAIN GREAT IDEA: Zain launched a competition inviting Kuwaitis to come up with the best business idea. 'Zain Great Idea' initiative partnered with Cubical Services and Kuwait Small Projects Development Company to reward those individuals with the best ideas, offering additional guidance and support to the concepts. The 10 winning contestants received contracts with Cubical Services Company granting them the opportunity and resources necessary to develop the ideas further.

GREEN INITIATIVES, WASTE MANAGEMENT AND AWARENESS: Zain Kuwait is a strong supporter of recycling programs internally and externally. The company initiated a variety of local projects to generate more awareness on the importance of waste management such as partnering with Green Target Company (GTC), a recycling business managed by a group of Kuwaiti youth offering waste collecting services for recycling purposes and repurposing of waste.



KINGDOM OF SAUDI ARABIA

Since inception, Zain KSA has been committed to social responsibility activities. Zain's support of communities is an integral part of its philosophy and vision, and is not restricted to a certain sector. Our efforts have been dedicated to the following needy causes: education, youth development, localization of jobs, supporting universities, health, sports, empowering women, as well as to other areas that reflect improving the human condition.

THE HOLY MONTH OF RAMADAN: Zain distributed iftar meals in Makkah, Madina, and Jeddah to Umrah pilgrims and visitors of the Holy Sites. In order to foster closer ties with the needy, the meals were given out by members of Zain's Shabab Tamouh program.

During the holy month of Ramadan, Zain also donated a percentage of revenues from customer calls to the Disabled Children's Association, allowing callers to contribute to the program without incurring any extra costs. The funds will help the association strengthen its therapy, rehabilitation, and education services, which benefit more than 3,300 disabled children all over the Kingdom.





SUSTAINABILITY: Zain released 'A Wonderful World', its first annual sustainability report, which captures Zain's approach to a wide range of sustainability topics, while presenting its economic, environmental and social performance in 2010, together with its future plans. Zain KSA is the first telecom company in Saudi Arabia to release such a report, demonstrating its commitment to the highest levels of transparency and accountability. The report can be downloaded at www.sa.zain.com/sustainability.

AWARDS: In October 2011 Zain was awarded the Special Mention Award by the Arabia CSR Network for its well-rounded social responsibility and sustainability strategy.

The Arabia CSR Awards event is supported by the UN Global Compact, giving award winners international recognition in the field of CSR. The prize was awarded at the annual ceremony organized by Arabia CSR Network in honor of national and international companies operating in the Arab World, and in recognition of their pioneering work in the field of responsible business.

Zain was also recognized by the King Khaled Awards in January 2011, for implementing the best smart philanthropy programs with regards to building a nationally competitive workforce, applying innovative solutions for social development, and making a commitment to high quality responsible environmental management.

SHABAB TAMOUH PROGRAM: The Shabab Tamouh Program is an ongoing project launched in 2010, targeted at the youth segment. It aims to secure Zain's position as an asset to society by educating and engaging the youth of Saudi Arabia. The program gives university students a chance to invest their energy and acquire on-the-ground experience by providing them with job opportunities while they are still studying.



LEBANON

mtc touch actively contributes to the well-being and growth of society through the use of sustainable programs. mtc touch's CSR activities aim to constantly uplift different social segments including the elderly, individuals with special needs, orphans and disadvantaged children.

CELEBRATING MOTHER'S DAY WITH THE ELDERLY: mtc touch organized a series of visits to retirement homes across the country to celebrate Mother's Day, during which the company's employees celebrated the occasion with elderly mothers and handed out special gifts.

SCHOOLBAGS DURING THE HOLY MONTH OF RAMADAN: mtc touch donated schoolbags to children and was assisted in doing so by local charitable associations across Lebanon. The initiative highlights the importance of celebrating the Holy Month of Ramadan with disadvantaged children, noting that mtc touch employees always take great pleasure in participating in this annual campaign.

CHRISTMAS WITH CHILDREN: mtc touch celebrated Christmas during a week of festivities that included a rich entertainment program held by mtc touch family members for children of different Lebanese regions. Children participated in games and amusing activities before receiving their Christmas gifts. The festive week also included visits to four social associations providing care to the elderly as well as to individuals with special needs, during which mtc touch made generous financial contributions.



SUDAN

The desire to bring about a positive change in people's lives is the fuel that drives us. From the beginning, Zain Sudan has recognized its social responsibility and worked towards the development of the wider community we operate in. Zain Sudan has a CSR budget dedicated to the development of various Sudanese communities.

Zain recognizes education as one of the building blocks of any nation and considers it as a major priority. The company aims to nurture young minds and educate them, so that they can contribute to the nation's development.

SCHOOL PROGRAMS: Zain constructed and rehabilitated more than six schools across Sudan, targeting low-income communities, so as to offer better standards of education and better facilities. In addition, Zain Sudan targeted low-income areas of Sudan, benefiting 400 schools and 30,000 students in seven states with items such as school uniforms and stationery.

Furthermore, Zain in collaboration with the Mujadedoon organization sponsored breakfast meals for 3,000 needy students and provided the organization with a dedicated SMS short code for donation.

LABORATORIES: During 2011, Zain established computer labs at universities, with two computer labs fully equipped and named after Zain. A medical lab was also established, together with two lecture halls at various universities in the different states of Sudan. Ahlia University, one of Sudan's oldest universities, received a server to host all the university's documents and connect the entire campus. In addition, Zain provided active financial support to disadvantaged, deserving students, to participate in national/technical and other professional courses. This initiative gives a priority to disabled students.

As health and education have been identified as the primary objectives in the community development process, a number of focused initiatives were implemented to bring about general health awareness and improve the level of the health system.

IMMUNOLOGY LAB: Zain provided Khartoum Dermatology Hospital with an advanced and comprehensive dermatology lab, transforming the old hospital into a unique research entity, and one of a kind in Sudan.

HEALTH CENTER: Zain established a health center at Magaser, which is an isolated island in the Northern State of Sudan. The center serves more than 7,500 people.

WALK FOR LIFE (BREAST CANCER AWARENESS CAMPAIGN): As October is National Breast Cancer Awareness month, Zain sponsored the Walk for Life campaign, where 2,000 people joined the walk to raise awareness about breast cancer.

MYCETOMA CONFERENCE: The African continent has the highest prevalence of Mycetoma disease. It prevails in what is known as the Mycetoma belt of which Sudan is included. As such, Zain sponsored the fifth conference to provide a unique forum for clinicians, scientists, and researchers to discuss key issues related to the disease and its cure.





At Zain, the scope of social welfare goes beyond just providing education and health care facilities. Zain embraced the following activities:

ELTAYEB SALIH AWARD: Zain, inspired by the Sudanese writer, supported arts and culture in Sudan and sponsored the Eltayeb Salih International Award for Creative Writing competition, which honored the winners in February 2011. A great number of writers and intellectuals from Sudan and abroad attended the event, in which more than 432 artworks were received from 34 countries.



EID HAPPINESS PROGRAM: Zain celebrated Eid Al Fitr with vulnerable children and held a special celebration, distributing gifts to children suffering from cancer at Alamal Tower and Nuclear hospital. During Eid Al Adha, Zain continued the happiness program, as the 'Carnival of Joy' toured several suburban pediatric hospitals. The program sought and successfully achieved the release of 17 female prisoners in collaboration with the Minister of Justice.

GSMA ALLIANCE AND CHILD & FAMILY PROTECTION UNIT: In February 2011 Zain Group joined the GSMA Alliance Against Child Pornography, which aims to obstruct the use of the mobile environment by individuals or organizations wishing to consume or profit from child sexual abuse content.



In October, Zain Sudan sponsored the Child & Family Protection Unit of the police, providing the short code 9696, connecting all centers, and establishing three forensic clinics.

YOUTH & COMMUNITY MOBILIZATION FOR INCREASING COMMUNITY AWARENESS: In collaboration with Ahfad University For Women - one of the oldest and largest private, non-profit universities in Sudan and the region, Zain sponsored the Rural Development Program, consisting of trips for 2,400 Ahfad university students to 160 villages all over Sudan.

CALL CENTER TRAINING PROGRAM: As part of its on-going desire to support Sudanese communities in various fields, Zain Sudan established a one-year training program for new graduates at its calling center, the first of its kind in the country. The aim of the program is to assist in the development and preparation of human capital to become part of the workforce of Sudan.

Zain also ensured that 5% of employment opportunities were made available to candidates with disabilities.

RED SEA WATER PROJECT: Zain Sudan signed a contract to drill ten water solar-powered wells at a number of villages in the Red Sea area. The project aims to reduce exposure to poverty, as well as provide clean drinking water and water for irrigation.

Zain conducted numerous activities related to going green, including the introduction of the E.voucher, and solar powered towers.

HELPING THE ENVIRONMENT: Zain Sudan signed a MoU with the Forests National Corporation (FNC) as an environmentally concerned party. The MoU included sponsorship of plantation and other environmental activities in 2011, which happens to be the international year for forests. In addition, Zain Sudan sponsored the FNC Exceptional Conference, which addressed the pressing issue of reforestation of the northern forests after the South Sudan separation. Zain also sponsored the National Eid Tree Promoting Awareness workshop, which incorporated a student festival and plantation campaign.





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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS

Mobile Telecommunications Company K.S.C Kuwait

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

We have audited the accompanying consolidated financial statements of Mobile Telecommunications Company K.S.C. ("the Parent Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2011, and the consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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 about 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 consolidated 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 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 at 31 December 2011, and their financial performance and 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 Parent Company and the consolidated financial statements, together with the contents of the report of the Parent Company's Board of Directors relating to these consolidated 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 2011 that might have had a material effect on the business of the Group or on its consolidated financial position.

