Kuwait Telecommunications Company K.S.C.P.

Financial Statements and Independent Auditors' Report
for the year ended 31 December 2015

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Statement of profit or loss and comprehensive income
for the year ended 31 December 2015

	Note	2015 KD'000	2014 KD'000
Revenue		276,888	238,974
Operating expenses	*13*	(145,786)	(126,261)
Depreciation and amortization	*4&5*	(82,224)	(67,620)
Finance cost		(2,622)	(2,211)
Other expenses	*14*	(1,046)	(1,840)
Profit before contribution to KFAS, NLST, Zakat and Board of Directors' remuneration		45,210	41,042
KFAS	*15*	(407)	(7)
NLST	*15*	(1,208)	(55)
Zakat	*15*	(484)	(464)
Board of Directors' remuneration		(152)	(152)
Net profit for the year		42,959	40,364
Other comprehensive income		-	-
Total comprehensive income for the year		42,959	40,364
Basic and diluted earnings per share (fils)	*16*	86	81

The notes on pages 7 to 32 are an integral part of these financial statements.

Kuwait Telecommunications Company K.S.C.P.
State of Kuwait

Statement of changes in equity
for the year ended 31 December 2015

	Share capital KD'000	Statutory reserve KD'000	Voluntary reserve KD'000	Retained earnings KD'000	Total KD'000
Balance at 1 January 2014	49,940	-	-	(40,358)	9,582
Net profit and total comprehensive income for the year	-	-	-	40,364	40,364
Transfers to reserves (Note 9)	-	1	-	(1)	-
Balance at 31 December 2014	49,940	1	-	5	49,946
Balance at 1 January 2015	49,940	1	-	5	49,946
Net profit and total comprehensive income for the year	-	-	-	42,959	42,959
Transfers to reserves (Note 9)	-	4,521	4,521	(9,042)	-
Balance at 31 December 2015	49,940	4,522	4,521	33,922	92,905

The notes on pages 7 to 32 form an integral part of these financial statements.

Statement of cash flows
for the year ended 31 December 2015

	Note	2015 KD'000	2014 KD'000
Cash flows from operating activities			
Profit before contribution to KFAS, Zakat, NLST and Board of Directors' remuneration		45,210	41,042
Adjustments for:			
Depreciation and amortization	4&5	82,224	67,620
Write offs of property and equipment		213	638
Finance cost		2,622	2,211
Provision for doubtful debts	7	7,092	4,129
Provision for end of service benefits	10	487	1,029
Provision for slow moving inventories		425	309
		138,273	116,978
Changes in:			
- other non-current assets		89	44
- inventories		(1,771)	(1,137)
- prepayments and other assets		(50)	(410)
- trade and other receivables		(8,836)	(12,519)
- trade and other payables		19,224	(15,784)
Cash from operating activities		146,929	87,172
Payments towards employees' end of service benefits	10	(250)	(148)
Net cash from operating activities		146,679	87,024
Cash flows from investing activities			
Acquisition of property and equipment	4	(39,158)	(17,122)
Acquisition of intangible assets	5	(69,815)	(50,968)
Increase in Islamic deposits with original maturity period exceeding three months		(6,070)	-
Net cash used in investing activities		(115,043)	(68,090)
Cash flows from financing activities			
Net movement in Islamic financing facilities		(13,153)	19,790
Decrease in trade and other payables		(2,323)	(11,286)
Finance costs		(2,680)	(1,883)
Net cash (used in) / from financing activities		(18,156)	6,621
Net increase in cash and cash equivalents		13,480	25,555
Cash and cash equivalents at 1 January		32,260	6,705
Cash and cash equivalents at 31 December	8	45,740	32,260

The notes on pages 7 to 32 are an integral part of these financial statements.

1. Reporting entity

Kuwait Telecommunications Company ("the Company") is a Kuwaiti Shareholding Company incorporated pursuant to Amiri Decree No. 187 on 22 July 2008 to operate and manage the third GSM mobile network in Kuwait as per Law No. 2 of 2007.