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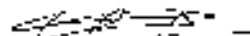
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13 February 201

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2011

(in thousands KD)	Note	2011	2010
ASSETS			
Current assets			
Cash and bank balances	5	404,764	644,215
Trade and other receivables	6	332,843	431,965
Inventories	7	21,182	13,258
Investment securities at fair value through profit or loss	8	5,879	7,465
		764,668	1,096,903
Non-current assets			
Investment securities available for sale	8	62,470	98,641
Investments in associates	9	81,131	116,096
Interest in a jointly controlled entity	10	44,871	40,270
Loans to associates	11	190,166	187,263
Property and equipment	12	795,644	793,686
Intangible assets	13	1,256,094	1,304,449
Other assets	14	92,190	72,629
		2,522,566	2,613,034
Total Assets		3,287,234	3,709,937
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	15	506,541	593,221
Due to banks	16	313,823	124,933
		820,364	718,154
Non-current liabilities			
Due to banks	16	226,159	94,734
Other non-current liabilities	17	35,173	149,132
		261,332	243,866
EQUITY			
Attributable to Parent Company's shareholders			
Share capital	18	430,754	429,743
Share premium	18	1,703,351	1,697,788
Treasury shares	18	(567,834)	(567,834)
Legal reserve	18	215,377	214,871
Foreign currency translation reserve		(214,064)	(143,767)
Treasury shares reserve		1,967	1,967
Equity issue transaction cost of associate		(1,760)	(1,779)
Investment fair valuation reserve		(10,046)	4,532
Share based compensation reserve		7,141	7,386
Hedge reserve		(849)	(2,524)
Retained earnings		516,453	1,006,607
		2,080,490	2,646,990
Non-controlling interests		125,048	100,927
Total equity		2,205,538	2,747,917
Total Liabilities and Equity		3,287,234	3,709,937

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



Asaad Ahmed Al Banwan
Chairman



Nabeel Bin Salamah
Chief Executive Officer

CONSOLIDATED STATEMENT OF INCOME

for the year ended 31 December 2011

(in thousands KD)	Note	2011	2010
CONTINUING OPERATIONS			
Revenue	19	1,321,921	1,351,681
Cost of sales		(353,914)	(354,836)
Gross profit		968,007	996,845
Distribution, marketing and operating expenses		(283,125)	(266,956)
General and administrative expenses		(74,868)	(107,947)
Depreciation and amortization	12,13	(170,700)	(166,279)
Provision for impairment – trade and other receivables		(9,654)	(6,184)
Operating profit		429,660	449,479
Interest income		19,822	17,813
Investment income	20	740	(1,945)
Share of loss of associates	9	(35,507)	(45,018)
Share of profit/ (loss) of a jointly controlled entity	10	5,872	(4,836)
Other income		1,766	20,038
Finance costs		(27,429)	(55,254)
(Loss)/ gain from currency revaluation		(34,277)	12,517
Board of Directors' remuneration		(430)	(32)
Contribution to Kuwait Foundation for Advancement of Sciences	21	(2,930)	(2,335)
National Labour Support Tax and Zakat	21	(8,870)	(8,244)
Profit for the year before income tax		348,417	382,183
Income tax expenses	22	(47,209)	(36,174)
Profit from continuing operations		301,208	346,009
Discontinued operations	4		
Profit from discontinued operations		-	741,809
Release of provisions		16,320	-
		317,528	1,087,818
Attributable to:			
Shareholders of the Parent Company		284,866	1,062,805
Non-controlling interests		32,662	25,013
		317,528	1,087,818
Earnings per share (EPS)	23		
Basic - Fils			
From continuing operations		69	80
From discontinued operations		4	195
		73	275
Diluted – Fils			
From continuing operations		69	79
From discontinued operations		4	195
		73	274

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2011

(in thousands KD)	2011	2010
Profit for the year	317,528	1,087,818
Other comprehensive income:		
On continuing operations:		
Exchange differences on translating foreign operations	(71,128)	(175,587)
Share of other comprehensive income of an associate	19	35
Net unrealised (loss)/ gains on available-for-sale investments	(14,449)	9,917
Net (gain)/ loss transferred to consolidated statement of income on sale of available-for-sale investments (net of impairment losses)	(129)	1,187
Share based compensation	1,606	550
Cash flow hedges	1,675	(1,226)
Total comprehensive income for the year	(82,406)	(165,124)
On discontinued operations - transfers to consolidated statement of income:		
Cumulative exchange differences	-	50,607
Net realised loss on available-for-sale investments	-	1,147
Cash flow hedges	-	48,000
	-	99,754
	235,122	1,022,448
Total comprehensive income attributable to:		
Shareholders of the Parent Company		
From continuing operations	186,971	148,204
From discontinued operations	16,320	851,618
	203,291	999,822
Non-controlling interests		
From continuing operations	31,831	32,680
From discontinued operations	-	(10,054)
	31,831	22,626

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

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

for the year ended 31 December 2011

(in thousands KD)	Equity attributable to Parent Company's Shareholders					
	Share capital	Share premium	Treasury shares	Legal reserve	Voluntary reserve	Foreign currency translation reserve
Balance at 1 January 2011	429,743	1,697,788	(567,834)	214,871	-	(143,767)
Transfer to reserves	-	-	-	506	-	-
Exercise of share options	1,011	5,563	-	-	-	-
Cash dividends (2010)	-	-	-	-	-	-
Transfer to retained earnings	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	-	(70,297)
Balance at 31 December 2011	430,754	1,703,351	(567,834)	215,377	-	(214,064)
Balance at 1 January 2010	428,285	1,691,105	(567,834)	147,989	63,091	(21,174)
Transfer to reserves	-	-	-	66,882	-	-
Sale of shares in a subsidiary (note 4)	-	-	-	-	-	-
Exercise of share options	1,458	6,683	-	-	-	-
Cash dividends (2009)	-	-	-	-	(63,091)	-
Transfer to retained earnings	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	-	(122,593)
Balance at 31 December 2010	429,743	1,697,788	(567,834)	214,871	-	(143,767)

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



Treasury shares reserve	Equity issue transaction cost of associate	Investment fair valuation reserve	Share based compensation reserve	Hedge reserve	Retained earnings	Non-controlling interests	Total
1,967	(1,779)	4,532	7,386	(2,524)	1,006,607	100,927	2,747,917
-	-	-	-	-	(506)	-	-
-	-	-	-	-	-	-	6,574
-	-	-	-	-	(776,365)	(7,710)	(784,075)
-	-	-	(1,851)	-	1,851	-	-
-	19	(14,578)	1,606	1,675	284,866	31,831	235,122
1,967	(1,760)	(10,046)	7,141	(849)	516,453	125,048	2,205,538
1,967	(1,814)	(7,719)	18,361	(49,298)	593,643	181,876	2,478,478
-	-	-	-	-	(66,882)	-	-
-	-	-	-	-	-	(93,080)	(93,080)
-	-	-	-	-	(227)	-	7,914
-	-	-	-	-	(594,257)	(10,495)	(667,843)
-	-	-	(11,525)	-	11,525	-	-
-	35	12,251	550	46,774	1,062,805	22,626	1,022,448
1,967	(1,779)	4,532	7,386	(2,524)	1,006,607	100,927	2,747,917

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2011

(in thousands KD)	2011	2010
Cash flows from operating activities		
Profit for the year before income tax	364,737	1,119,796
Adjustments for:		
Depreciation and amortization	170,700	280,342
Interest income	(19,822)	(19,943)
Investment income	(740)	1,945
Share of loss of associates	35,507	45,018
Share of (profit)/ loss of a jointly controlled entity	(5,872)	4,836
Finance costs	27,429	78,609
Loss/ (gain) from currency revaluation	34,277	(3,286)
Gain from disposal of a subsidiary	-	(778,134)
Gain on sale of property and equipment	(288)	(18)
Operating profit before working capital changes	605,928	729,165
Increase in trade and other receivables	(191,868)	(305,700)
(Increase)/ decrease in inventories	(8,466)	2,744
(Decrease)/ increase in trade and other payables	(32,356)	150,129
Cash generated from operations	373,238	576,338
Payments:		
Income tax	(38,165)	(38,630)
Board of Directors' remuneration	(32)	(28)
Kuwait Foundation for Advancement of Sciences (KFAS)	(1,818)	(4,159)
National Labour Support Tax and Zakat	(6,814)	(5,528)
Net cash from operating activities	326,409	527,993
Cash flows from investing activities		
Deposits under lien and those maturing after three months (note 5)	162,249	(180,866)
Proceeds from sale of investment securities	17,049	312
Investments in securities	(1,152)	(4)
Investments in associates/ jointly controlled entity	(397)	(1,308)
Proceeds from disposal of a subsidiary (note 4)	209,839	2,277,429
Acquisition of property and equipment (net)	(157,947)	(269,687)
Acquisition of intangible assets	(155,353)	(37,791)
Interest received	19,248	19,522
Dividends received	1,751	1,640
Net cash from investing activities	95,287	1,809,247
Cash flows from financing activities		
Proceeds from/ (repayment of) bank borrowings (net)	318,389	(1,342,769)
Loan to an associate	(4,461)	(9,040)
Proceeds from issue of share capital	6,574	7,914
Dividends paid	(773,857)	(653,934)
Dividends paid to non-controlling interests	(7,643)	(10,478)
Finance costs paid	(27,834)	(80,760)
Net cash used in financing activities	(488,832)	(2,089,067)
Net (decrease)/ increase in cash and cash equivalents	(67,136)	248,173
Effects of exchange rate changes on cash and cash equivalents	(10,066)	(51,999)
Cash and cash equivalents at beginning of year	463,349	267,175
Cash and cash equivalents at end of year (note 5)	386,147	463,349

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 December 2011

1. INCORPORATION AND ACTIVITIES

Mobile Telecommunications Company K.S.C. (the Parent Company) is a Kuwaiti shareholding company incorporated in 1983 in accordance with the Law of Commercial Companies of 1960. Its shares are traded on the Kuwait Stock Exchange. The registered office of the Parent Company is at P.O. Box 22244, 13083 Safat, State of Kuwait. The Parent Company and its subsidiaries (the Group) along with associates provide mobile telecommunication services in Kuwait and 8 other countries (31 December 2010 - Kuwait and 7 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 were authorized and approved for issue by the Board of Directors of the Parent Company on 13 February 2012 and are subject to approval of the shareholders at their 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 consolidated 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". 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 contingent 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 consolidated financial statements are disclosed in note 32.

2.2. CHANGES IN ACCOUNTING POLICIES

The accounting policies used in the preparation of these consolidated financial statements are consistent with those used in the previous year except for the adoption of the following new and amended IASB Standards and IFRIC Interpretations that are effective from 1 January 2011:

IAS 24: RELATED PARTY DISCLOSURES (REVISED)

The amended standard clarifies the definition of a related party and lays down additional requirements for disclosure of outstanding commitments to related parties. The adoption of the amendment does not have any impact on the financial position, performance, or disclosures in the consolidated financial statements of the Group.

IAS 32 FINANCIAL INSTRUMENTS (AMENDED)

The definition of a financial liability was amended to classify rights issues for a fixed amount of foreign currency (and certain options or warrants) as equity instruments in cases where such rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, or to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. The amendment has had no effect on the financial position or performance of the Group because the Group does not have these type of instruments.

IMPROVEMENTS TO IFRSS

In May 2010, IASB issued amendments to various standards and interpretations as part of its annual improvements project. There are separate transitional provisions for each standard. The adoption of the following amendment resulted in changes to accounting policies, but no impact on the financial position or performance of the Group.

IAS 1 PRESENTATION OF FINANCIAL STATEMENTS

The amendment clarifies that an entity may present an analysis of each component of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements. The Group provides this analysis in the statement of changes in equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The application of other IASB Standards and IFRIC Interpretations do not have material impact on the consolidated financial statements of the Group.

STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following new and revised IASB Standards and IFRIC Interpretations have been issued but are not yet effective and have not been early adopted by the Group:

FOR ANNUAL PERIODS BEGINNING ON OR AFTER 1 JULY 2011

IFRS 7 FINANCIAL INSTRUMENTS: DISCLOSURES

The amendment requires additional disclosure about financial assets that have been transferred but not derecognised to enable the user of the entity's financial statements to understand the relationship with those assets that have not been derecognised and their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in derecognised assets to enable the user to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognised assets. The amendment affects disclosure only and has no impact on the Group's financial position or performance.

FOR ANNUAL PERIODS BEGINNING ON OR AFTER 1 JULY 2012

IAS 1 FINANCIAL STATEMENT PRESENTATION

The amendments to IAS 1 change the grouping of items presented in Other Comprehensive Income. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment affects presentation only and has no impact on the Group's financial position or performance.

In May 2011, new or revised standards on consolidation, joint arrangements, associates and disclosures were issued as IFRS 10, IFRS 11, IFRS 12, IAS 27 and IAS 28. These are effective for annual periods beginning on or after 1 January 2013.

IFRS 10: CONSOLIDATED FINANCIAL STATEMENTS

IFRS 10 replaces the consolidation guidance in IAS 27: Consolidated and Separate Financial Statements and SIC-12 Consolidation - Special Purpose Entities by introducing a single consolidation model for all entities based on control, irrespective of the nature of the investee.

IFRS 11: JOINT ARRANGEMENTS

IFRS 11 introduces new accounting requirements for joint arrangements replacing IAS 31: Interests in Joint Ventures. The option to apply the proportional consolidation method when accounting for jointly controlled entities is removed. Additionally, IFRS 11 eliminates jointly controlled assets to now only differentiate between joint operations and joint ventures.

IFRS 12: DISCLOSURE OF INTERESTS IN OTHER ENTITIES

IFRS 12 requires enhanced disclosures about both consolidated entities and unconsolidated entities in which an entity has involvement. The objective of IFRS 12 is to require information so that financial statement users may evaluate the basis of control, any restrictions on consolidated assets and liabilities, risk exposures arising from involvements with unconsolidated structured entities and non-controlling interest holders' involvement in the activities of consolidated entities.

IFRS 13: FAIR VALUE MEASUREMENT

IFRS 13 replaces the guidance on fair value measurement in existing IFRS accounting literature with a single standard. IFRS 13 defines fair value, provides guidance on how to determine fair value and requires disclosures about fair value measurements. However, IFRS 13 does not change the requirements regarding which items should be measured or disclosed at fair value.

FOR ANNUAL PERIODS BEGINNING ON OR AFTER 1 JANUARY 2015

IFRS 9 FINANCIAL INSTRUMENTS: CLASSIFICATION AND MEASUREMENT

IFRS 9 as issued reflects the first phase of the IASBs work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will potentially have no impact on classification and measurements of financial liabilities. The Group will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture. The application of IFRS 9 is under local regulatory review for early adoption in the State of Kuwait.

2.3. 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 acquisition method of accounting is used to account for business combinations. The consideration transferred for the acquisition is measured as the fair values of the assets given, equity interests issued and liabilities incurred or assumed at the date of the exchange. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. The acquisition related costs are expensed when incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination (net assets acquired in a business combination) are measured initially at their fair values at the acquisition date. Non-controlling interest in the subsidiary acquired is recognized at the non-controlling interest's proportionate share of the acquiree's net assets.

When a business combination is achieved in stages, the previously held equity interest in the acquiree is re-measured at its acquisition-date fair value and the resulting gain or loss is recognized in the consolidated statement of income. The fair value of the equity of the acquiree at the acquisition date is determined using valuation techniques and considering the outcome of recent transactions for similar assets in the same industry in the same geographical region.

The Group separately recognizes contingent liabilities assumed in a business combination if it is a present obligation that arises from past events and its fair value can be measured reliably.

An indemnification received from the seller in a business combination for the outcome of a contingency or uncertainty related to all or part of a specific asset or liability that is recognized at the acquisition date at its acquisition-date fair value is recognized as an indemnification asset at the acquisition date at its acquisition-date fair value.

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

2.4 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.

Non-controlling interest in an acquiree is stated at the non-controlling interest's proportionate share in the recognized amounts of the acquiree's identifiable net assets at the acquisition date and the non-controlling interest's share of changes in the equity since the date of the combination. Total comprehensive income is attributed to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. Changes in the Group's ownership interest in a subsidiary that do not result in loss of control are accounted for as equity transactions. The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interest in the subsidiary and any difference between the amount by which the non-controlling interests is adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the Parent Company's shareholders. Non-controlling interest is presented separately in the consolidated statements of financial position and income. The non-controlling interests are classified as a financial liability to the extent there is an obligation to deliver cash or another financial asset to settle the non-controlling 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 of subsidiaries. Intra group balances, transactions, income, expenses and dividends are eliminated in full. Profits and losses resulting from intra group transactions that are recognized in assets are eliminated in full. If a parent loses control of a subsidiary, it derecognizes the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost as well as related non-controlling interests. Any investment retained is recognized at fair value at the date when control is lost. Any resulting difference along with amounts previously directly recognized in equity is transferred to the consolidated statement of income.

2.5. 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".

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

RECOGNITION/ DERECOGNITION

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 derecognized 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 recognize the financial asset to the extent of its continuing involvement in the financial asset.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and recognition of a new liability.

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 consolidated statement of income or in the consolidated statement of comprehensive 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 classified as "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 statement of income 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.

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 the consolidated statement of comprehensive income. When the "available for sale" asset is disposed of or impaired, the related accumulated fair value adjustments are transferred to the consolidated 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.

Financial guarantees

Financial guarantees are subsequently measured at the higher of the amount initially recognized less any cumulative amortization and the best estimate of the amount required to settle any financial obligation arising as a result of the guarantee.

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.

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. Derivatives with positive fair values (unrealised gains) are included in other receivables and derivatives with negative fair values (unrealised losses) are included in other payables in the consolidated statement of financial position. For hedges, which do not qualify for hedge accounting and for "held for trading" derivatives, any gains or losses arising from changes in the fair value of the derivative are taken directly to the consolidated statement of income. For hedge accounting, the Group designates derivatives as either hedges of the fair value of recognized assets or liabilities or a firm commitment (fair value hedge); or hedges of a particular risk associated with a recognized asset or liability or a highly probable forecast transaction (cash flow hedge) or hedges of a net investment in a foreign operation (net investment hedge).

Fair value hedge

In relation to fair value hedges, which meet the conditions for hedge accounting, any gain or loss from re-measuring the hedging instrument to fair value is recognized in 'Other receivables' or 'Other payables' and in the consolidated statement of income. Any gain or loss on the hedged item attributable to the hedged risk is adjusted against the carrying amount of the hedged item and recognized in the consolidated statement of income.

If the hedging instrument expires or is sold, terminated or exercised, or where the hedge no longer meets the criteria for hedge accounting, the hedge relationship is terminated. For hedged items recorded at amortised cost, using the effective interest rate method, the difference between the carrying value of the hedged item on termination and the face value is amortised over the remaining term of the original hedge. If the hedged item is derecognized, the unamortised fair value adjustment is recognized immediately in the consolidated statement of income.

Cash flow hedge

For designated and qualifying cash flow hedges, the effective portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognized directly in the consolidated statement of comprehensive income and the ineffective portion is recognized in the consolidated statement of income.

When the hedged cash flow affects the consolidated statement of income, the gain or loss on the hedging instrument is 'recycled' in the corresponding income or expense line of the consolidated statement of income. When a hedging instrument expires, or is sold, terminated, exercised, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in shareholders' equity at that time remains in shareholders' equity and is recognized when the hedged forecast transaction is ultimately recognized in the consolidated statement of income. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in shareholders' equity is immediately transferred to the consolidated statement of income.

Net investment hedge

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges.

The Group documents at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than twelve months and as a current asset or liability if less than twelve months.

IMPAIRMENT

A financial asset is impaired if its carrying amount is greater than its estimated recoverable amount. An assessment is made at each statement of financial position 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 consolidated 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.

2.6. 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 consolidated statement of cash flows.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2.7. INVENTORIES

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

2.8. 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 is provided using the liability method on all temporary differences, at the statement of financial position 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 substantively enacted by the end of statement of financial position 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 statement of financial position 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.

2.9. 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. The excess of the cost of investment over the Group's share of the net fair value of the associate's identifiable assets and liabilities is recognised as goodwill. Goodwill on acquisition of associates is included in the carrying values of investments in associates. 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 consolidated 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.

2.10. INTERESTS IN JOINT VENTURES

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control. A jointly controlled entity is a joint venture that involves the establishment of a corporation, partnership or other entity in which each venturer has an interest. The Group recognises its interests in jointly controlled entities using the equity method.

2.11. 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 – 15
Aircraft	10
Furniture	1 – 12

These assets are reviewed periodically for 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 consolidated 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).

2.12. INTANGIBLE ASSETS AND GOODWILL

Identifiable non-monetary assets acquired in a business combination 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 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 for software rights and over the lease period for operating leases. Customer contracts and relationships are amortised over a period of 4 to 5 years. To the extent handsets are provided below cost as part of the telecom service connection, it is treated as a subscriber acquisition cost and recognized as an intangible asset and amortised over the period of the contract.

Goodwill arising in a business combination is computed as the excess of the aggregate of: the consideration transferred; the non-controlling interests proportionate share in the recognized amounts of the acquiree's net identifiable assets at the acquisition date, if any; and in a business combination achieved in stages the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree, over the net of the acquisition-date fair values of the identifiable assets acquired and liabilities assumed. Any deficit is a gain from a bargain purchase and is recognized directly in the consolidated statement of income.

Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill is allocated to each of the cash generating units for the purpose of impairment testing. 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.

Goodwill and intangible assets with indefinite useful lives are tested, at least annually, for impairment and carried at cost less accumulated impairment losses.

Assets are grouped at the lowest levels for which there are separately identifiable cash flows, known as cash generating units for the purpose of assessing impairment of goodwill and intangible assets. If the recoverable amount of the cash generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata, on the basis of the carrying amount of each asset in the unit. That relating to goodwill cannot be reversed in a subsequent period. Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risk specific to the asset for which the estimates of future cash flows have not been adjusted. The Group prepares formal five year plans for its businesses. These plans are used for the value in use calculation. Long range growth rates are used for cash flows into perpetuity beyond the five year period. Fair value less costs to sell is determined using valuation techniques and considering the outcome of recent transactions for similar assets in the same industry in the same geographical region.

2.13. 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.

2.14. SHARE-BASED PAYMENT TRANSACTIONS

The Group operates an equity 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 of these options excludes non-market vesting conditions, which are included in assumptions about the number of options that are expected to vest. The fair value is expensed over the vesting period with recognition of a corresponding adjustment in the consolidated statement of comprehensive income. It recognizes the impact of the revision to the original estimates, if any in the consolidated statement of income, with a corresponding increase or decrease in the consolidated statement of comprehensive income.

2.15. 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 statement of financial position date. This basis is considered to be a reliable approximation of the present value of the final obligation.

2.16. 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. 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. Reserves equal to the cost of treasury shares held are not available for distribution.

2.17. 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 consolidated 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 recognized as assets in the consolidated statement of financial position 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 liability outstanding.

2.18. REVENUE

Revenues from operations consist of recurring revenues, such as billings to customers for monthly subscription fees, roaming, leased line and airtime usage fees, and non-recurring revenues, such as one-time connection fees and telephone equipment and accessory sales. Recurring revenue is recognized when the related service is rendered and comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of activities. Other revenues, which arise from service contracts, sales of telephones and accessories or other services, are recognized during the period in which the services are provided or goods are delivered.

Direct costs associated with prepaid cards which includes both the cost of purchasing the cards as well as dealer margins, are recognised when incurred, i.e. upfront while the airtime costs are recognized as and when the revenue is being recognised. Prepaid income collected in advance is deferred and recognized based on actual usage or upon expiration of the usage period, whichever comes first.

Specific customer acquisition costs other than those recognised as intangible assets are charged to the consolidated statement of income when the subscriber is activated.

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.

2.19. BORROWING COSTS

Borrowing costs are recognized 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.

2.20. 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 their respective national currencies or the applicable foreign currency. 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 statement of financial position date are translated to Kuwaiti Dinars at the rates of exchange prevailing on that date. Resultant gains and losses are taken to the consolidated 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 statement of financial position 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, long term receivables or loans and fair value adjustments arising on business combinations) are taken to the consolidated statement of comprehensive income. When a foreign operation is sold, any resultant exchange differences are recognized in the consolidated statement of income as part of the gain or loss on sale.

2.21. 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 operation.

2.22. CONTINGENCIES

Contingent assets are not recognized as an asset until 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 are recognized if their fair value can be measured reliably.

3. SUBSIDIARIES AND ASSOCIATES

The principal subsidiaries and associates are:

Subsidiary	Country of incorporation	Percentage of ownership	
		2011	2010
Zain International B.V. (formerly Mobile Telecommunications Company International B.V.) – "ZIBV"	The Netherlands	100%	100%
Pella Investment Company – "Pella"	Jordan	96.516%	96.516%
Zain Bahrain B.S.C (Closed) - "MTCB"	Bahrain	56.25%	56.25%
Mobile Telecommunications Company Lebanon (MTC) S.A.R.L. "MTCL"	Lebanon	100%	100%
Sudanese Mobile Telephone (Zain) Company Limited "Zain Sudan"	Sudan	100%	100%
Sudanese Mobile Telephone (Zain) Company Limited "Zain South Sudan"	South Sudan	100%	-
Atheer Telecom Iraq Limited – "Atheer"	Cayman Islands	71.667%	71.667%
Associate			
Saudi Mobile Telecommunications Company ("SMTC")	Saudi Arabia	25%	25%
Wana Corporate S.A (associate of a Jointly Controlled Entity, Zain Al Ajjal)	Morocco	15.5%	15.5%

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

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

MTCL

The Group's Network Management Agreement (NMA) with the Republic of Lebanon has been extended up to 31 January 2013.

ATHEER

Under the terms of the telecom license agreement with the Iraqi telecom regulatory authority, telecom operators in Iraq were required to make an initial public offer (IPO) of at least 25% of the aggregate number of its qualifying shares in their Iraqi operations and list on the Iraqi Stock Exchange before 31 August 2011. The telecom operators in Iraq, including Atheer, expect to receive an extension until the first or second half of 2012 to comply with this obligation. The process for complying with the listing conditions in 2012 is now ongoing.

Effective 1 April 2010, Atheer changed its functional currency from US Dollars to Iraqi Dinars. In accordance with IAS 21 this change was accounted for prospectively from that date. Atheer continues to present financial statements in US dollars for consistency and better reporting of its financial results to stakeholders. This change did not have significant impact on the consolidated financial statements of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

ZAIN SUDAN

On 9 July 2011, South Sudan became a newly independent country. The Group operates in South Sudan under its existing license for Sudan, pending issuance of a separate licence. The Group has assessed that this event does not materially affect the carrying value of the goodwill and license of Sudan operations.

Zain Africa BV

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

ZABV was consolidated up to 8 June 2010 on which date the Group transferred control of its operations to the buyer (See note 4).

Financial support to Group companies

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

4. DISPOSAL OF ZAIN AFRICA BV

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

Accordingly, ZABV was deconsolidated and its revenue and costs for the period 1 January 2010 to 8 June 2010 was presented as a 'Discontinued Operation' based on International Financial Reporting Standard - (IFRS) 5 "Non current Assets Held for Sale and Discontinued Operations".

On the first closing date, the Group recognized a capital gain of USD 2.7 billion (KD 778 million).

The results of the discontinued operations including operating results of ZABV is as follows:

(in thousands KD)	2011	1 January 2010 to 8 June 2010
Capital gain on disposal before contribution to KFAS	-	778,134
Related KFAS	-	(7,781)
Net gain on disposal of discontinued operations	-	770,353
Operating results of ZABV up to 8 June 2010		
Revenue	-	406,903
Expenses	-	(295,124)
Depreciation and amortization	-	(114,063)
Interest income	-	2,130
Finance cost	-	(23,355)
Loss on currency revaluation	-	(9,231)
Loss for the year before tax	-	(32,740)
Income tax expense	-	4,196
Loss from discontinued operations	-	(28,544)
Release of provisions (refer note 26)	16,320	-
Total profit from discontinued operations	16,320	741,809
Attributable to:		
Shareholders of the Parent Company	16,320	751,441
Non-controlling interests	-	(9,632)
	16,320	741,809

Out of the total USD 9 billion due, the Group received USD 8.163 billion (KD 2.370 billion) in 2010 and USD 765 million (KD 210 million) in 2011 net of deductions in accordance under SSA.

5. CASH AND BANK BALANCES

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

(in thousands KD)	2011	2010
Cash on hand and at banks	196,846	255,965
Short-term deposits with banks	197,626	377,133
Government certificates of deposits held by a subsidiary	10,292	11,117
	404,764	644,215
Less:		
Deposits with a foreign bank under lien (refer note 27)	-	(169,749)
Government certificates of deposits held by a subsidiary	(10,292)	(11,117)
Deposits with maturities exceeding three months	(8,325)	-
	386,147	463,349

The effective interest rate on short-term deposits as of 31 December 2011 was 0.5% to 8% per annum (2010 – 0.4% to 8%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. TRADE AND OTHER RECEIVABLES

(in thousands KD)	2011	2010
Trade receivables:		
Customers	67,983	66,040
Distributors	9,648	10,081
Other operators (interconnect)	36,426	44,212
Roaming partners	6,490	5,765
Provision for impairment	(31,888)	(24,747)
	88,659	101,351
Other receivables:		
Accrued income	4,549	5,831
Staff	1,981	2,106
Due from sale of ZABV (refer note 4)	-	220,180
Prepayments, advances and other deposits	106,478	102,245
Due from associates	-	489
Others (refer note below)	131,738	-
Provision for impairment	(562)	(237)
	244,184	330,614
	332,843	431,965

During the year, the Group paid USD 473 million (KD 131.738 million) to settle the guarantees provided by the Parent Company to lending banks for loans to a founding shareholder of SMTC. This amount is secured by an agreement to transfer to the Group, the founding shareholder's shares in SMTC and the shareholder loan in SMTC owed to the founding shareholder. The Group has initiated the process of legal action for its recovery.

As of 31 December 2011, trade and other receivables of KD 283,937,000 (2010 - KD 362,642,000) were neither past due nor impaired.

Trade and other receivables of KD 40,924,000 (2010 - KD 62,877,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default.

The ageing analysis of these trade receivables is as follows:

(in thousands KD)	2011	2010
Up to 3 months	17,458	20,561
3 – 6 months	6,373	10,196
6 – 12 months	5,115	8,353
More than 12 months	11,978	23,767
	40,924	62,877

As of 31 December 2011, trade and other receivables of KD 40,432,000 (2010 - KD 31,430,000) were impaired against which the Group carries a provision of KD 32,450,000 (2010 - KD 24,984,000). The individually impaired receivables mainly relate to post paid customers. It has been assessed that a portion of the impaired receivables is expected to be recovered.

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

(in thousands KD)	2011	2010
Kuwaiti dinar	42,271	54,713
US dollar	188,632	287,218
Euro	8,016	11,151
Bahraini dinar	20,120	16,144
Sudanese pound	29,114	32,330
Jordanian dinar	14,778	13,708
Others	29,912	16,701
	332,843	431,965

Movement of provision for impairment of trade and other receivables is as follows:

(in thousands KD)	2011	2010
Opening balance - 1 January	24,984	51,458
On disposal of a subsidiary	-	(32,461)
Write off (net)	(2,188)	(2,331)
Charge for the year	9,654	8,318
Closing balance - 31 December	32,450	24,984

The Group does not hold any collateral as security.

7. INVENTORIES

(in thousands KD)	2011	2010
Handsets and accessories	22,274	14,104
Provision for obsolescence	(1,076)	(846)
Write off	(16)	-
	21,182	13,258

8. INVESTMENT SECURITIES

(in thousands KD)	2011	2010
Current investments at fair value through profit or loss		
Quoted equities	5,879	7,465
Non-current investments available for sale		
Quoted equities	39,004	61,877
Funds	15,232	27,869
Unquoted equities	8,234	8,895
	62,470	98,641

Investment securities are denominated in the following currencies:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in thousands KD)	2011	2010
Kuwaiti dinar	55,615	75,074
US dollar	4,826	19,597
Other currencies	7,908	11,435
	68,349	106,106

Available for sale investments include unlisted securities with original cost of KD 8,234,000 (2010 - KD 9,641,000) carried at cost less impairment since it is not possible to reliably measure their fair value.

During the year, the Group recognized an unrealized loss of KD 14,449,000 (2010 – gain of KD 9,917,000) in investment fair valuation reserve arising from fair valuation of ‘available for sale’ investments and transferred a gain of KD 1,205,000 (2010 - a loss of KD 2,334,000) from investment fair valuation reserve to the consolidated statement of income, arising from disposals. The Group also recognized an impairment loss of KD 1,076,000 (2010 - KD 777,000) in the consolidated statement of income. Quoted equities are traded in active markets. Investments in funds of KD 15,232,000 (2010 - KD 27,125,000) are valued based on observable market data.

9. INVESTMENTS IN ASSOCIATES

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

(in thousands KD)	2011	2010
Opening balance	116,096	165,771
Capital contribution during the year	397	260
Share of loss for the year (See below)	(35,507)	(45,018)
Foreign currency translation adjustment	(1,530)	(2,393)
Share of comprehensive income	1,675	(2,524)
Closing balance	81,131	116,096

The carrying amount of the Group’s investment in SMTC included above is KD 80 million (2010 - KD 115 million) and the Group’s total investment in SMTC including loans and receivables (note 11 and note 14) is KD 329.447 million (2010 - KD 338.468 million). The fair value of the Group’s investment in SMTC as at 31 December 2011 is KD 144,133,000 (2010 – KD 203,438,000).

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

- Reduce share capital from SAR 14 billion (KD 1.03 billion) to SAR 4.8 billion (KD 354 million) by cancellation of 919.9 million shares in order to absorb the accumulated losses of the Company as of 30 September 2011;
- Subsequently, to increase the share capital by SAR 6 billion (KD 443 million) through conversion of shareholders’ loans and a rights issue.

In August 2009, SMTC refinanced the USD 2.6 billion murabaha loan that matured in July 2009 with a new murabaha facility of a similar amount repayable in full in 2011. During the year, SMTC exercised its option to extend the initial maturity date of July 2011 by six months to January 2012. SMTC has also the option to further extend the maturity date by another six months to July 2012 with prior written consent of the lenders provided no default occurs. In December 2011, SMTC formally submitted a request to exercise the option to extend the maturity date to July 2012 and in January 2012, received unanimous consent from the lenders to extend the maturity date to July 2012.

SMTC has also, further to its Board’s approval, commenced negotiations with the current lenders and to seek new potential lenders to refinance the existing facility. SMTC is currently evaluating the terms and conditions and it is expected that the refinancing agreement will be most likely signed during first half of 2012.

SMTC has hedged this exposure through interest rate swaps.

Under the murabaha financing agreement, SMTC must obtain prior written consent of the lenders to declare any dividend or other distribution in cash or in kind to shareholders, modify any shareholder loan agreement or to make any payment under a shareholder loan agreement. The Parent Company’s shareholding in SMTC is pledged to the associate’s secured creditors as continuing security for the payment and discharge in full by SMTC of the secured debt.

SMTC has reported a net loss of SAR 1.925 billion (KD 142 million) for the year ended 31 December 2011 (2010 –

KD 180 million) and accumulated losses of SAR 9.661 billion (KD 710 million) as of that date (2010 – KD 580 million). SMTC's current liabilities also exceed current assets by SAR 13.078 billion (KD 970 million) as of 31 December 2011 (2010 – KD 409 million).

SMTC's independent auditor's modified review report dated 18 January 2012 draws attention to SMTC's negative working capital and accumulated deficit and discloses that its financial statements for the year ended 31 December 2011 have been prepared on a going concern basis as SMTC believes it will be successful in meeting its obligations in the normal course of operations.

The Group's share of the associates' assets, liabilities, revenue and profit/ loss is as follows:

(in thousands KD)	2011	2010
Assets	500,197	529,992
Liabilities	419,066	413,896
Revenue	124,746	114,173
Net (loss)/ profit for the year:		
SMTC, Saudi Arabia	(35,446)	(45,076)
Other	(61)	58
	(35,507)	(45,018)

10. INTEREST IN A JOINTLY CONTROLLED ENTITY

The Group incorporated a jointly controlled entity Zain Al Ajjal S.A. in the Kingdom of Morocco in 2009 which then acquired 31% of the equity shares and voting rights of Wana Corporate, (a Moroccan joint stock company which is specialized in the telecom sector in that country) for USD 178 million. The Group's share of profit for the year in the jointly controlled entity amounting to KD 5.872 million (2010 - loss of KD 4.836 million) has been recognized in the consolidated statement of income.

The carrying value of this jointly controlled entity and its results for the year are determined by Group management using the equity method based on management estimates provided by Wana Corporate.

11. LOANS TO ASSOCIATES

This includes shareholder loans denominated in Saudi Riyal, United States Dollar and Kuwaiti Dinar provided to SMTC by the Parent Company.

The SAR 1.1 billion (KD 82.32 million) loan, disbursed in 2008, carries an interest rate of 4.25% per annum over three month Saudi Inter-Bank Offered Rate (SIBOR).

The loan of USD 240 million (KD 66.73 million) (2010 – USD 223 million, equivalent KD 62.891 million) carries an interest rate of 6.75% per annum over six month Saudi Inter-Bank Offered Rate (SIBOR).

The loan of KD 36.84 million carries an interest rate of 4.75% per annum over three month Saudi Inter-Bank Offered Rate (SIBOR).

These loans are subordinate to the associate's borrowings from banks and are repayable only after repayment of the Murabaha loan availed by SMTC. These loans also form part of the capital restructuring plan proposed by the Board of Directors of SMTC (refer note 9).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12. PROPERTY AND EQUIPMENT

(in thousands KD)

	Land and buildings	Cellular and other equipment	Projects in progress	Total
Cost				
As at 31 December 2009	117,693	3,229,667	234,911	3,582,271
Additions	3,210	145,818	154,418	303,446
Transfers and adjustments	779	110,502	(149,241)	(37,960)
On disposal of a subsidiary	(49,864)	(2,065,835)	(98,790)	(2,214,489)
Disposals	(2,548)	(14,101)	(15,290)	(31,939)
Exchange adjustment	(1,476)	(86,404)	(9,384)	(97,264)
As at 31 December 2010	67,794	1,319,647	116,624	1,504,065
Additions	1,375	46,040	114,827	162,242
Transfers and adjustments	907	77,625	(78,532)	-
On disposal of a subsidiary	-	-	-	-
Disposals	(60)	(20,358)	(471)	(20,889)
Exchange adjustment	(815)	(31,703)	(6,295)	(38,813)
As at 31 December 2011	69,201	1,391,251	146,153	1,606,605
Accumulated depreciation				
As at 31 December 2009	44,328	1,386,175	-	1,430,503
Charge for the year	3,984	232,159	-	236,143
On disposal of a subsidiary	(15,235)	(882,047)	-	(897,282)
On disposals	(304)	(9,596)	-	(9,900)
Exchange adjustment	(1,775)	(47,310)	-	(49,085)
As at 31 December 2010	30,998	679,381	-	710,379
Charge for the year	2,491	126,891	-	129,382
On disposal of a subsidiary	-	-	-	-
On disposals	(37)	(17,338)	-	(17,375)
Exchange adjustment	(262)	(11,163)	-	(11,425)
As at 31 December 2011	33,190	777,771	-	810,961
Net Book Value				
As at 31 December 2011	36,011	613,480	146,153	795,644
As at 31 December 2010	36,796	640,266	116,624	793,686

Projects in progress comprise of cellular and other equipment amounting to KD 141,692,000 (2010 - KD 115,948,000) and buildings amounting to KD Nil (2010 - KD 676,000).

13. INTANGIBLE ASSETS

(in thousands KD)	Goodwill	Licence fees	Others	Total
Cost				
At 31 December 2009	1,806,624	658,699	55,925	2,521,248
Additions	-	-	2,641	2,641
Disposals	(790,606)	(175,593)	(11,693)	(977,892)
Exchange adjustments	(74,795)	(18,958)	(709)	(94,462)
At 31 December 2010	941,223	464,148	46,164	1,451,535
Additions	-	19,624	17,227	36,851
On disposal of subsidiary	-	-	-	-
Write off	-	-	(1,026)	(1,026)
Exchange adjustments	(35,884)	(9,104)	(448)	(45,436)
As at 31 December 2011	905,339	474,668	61,917	1,441,924
Accumulated amortization and impairment losses				
At 31 December 2009	102,315	137,645	35,835	275,795
On disposals	(91,854)	(69,420)	(10,112)	(171,386)
Charge for the year	-	37,381	6,818	44,199
Exchange adjustments	1,481	(2,760)	(243)	(1,522)
At 31 December 2010	11,942	102,846	32,298	147,086
On disposal of subsidiary	-	-	-	-
Charge for the year	-	29,820	11,498	41,318
Write off	-	-	(1,026)	(1,026)
Exchange adjustments	-	(1,269)	(279)	(1,548)
As at 31 December 2011	11,942	131,397	42,491	185,830
Net book value				
As at 31 December 2011	893,397	343,271	19,426	1,256,094
As at 31 December 2010	929,281	361,302	13,866	1,304,449

Additions to Licence fees during the year, represent amount paid by Zain Jordan to acquire (HSPA+) Spectrum License from the telecom regulatory authority in Jordan.

Goodwill has been allocated to each country of operation as that is the Cash Generating Unit (CGU) which is expected to benefit from the synergies of the business combination. It is also the lowest level at which goodwill is monitored for impairment purposes.

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

(in thousands KD)	License expiry date	2011	2010
Pella Investment Company, Jordan	Feb 2021	79,516	79,516
Zain Bahrain B.S.C (Closed), Bahrain	Apr 2018	-	-
Sudanese Mobile Telephone Company Limited (Zain, Sudan)	Feb 2029	393,743	425,249
Atheer Telecom Iraq Limited, Cayman Islands	Sep 2022	420,138	424,516
		893,397	929,281

Impairment testing

The Group determines whether goodwill or intangible assets with indefinite useful lives 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 or fair value less cost to sell if that is higher.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The Group 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
	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 but excluding that from improving or enhancing the asset's performance.
Growth rate	Average revenue in the period immediately before budget period increased each year for anticipated growth in revenue of up to 7.9% (2010 – 7.9%). Value assigned reflects past experience and changes in economic environment. Cash flows beyond the five year period have been extrapolated using a growth rate of 2% (2010 – 2%). This growth rate does not exceed the long term average growth rate of the market in which the CGU operates.
Exchange rate	Average market forward rate over the budget period. Value assigned is consistent with external sources of information.
Discount rate	Discount rates range from 15.8% to 18.6% (2010 – 15.8% to 18.6%) per annum. Discount rates used are pre-tax and reflect specific risks relating to the relevant CGU.

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 results in any of the goodwill allocated to appropriate cash generating units being impaired.

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.

14. OTHER ASSETS

(in thousands KD)	2011	2010
Due from an associate (refer note 9)	63,923	40,605
Others	28,267	32,024
	92,190	72,629

'Others' include:

- USD 60 million (KD 16.7 million) paid as an advance in December 2011 by the Parent Company to acquire additional shares in a subsidiary. This transaction is expected to be concluded in the first quarter of 2012 on completion of certain contractual obligations by the seller.
- USD 40 million (KD 11 million) (2010 – KD 11 million) receivable from a founding shareholder in SMTC secured by an agreement to transfer to the Group, the founding shareholder's shares in SMTC. The Group has initiated the process of legal action for its recovery.

15. TRADE AND OTHER PAYABLES

(in thousands KD)	2011	2010
Trade payables	63,756	47,202
Deferred revenue	60,981	49,161
Due to roaming partners	9,227	7,084
Due to other operators (interconnect)	6,221	5,211
Due to Government of Jordan	12,413	13,519
Taxes – foreign subsidiaries	52,133	29,628
Kuwait Foundation for the Advancement of Sciences	12,890	11,812
National Labour Support Tax and Zakat	5,126	5,429
Dividend payable	13,705	11,134
Accrued expenses	246,448	340,164
Directors' remuneration	430	32
License fee payable (See note below)	-	35,150
Other payables	23,211	37,695
	506,541	593,221

License fee payable represented deferred payment liability for Atheer's telecom license fee, payable to the telecom regulatory authority of Iraq which was fully paid by Atheer during the year.

16. DUE TO BANKS

(in thousands KD)	2011	2010
MTC (the Parent Company)		
Bank overdraft	16,698	-
Short term loans	153,993	-
Long term loans	63,081	-
	233,772	-
JMTS – Jordan		
Long term loan	17,198	19,885
Zain – Bahrain		
Bank overdraft	619	-
Zain – Sudan		
Short term loans	4,971	-
Long term loans	74,706	101,362
	79,677	101,362
Atheer – Iraq		
Bank overdraft	13,906	14,060
Short term loan	83,490	84,360
Long term loan	111,320	-
	208,716	98,420
	539,982	219,667

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The current and non-current amounts are as follows:

(in thousands KD)	2011	2010
Current liabilities	313,823	124,933
Non-current liabilities	226,159	94,734
	539,982	219,667

The table below shows the contractual repricing schedule of the Group's borrowings at the consolidated statement of financial position date:

(in thousands KD)	2011	2010
Less than 6 months	539,982	199,782
6 – 12 months	-	19,885
	539,982	219,667

The carrying amounts of the Group's borrowings are denominated in the following currencies:

(in thousands KD)	2011	2010
US dollar	442,488	98,420
Euro	79,677	101,362
Jordanian dinar	17,198	19,885
Others	619	-
	539,982	219,667

The effective interest rate as at 31 December 2011 was 1.29% to 4.8% (2010 - 2.75% to 5.95%) per annum.

The Group is compliant with the principal covenant ratios, which include:

- consolidated net borrowings to adjusted consolidated EBITDA
- adjusted consolidated EBITDA to consolidated net interest payable
- equity to total assets
- net debt to EBITDA

MTC

Overdraft facility is denominated in US Dollar.

In March 2011 and in August 2011, the Parent Company obtained term loans of USD 433.33 million (KD 120 million) and USD 120 million (KD 33 million) respectively repayable within one year from the date of the facilities.

In March 2011, the Parent Company secured a revolving credit facility of USD 866.67 million (KD 240 million) from a consortium of foreign banks. The revolving credit facility has been classified as non-current since the Parent Company has complied with the conditions to extend the repayment date by further two years till March 2014. As of 31 December 2011, USD 226.66 million (KD 63.081 million) was outstanding from this revolving credit facility.

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

ZAIN JORDAN

This represents JD 50 million (KD 19.5 million) unsecured loan obtained in 2010 payable in eight equal installments starting December 2011. As of 31 December 2011, JD 43.75 million (KD 17 million) (2010 – KD 19.9 million) was outstanding on this credit facility. This facility carries a floating interest rate in the range of 5% - 7%.

ZAIN SUDAN

This represents Euro denominated loans availed from foreign banks.

The Euro 270 million Islamic murabaha financing was obtained from a consortium of foreign banks in 2010 and is guaranteed by the Parent Company. The facility is repayable in twelve quarterly installments starting from 10 November 2010 and a bullet payment of Euro 121.5 million in August 2013. As of 31 December 2011, Euro 202.5 million (KD 72.81 million) (2010 - KD 95.47 million) was outstanding on this credit facility.

The Euro 26 million Islamic murabaha loan was obtained in January 2010 from a foreign bank guaranteed by the Swedish Export Credit Guarantee Corporation and is repayable in five half yearly installments starting in February 2010. As of 31 December 2011, Euro 5.2 million (KD 1.90 million) (2010 - KD 5.89 million) was outstanding on this credit facility.

During the year, two short term loans aggregating Euro 13.8 million (KD 4.97 million) were obtained.

The above facilities carry a floating interest rate of a fixed margin over Euro Inter Bank Offer Rate (EURIBOR).

ATHEER

In April 2011, Atheer availed a long term loan amounting to USD 400 million (KD 111 million) from a syndicate of international development finance institution and foreign banks, which was guaranteed by the Parent Company. This facility is repayable in twenty four equal installments by January 2018.

Short term loan represents US Dollar credit facilities guaranteed by the Parent Company.

Overdraft facility is denominated in US Dollar and is guaranteed by the Parent Company.

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

17. OTHER NON-CURRENT LIABILITIES

(in thousands KD)	2011	2010
Customer deposits	5,515	7,213
Post employment benefits	27,883	27,721
Licence fee payable (refer note 15)	-	105,450
Refundable deposits and others	1,775	8,748
	35,173	149,132

18. SHARE CAPITAL AND RESERVES

Share capital (par value of KD 0.100 per share)

	2011 No of shares	2010 No of shares
Authorised		
Opening balance	4,315,097,117	4,297,371,670
Shares approved for Employee Share Option Plan (ESOP) – net	16,885,520	17,725,447
	4,331,982,637	4,315,097,117
Issued and fully paid up		
Opening balance	4,297,426,891	4,282,853,505
Shares issued for 2006 ESOP	-	14,484
Shares issued for 2007 ESOP	-	4,970,750
Shares issued for 2008 ESOP	2,350,202	4,045,502
Shares issued for 2009 ESOP	3,120,596	5,542,650
Shares issued for 2010 ESOP	4,636,972	-
	4,307,534,661	4,297,426,891

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SHARE PREMIUM

Increase in share premium during the year represents issue of ESOP shares at a premium.

Treasury shares	2011	2010
Number of shares	425,711,648	425,711,648
Percentage of issued shares	9.88%	9.91%
Market value (KD '000)	383,140	647,082
Cost (KD '000)	567,834	567,834

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

In accordance with the Law of Commercial Companies and the Parent Company's Articles of Association, 10% of the profit for the year, subject to a maximum of 50% of the share capital, has been appropriated towards legal reserve. This reserve can be utilized only for distribution of a maximum dividend of 5% in years when retained earnings are inadequate for this purpose.

VOLUNTARY RESERVE

The Parent Company's Articles of Association provide for the Board of Directors to propose appropriations to voluntary reserve up to a maximum of 50% of its share capital. During the year the Board of Directors did not propose any transfer (2010 - Nil). There is no restriction on distribution of this reserve.

DIVIDEND - 2010

The annual general meeting of shareholders held on 12 April 2011 approved distribution of cash dividends of 200 fils per share for the year 2010.

PROPOSED DIVIDEND

The Board of Directors, subject to the approval of shareholders, recommends distribution of a cash dividend of 65 fils per share (2010 - 200 fils per share) to the registered shareholders as of the date of the Annual General Meeting.

19. REVENUE

(in thousands KD)	2011	2010
Airtime and subscription	1,291,429	1,333,606
Trading income	30,492	18,075
	1,321,921	1,351,681

20. INVESTMENT INCOME

(in thousands KD)	2011	2010
Loss on investments at fair value through profit or loss	(1,699)	(62)
Realised gain/ (loss) from available for sale investments	1,763	(2,746)
Impairment loss on available for sale investments	(1,076)	(777)
Dividend income	1,752	1,640
	740	(1,945)

21. NATIONAL LABOUR SUPPORT TAX, ZAKAT AND KFAS

National Labour Support Tax and Zakat

(in thousands KD)	2011	2010
NLST - Kuwait	3,749	3,942
Zakat - Kuwait	1,500	1,577
Zakat - Sudan	3,621	2,725
	8,870	8,244

National Labour Support Tax and Zakat in Kuwait represents taxes payable to Kuwait's Ministry of Finance under National Labour Support Law No. 19 of 2000 and Zakat Law No.46 of 2006 respectively.

CONTRIBUTIONS TO KFAS

(in thousands KD)	2011	2010
From continuing operations	2,930	2,335
From discontinued operations (refer note 4)	-	7,781
	2,930	10,116

22. INCOME TAX EXPENSES

This represents the income tax expenses of subsidiaries and withholding taxes (refer note 25).

23. EARNINGS PER SHARE

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

(in thousands KD)	2011	2010
From continuing operations	268,546	311,364
From discontinued operations	16,320	751,441
	284,866	1,062,805
	Shares	Shares
Weighted average number of shares in issue	3,881,823,013	3,871,715,243
Effect of dilution (ESOP - note 24)	6,160,133	11,306,791
Weighted average number of shares in issue outstanding during the year adjusted for the effect of dilution	3,887,983,146	3,883,022,034
Basic earnings per share	Fils	Fils
From continuing operations	69	80
From discontinued operations	4	195
	73	275
Diluted earnings per share		
From continuing operations	69	79
From discontinued operations	4	195
	73	274

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24. SHARE-BASED COMPENSATION PLANS

KUWAIT

At an Extraordinary General Meeting held on 29 March 2007 the Parent Company's shareholders approved an amendment to the Parent Company's articles of association to permit issue of employee stock options in accordance with a scheme 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 are provided either through a capital increase and issue of new shares or from the 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 as follows:

	2008 Plan		2009 Plan		2010 Plan	
	Numbers	Weighted average exercise price (KD)	Numbers	Weighted average exercise price (KD)	Numbers	Weighted average exercise price (KD)
Granted	14,179,440	1.084	16,843,774	0.672	14,076,900	0.816
Exercised in 2008	-	-	-	-	-	-
Stock options outstanding at 31 Dec 2008	14,179,440	1.084	-	-	-	-
Additional shares granted	82,886	1.084	-	-	-	-
Adjustment for dividend	-	-	-	-	-	-
Exercised in 2009	(4,575,005)	1.034	-	-	-	-
Stock options forfeited	(1,049,773)	-	-	-	-	-
Stock options outstanding at 31 Dec 2009	8,637,548	1.034	16,843,774	0.624	-	-
Exercised in 2010	(4,045,502)	1.034	(5,542,650)	0.624	-	-
Additional shares granted	369,409	-	1,002,522	-	-	-
Stock options forfeited	(2,630,274)	-	(6,286,735)	-	(1,500)	-
Stock options outstanding at 31 Dec 2010	2,331,181	0.879	6,016,911	0.467	14,075,400	0.816
Additional shares granted/option regranted	25,442	-	344,286	-	275,900	-
Exercised in 2011	(2,350,202)	0.879	(3,120,596)	0.467	(4,636,972)	0.658
Stock options forfeited	(6,421)	-	(1,004,294)	-	(1,888,775)	-
Stock options outstanding at 31 Dec 2011	-	-	2,236,307	0.278	7,825,553	0.470
Stock options exercisable as at 31 Dec 2011	-	-	2,236,307	-	3,856,000	-
Weighted average remaining contractual life (in years)	-	-	1	-	2	-
Weighted average share price of options exercised during the year	-	-	1.102	-	1.102	-

The Group has determined the fair value of the share options granted using the Black-Scholes valuation model. The expected volatility used in the model is the standard deviation of expected share prices based on statistical analysis of daily share prices over the last three years.

2008 PLAN

The Parent Company granted 14,179,440 shares at an exercise price of KD 1.084 per share. The options vest over three years at the rate of 33%, 33% and 34% each year, beginning 1 January 2009 exercisable from the date of vesting and up to three years from the service date. The fair value of these options was KD 0.235 per share with a total fair value of KD 3,330,750. The significant inputs into the fair value model were a share price of KD 1.160 - the market price at the grant date 1 November 2008, the exercise price shown above, volatility of 10%, dividend yield of nil (due to the ESOP terms), option life of 3 years and an annual interest rate of 7.25%.

During the year, the Group recognised total expenses of KD Nil (2010 - KD 523,000) related to this plan.

2009 PLAN

The Parent Company granted 16,843,774 shares at an exercise price of KD 0.672 per share. The options vest over three years at the rate of 33%, 33% and 34% each year, beginning 1 January 2010 exercisable from the date of vesting and up to three years from the service date. The fair value of these options was KD 0.302 per share with a total fair value of KD 4,969,449. The significant inputs into the fair value model were a share price of KD 0.840 - the market price at the grant date 1 January 2010, the exercise price shown above, volatility of 5%, dividend yield of nil (due to the ESOP terms), option life of 3 years and an annual interest rate of 5%.

During the year, the Group recognised total expenses of KD 579,000 (2010 – KD 1,421,000) related to this plan.

2010 PLAN

The Parent Company granted 14,076,900 shares at an exercise price of KD 0.816 per share. The options vest over three years at the rate of 33%, 33% and 34% each year, beginning 1 January 2011 exercisable from the date of vesting and up to three years from the service date. The fair value of these options was KD 0.317 per share with a total fair value of KD 4,461,902. The significant inputs into the fair value model were a share price of KD 1.020 - the market price at the grant date 1 January 2010, the exercise price shown above, volatility of 5%, dividend yield of nil (due to the ESOP terms), option life of 3 years and an annual interest rate of 5%.

During the year, the Group recognised total expenses of KD 1,242,000 (2010 – 2,714,000) related to this plan.

The average market price per share of the Parent Company for the year ended 31 December 2011 was KD 1.102 (2010 - KD 1.270).

During the year, the Group reversed KD Nil (2010 - KD 5,223,000) being the fair value of the options forfeited prior to vesting.

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 (North and South Sudan) and Iraq. The Group's operations in Sub-Saharan Africa is classified as a disposal group, in accordance with IFRS (refer note 4). This forms the basis of the geographical segments.

Based on the quantitative thresholds, the Group has identified its operations in Kuwait, Jordan, Bahrain and Sudan as the basis for disclosing the segment information.

(in thousands KD)		31-Dec-11				
	Kuwait	Jordan	Bahrain	Sudan	Iraq	Total
Segment revenues	344,161	139,532	59,101	301,151	446,370	1,290,315
Others						31,606
						1,321,921
Net profit before interest and tax	128,467	46,732	9,459	90,046	134,520	409,224
Interest income	3	1,057	106	3,710	1,088	5,964
Finance cost	-	(1,033)	-	(5,413)	(21,141)	(27,587)
Income tax expense	-	(10,478)	-	(16,383)	(18,418)	(45,279)
	128,470	36,278	9,565	71,960	96,049	342,322
Unallocated items:						
Investment income						740
Share of loss of associates						(35,507)
Share of profit of a jointly controlled entity						5,872
Others						(12,219)
Profit for the year - continuing operations						301,208
Profit for the year - discontinued operations						16,320
Profit for the year						317,528
Segment assets	215,766	240,688	66,001	981,830	926,802	2,431,087
Unallocated items:						
Investment securities at fair value through profit or loss						5,879
Investment securities available for sale						62,470
Investment in associates						81,131
Interest in jointly controlled entity						44,871
Loans to associates						190,166
Others						471,630
Consolidated assets						3,287,234
Segment liabilities	76,669	37,665	21,949	333,699	108,433	578,415
Unallocated items:						
Due to banks						539,982
Others						(36,701)
Consolidated liabilities						1,081,696
Net consolidated assets						2,205,538
Capital expenditure incurred during the year	41,386	11,406	10,121	82,076	167,693	312,682
Unallocated						618
Total capital expenditure						313,300
Depreciation and amortization	32,914	17,614	8,134	38,041	66,552	163,255
Unallocated						7,445
Total depreciation and amortization from continuing operation						170,700

(in thousands KD)		31-Dec-10				
	Kuwait	Jordan	Bahrain	Sudan	Iraq	Total
Segment revenues	344,957	147,297	71,169	328,003	429,677	1,321,103
Others						30,578
						1,351,681
Net profit before interest and tax	127,992	51,418	16,449	124,555	134,205	454,619
Interest income	22	1,593	218	3,198	-	5,031
Finance cost	-	(586)	(45)	(5,868)	(26,002)	(32,501)
Income tax expense	-	(11,257)	-	(6,292)	(16,660)	(34,209)
	128,014	41,168	16,622	115,593	91,543	392,940
Unallocated items:						
Investment income						(1,945)
Share of loss of associates						(45,018)
Share of profit of a jointly controlled entity						(4,836)
Others						4,868
Profit for the year - continuing operations						346,009
Profit for the year - discontinued operations						741,809
Profit for the year						1,087,818
Segment assets	197,499	277,571	70,292	976,720	1,048,219	2,570,301
Unallocated items:						
Investment securities at fair value through profit or loss						7,465
Investment securities available for sale						98,641
Investment in associates						116,096
Interest in jointly controlled entity						40,270
Loans to associates						187,263
Others						689,901
Consolidated assets						3,709,937
Segment liabilities	67,598	45,427	23,016	254,551	268,712	659,304
Unallocated items:						
Due to banks						219,667
Others						83,049
Consolidated liabilities						962,020
Net consolidated assets						2,747,917
Capital expenditure incurred during the year	17,083	17,627	11,537	110,747	30,981	187,975
Unallocated						2,280
Total capital expenditure						269,687
Depreciation and amortization	29,654	15,328	7,644	36,869	69,781	159,276
Unallocated						7,003
Total depreciation and amortization from continuing operation						166,279

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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:

(in thousands KD)	2011	2010
Transactions		
Management fees (included in other income)	13,306	14,490
Interest income on loans to associates	11,109	11,010
Balances		
Trade and other receivables	3,932	4,430
Trade and other payables	2,627	3,861
Key management compensation		
Salaries and other short term employee benefits (refer note below)	8,004	33,184
Post-employment benefits	2,503	673
Share based payments	416	2,887

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

27. COMMITMENTS AND CONTINGENCIES

(in thousands KD)	2011	2010
Capital commitments	109,049	86,657
Capital commitments – share of associates	7,712	26,116
Uncalled share capital of investee companies	276	289
Letters of credit	66,558	13,531
Letters of guarantee	317,889	436,592

The above include guarantees/ letters of credit amounting to USD 1.167 billion (KD 325 million) relating to a loan and other vendor financing availed by SMTC (2010 - KD 270 million). The Group has provided cash collaterals of USD Nil (2010 - USD 483 million and SAR 452 million aggregating to KD 170 million) against these guarantees (refer note 5).

The Parent Company is a guarantor for credit facilities of USD 35 million (KD 10 million) (2010 – KD 10 million and also refer note 6) granted to a founding shareholder in SMTC. The Parent Company believes that the collaterals provided by the founding shareholder to the bank, covers the credit facilities.

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

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

Taxes and levies related of the South Sudan operations have been determined based on laws applicable before its independence in July 2011, pending clarity on the applicable tax regulatory framework.

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

Legal proceedings have been initiated by and against the Group 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 the above matters is unlikely to have a material adverse effect on the consolidated financial position and the consolidated performance of the Group.

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:

(in thousands KD)	2011	2010
Not later than 1 year	4,416	4,272
Later than 1 year and no later than 5 years	16,815	15,741
Later than 5 years	5,562	5,527
	26,793	25,540

28. FINANCIAL RISK MANAGEMENT

The Group's financial assets have been categorized as follows:

(in thousands KD)	Loans and receivables	Assets at fair value through profit and loss	Available for sale
31 December 2011			
Cash and bank balances	404,764	-	-
Trade and other receivables	332,843	-	-
Investment securities	-	5,879	62,470
Loans to associates	190,166	-	-
Other assets	91,753	-	-
Total	1,019,526	5,879	62,470
31 December 2010			
Cash and bank balances	644,215	-	-
Trade and other receivables	431,965	-	-
Investment securities	-	7,465	98,641
Loans to associates	187,263	-	-
Other assets	52,368	-	-
Total	1,315,811	7,465	98,641

All financial liabilities as of 31 December 2011 and 31 December 2010 are categorized as 'other than at fair value through profit or loss'.

FINANCIAL RISK FACTORS

The Group's use of financial instruments exposes it to a variety of financial risks such as market risk, credit risk and liquidity risk. The Group continuously reviews its risk exposures and takes measures to limit it to acceptable levels. The Board of Directors has the overall responsibility for the establishment and oversight of the Group's risk management framework and developing and monitoring the risk management policies in close co-operation with the Group's operating units. The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and Group's activities. The Group through its training and management standards and procedures aim to develop a disciplined and constructive control environment in which all employees understand their roles and obligations. The Group's Board Committee oversees how management monitors compliance with the risk management policies and procedures and reviews adequacy of the risk management framework in relation to the risks faced by the Group. The Board Committee is assisted in its oversight role by the Internal audit and the Group risk management department. The significant risks that the Group is exposed to are discussed below:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(a) Market risk

(i) Foreign exchange risk

Foreign currency risk is the risk that the fair values or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

The Group management has set up a policy that requires Group companies to manage their foreign exchange risk against their functional currency. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.

The Group is primarily exposed to foreign currency risk as a result of foreign exchange gains/ losses on translation of foreign currency denominated assets and liabilities such as trade and other receivables, trade and other payables and due to banks. The impact on the post tax consolidated profit arising from a 10% weakening/ strengthening of the functional currency against the major currencies to which the Group is exposed is given below:

Currency (in thousands KD)	2011	2010
US Dollar	24,051	17,411
Euro	11,720	11,695
SAR	-	4,426

(ii) Equity price risk

This is a risk that the value of financial instruments will fluctuate as a result of changes in market prices, whether these changes are caused by factors specific to individual instrument or its issuer or factors affecting all instruments, traded in the market. The Group is exposed to equity securities price risk because of investments held by the Group and classified in the consolidated statement of financial position either as 'available for sale' or 'at fair value through profit or loss'. The Group is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

The Group's investments are primarily quoted on the Kuwait Stock Exchange. The effect on the consolidated profit as a result of changes in fair value of equity instruments classified as 'at fair value through profit or loss' and the effect on equity of equity instruments classified as 'available for sale' arising from a 5% increase/ decrease in equity market index, with all other variables held constant is as follows:

Market indices (in thousands KD)	2011		2010	
	Impact on net profit	Effect on equity	Impact on net profit	Effect on equity
Kuwait Stock Exchange	± 294	± 2,586	± 373	± 3,781

Profit for the year would increase/ decrease as a result of gains/ losses on equity securities classified as 'at fair value through profit or loss'. Equity would increase/ decrease as a result of gains/ losses on equity securities classified as 'available for sale'.

(iii) Cash flow and fair value interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's interest rate risk arises from short-term bank deposits and bank borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. During 2011 and 2010, the Group's borrowings at variable rates were denominated mainly in US Dollar, Euro and Jordanian Dinar.

The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions and alternative financing. Based on these scenarios, the Group calculates the impact on consolidated statement of income of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies. The scenarios are run only for liabilities that represent the major interest-bearing positions. The Group manages interest rate risk by monitoring interest rate movements and by using Interest Rate Swaps to hedge interest rate risk exposures.

At 31 December 2011, if interest rates at that date had been 50 basis points higher/lower with all other variables held constant, consolidated profit for the year would have been lower/higher by KD 2,237,000 (2010 - KD 2,691,000).

b) 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, trade and other receivables and loans to associates. The Group manages this risk by placing fixed and short term bank deposits with high credit rating financial institutions. Credit risk with respect to trade receivables is limited due to dispersion across large number of customers and by using experienced collection agencies. The Group considers the credit quality of amounts that are neither past due nor impaired to be high.

For more information refer to Notes 5, 6, 11 and 14.

(c) 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 maintaining sufficient cash and marketable securities, availability of funding from committed credit facilities and its ability to close out market positions on short notice. The Parent Company's Board of Directors increases capital or borrowings based on ongoing review of funding requirements.

The Group has committed to provide working capital and other financial support to some of its subsidiaries. (refer note 3).

Other than cash and bank balance of KD 108.6 million equivalent held in Sudanese pounds all other cash and bank balance are maintained in freely convertible currencies.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

(in thousands KD)	Less than 1 year	Between 1 & 2 years	Between 2 & 5 years	Over 5 years
At 31 December 2011				
Bank borrowings	322,506	147,030	70,241	19,069
Trade and other payables	445,560	-	-	-
Customer deposits	-	1,491	4,024	-
Refundable deposit	-	1,775	-	-
Licence fee payable	-	-	-	-
Commitments	137,950	44,891	-	-
At 31 December 2010				
Bank borrowings	131,456	30,086	69,342	-
Trade and other payables	544,060	-	-	-
Customer deposits	-	3,178	-	4,035
Refundable deposit	-	8,748	-	-
Licence fee payable	-	70,300	35,150	-
Commitments	79,390	28,598	-	-

29. DERIVATIVE FINANCIAL INSTRUMENTS

In the ordinary course of business, the group uses derivative financial instruments to manage its exposure to fluctuations in interest and foreign exchange rates. A derivative financial instrument is a financial contract between two parties where payments are dependent upon movements in price of one or more underlying financial instruments, reference rate or index.

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

The notional amounts indicate the volume of transactions outstanding at the year end and are not indicative of either market or credit risk. All derivative contracts are fair valued based on observable market data.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(in thousands KD)

Notional amounts by term to maturity

At 31 December 2011:	Positive fair value	Negative fair value	Notional amount	Within 3 months	3-12 months	Over 1 year
Derivatives held for hedging: Cash flow hedges Commission rate swaps - share of an associate	-	(849)	153,733	153,733	-	-
	-	(849)	153,733	153,733	-	-

(in thousands KD)

Notional amounts by term to maturity

At 31 December 2010:	Positive fair value	Negative fair value	Notional amount	Within 3 months	3-12 months	Over 1 year
Derivatives held for hedging: Cash flow hedges Commission rate swaps - share of an associate	-	(2,524)	155,391	-	-	155,391
	-	(2,524)	155,391	-	-	155,391

Interest rate swaps are contractual agreements between two parties to exchange interest based on notional value in a single currency for a fixed period of time. The Group uses interest rate swaps to hedge changes in interest rate risk arising from floating rate borrowings.

30. CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide return on investment to shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In managing capital, the Group considers the financial covenants in various loan agreements that require the Group to maintain specific levels of debt-equity and leverage ratios.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as equity, as shown in the consolidated statement of financial position, plus net debt.

The gearing ratios at the statement of financial position dates were as follows:

(in thousands KD)	2011	2010
Total borrowings	539,982	219,667
Less: Cash and bank balances (refer note 5)	(404,764)	(644,215)
Net debt	135,218	(424,548)
Total equity	2,205,538	-
Total capital	2,340,756	-
Gearing ratio	6%	-

The borrowings of the Group as at 31 December 2010 was less than cash and bank balances.

31. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Fair values of financial instruments are not significantly different from their carrying values. For financial assets and liabilities that are liquid or having a short term maturity or with variable interest rate, it is assumed that the carrying amounts approximate their fair value.

Determination of fair value and fair value hierarchy:

The Group uses the following hierarchy for determining and disclosing the fair values of financial instruments:

Level 1: Quoted (unadjusted) prices in active market for the same instrument.

Level 2: Quoted prices in active market for similar instruments or other valuation techniques for which all significant inputs are based on observable market data ; and

Level 3: Valuation techniques for which any significant input is not based on observable market data.

The following table shows a reconciliation of the opening and closing amount of level 3 financial assets:

(in thousands KD)	At 1 January 2011	Gain/(loss) recorded in the statement of income	Gain/(loss) recorded in statement of comprehensive income	Other movements	At 31 December 2011
Investment securities available for sale:					
Unquoted securities/ funds (net of impairment losses)	9,641	(661)	-	(746)	8,234

(in thousands KD)	At 1 January 2010	Gain/(loss) recorded in the statement of income	Gain/(loss) recorded in statement of comprehensive income	Other movements	At 31 December 2010
Investment securities available for sale:					
Unquoted securities/ funds (net of impairment losses)	22,742	(627)	(535)	(11,939)	9,641

Other movements in 2010 represents transfer of KD 1,280,000 from Level 3 to Level 1 following the listing of an investment security on the Kuwait Stock Exchange and KD 8,234,000 on account of investments relating to discontinued operations (ZABV).

32. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

In accordance with the accounting policies contained in IFRS and adopted by the Group, management makes the following judgments and estimations that may affect amounts reported in these consolidated financial statements.

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 and final values 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 "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.

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 statement of financial position 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/LIABILITIES

Contingent liabilities are potential liabilities that arise from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. 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 recognizes a liability 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 deferred tax assets.

GOODWILL

The Group annually tests whether goodwill has suffered any impairment, in accordance with its accounting policy. The recoverable amounts of cash generating units are determined based on value-in-use calculations or at fair value less costs to sell. The fair value less cost to sell is based on recent/ intended market transactions and the related EBITDA multiples used in such transactions. These calculations require the use of estimates.

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.

33. COMPARATIVE FIGURES

Certain prior year amounts have been reclassified to conform to current year presentation with no effect on net profit or equity.



GLOSSARY

1. GSM

(Global System for Mobile Communications)

It's a digital mobile telephony system used by over 2 billion people across 212 countries in the world. GSM digitizes and compresses data, then sends it down a channel with two other streams of user data, each in its own time slot.

2. HSPA

(High-Speed Packet Access)

HSPA is the set of technologies that enables 3G/WCDMA operators to upgrade their networks to run at broadband speeds. HSPA includes HSDPA (High Speed Downlink Packet Access), HSUPA (High Speed Uplink Packet Access) and HSPA+. In most HSPA networks, the end-user can expect to enjoy data throughput speeds of at least 1Mbps, with actual performance varying according to local conditions and the peak downlink speed of the network, which can reach 14.4 Mbps, and the peak uplink speed, which can reach 5.7Mbps.

3. UMTS

(Universal Mobile Telecommunications System)

3rd generation wireless communications system that support high-speed mobile multimedia services. UMTS will speed convergence between telecommunications, IT, media and content industries to deliver new services and create fresh revenues generating opportunities.

4. 2G

(2nd Generation)

2G is short for the second-generation wireless telephone technology. 3G technologies enable faster data-transmission speeds, greater network capacity and more advanced network services.

5. 3G

(3rd Generation)

3G is short for the third-generation wireless telephone technology. Voice is encoded as a digital bit stream and is less prone to interference and harder to clone.

6. LTE

(Long Term Evolution)

Long Term Evolution (LTE) is a mobile network technology that is being deployed by mobile operators on both the GSM and the CDMA technology paths. Depending on the spectrum available, live LTE networks can deliver very fast data speeds of up to 100Mbps in the downlink and 50Mbps in the uplink.

7. EDGE

(Enhanced Data rates for GSM Evolution)

EDGE is a faster version of the Global System for Mobile i.e. (GSM) wireless service and enables delivery of multimedia and other broadband applications to mobile phone and computer users through increased data transmission rates.

8. MMS

(Multimedia Messaging Services)

MMS is a standard for telephone messaging systems that allows sending messages including multimedia objects (images, audio, video and rich text). It's mainly deployed in cellular networks along with other messaging systems like SMS, Mobile Instant Messaging and Mobile E-mail.

9. MVNO (Mobile Virtual Network Operator)	It's a company that provides mobile phone service but does not have its own licensed frequency allocation of radio spectrum, nor does it necessarily have the entire infrastructure required to provide mobile telephone service.
10. SMS (Short Message Service)	A telecommunication protocol that allows the interchange of short text messages between mobile telephone devices.
11. WI-MAX (Worldwide Interoperability for Microwave Access)	A standard-based technology enabling the delivery of last mile wireless broadband access as an alternative to cable and DSL.
12. ARPU (Average Revenue per User)	It's a measure of the revenue generated by one customer's phone, pager, etc. for a period typically per month or annum.
13. CDMA (Code Division Multiple Access)	CDMA is a method for describing physical radio channel's. Data intended for a specific channel is modulated with that channel's code.
14. DSL (Digital Subscriber Line)	DSL is a family of technologies that provides digital data transmission over the wires of a local telephone network.
15. GPRS (General Packet Radio Service)	A GPRS is used for WAP, MMS and internet communication. GPRS data transfer is typically charged per megabyte of traffic transferred, while data communication via traditional circuit switching is billed per minute of connection time, independent of whether the user actually is utilizing the capacity or is in an idle state.
16. SIM (Subscriber Identity Module)	Usually referred to as a SIM card which contains relevant information that enables access onto the subscribed operator's network.
17. VOIP (Voice over Internet Protocol)	VOIP is a protocol optimized for the transmission of voice through the internet or other packet switched networks. VOIP is often used abstractly to refer to the actual transmission of voice rather than the protocol implementing it.
18. Access	GPRS/EDGE based internet access service

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A TRIBUTE TO THOSE WHO LEAVE INDELIBLE MARKS



Loyal to the roots

Our company, with God's tremendous grace, has made profits for the fiscal year 2011 that reinforce our position as the leading telecommunication company in the Arab world. However, there are some losses that can never be overcome. I speak here, of course, of the grave loss we all suffered with the passing of our "Nasser".

Without question, the loss of Nasser Al Kharafi (Abu Marzouk) is immeasurable; it's a loss so palpable it has touched those outside the realm of our company. All economists around the world are aware that Zain was deeply and profoundly affected by Abu Marzouk's untimely death. It is only when we remember his wise and sound directions to stand firmly together, to always be a family whose members are tirelessly dedicated to one another, that we find solace. And it is here that we promise to spare no effort whatsoever to ensure the growth of this cherished company, as an expression of our steadfast loyalty to him and its shareholders.

We ask God Almighty to shower Abu Marzouk with his infinite grace, and welcome him in Heaven as he has welcomed millions of people into a wonderful world, a world in which his smile still shines in spite of his absence.

Nabeel Bin Salamah