The objectives for which the Company is incorporated are the provision of all cellular mobile telecommunication and calling system services in Kuwait in accordance with the provisions of Islamic Sharia and as per the criteria set by Ministry of Communications. In this regard, the Company shall carry on the following business activities:

1. Purchase, supply, install, operate and maintain wireless telecommunications devices and equipment (mobile telecommunications, calling system and other wireless services);

2. Import and export the necessary devices, equipment and tools for the Company's objectives;

3. Purchase or lease telecommunication lines and necessary facilities for providing the Company's services in coordination with and with no overlap or conflict with the services provided by the State;

4. Buy the manufacturing concessions that are directly related to the Company's services from manufacturers or manufacture the same in Kuwait (following the approval of Public Authority for Industry in connection with the manufacturing);

5. Introduce or manage other services of similar or supplementary nature to the wireless telecommunication services with view to developing or integrating such services;

6. Conduct technical research related to the Company's business in order to improve and develop the Company's services in cooperation with the relevant authorities inside Kuwait and abroad;

7. Construct, buy, build and acquire the necessary lands and facilities for achieving the Company's objectives (to the extent permitted by law);

8. Purchase all necessary materials and machines for the Company to carry on its objectives and conduct maintenance for the same using all possible up-to-date techniques; and

9. Utilize the monetary surpluses available with the Company through investing the same in portfolios managed by specialized companies and entities and authorize the Board of Directors to undertake the same

The Company is primarily engaged in providing cellular mobile telecommunication and data services in the State of Kuwait. The Company was registered in the commercial register on 9 November 2008 under registration number 329673 and commenced commercial operations branded as "VIVA" on 3 December 2008.

The Company carries out its operations in accordance with the principles of Islamic Shari'a.

The Company is a subsidiary of Saudi Telecommunications Company ("STC" or "the Parent Company"), which is listed on the Saudi Stock Exchange, by virtue of a management agreement with the Parent Company.

The Company is domiciled in the State of Kuwait and its registered address is Olympia Building, P.O. Box. 181, Salmiya 22002, State of Kuwait and with effect from 14 December 2014, its shares have been listed on the Kuwait Stock Exchange.

These financial statements were authorized for issue by the Board of Directors of the Company on 21 January 2016. The shareholders of the Company have the power to amend these financial statements at the Annual General Assembly meeting.

2. Basis of preparation

a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS's"), relevant provisions of the Companies Law No. 25 of 2012, as amended and Ministerial Order No.18/1990.

b) Functional and presentation currency

These financial statements are presented rounded to nearest thousand Kuwaiti Dinars ("KD'000"), which is the Company's functional currency.

c) Use of estimates and judgments

The preparation of financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which estimates are revised and in any future periods affected.

Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in the following notes:

- Note 3 (a) – Estimates of useful lives;
- Note 3 (a) – Cost capitalization;
- Note 3 (g) – Provisions; and
- Note 3 (h) – Impairment

3. Significant accounting policies

The accounting policies applied by the Company in these financial statements are consistent with those applied in its financial statements as at and for the year ended 31 December 2014, except for the adoption of the following new and amended International Financial Reporting Standards that have become effective from 1 January 2015 and those that are applicable to the Company.

IFRS 8 Operating Segments (Amendment)

The amendments are applied retrospectively for annual periods beginning on or after 1 January 2015 and clarify that:

- An entity must disclose the judgements made by management in applying the aggregation criteria in paragraph 12 of IFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'

- The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker, similar to the required disclosure for segment liabilities.

The above amendment did not impact the Company's operating segment disclosure.

IAS 24 Related Party Disclosures (Amendment)

The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services.

The implementation of the above amendments had no significant financial impact on the financial statements of the Company.

a) <u>Property and equipment</u>

i) Recognition and measurement

Property and equipment is measured at cost less accumulated depreciation and any accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the following:

- the cost of materials and direct labor;
- any other costs directly attributable to bringing the assets to a working condition for their intended use; and
- when the Company has an obligation to remove the asset or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located.

Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.
When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Any gain or loss on disposal of an item of property and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognized in the statement of profit or loss and comprehensive income.

Capital work in progress is stated at cost less impairment losses, if any. Depreciation of these assets commences when the assets are ready for their intended use in accordance with the Company's policies.

ii) Subsequent expenditure

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Company. Ongoing repairs and maintenance are expensed as incurred.

iii) Depreciation

Items of property and equipment are depreciated from the date they are ready for use. Depreciation is calculated to write off the cost of items of property and equipment less their estimated residual values using straight-line basis over their estimated useful lives.

Depreciation is recognized in the statement of profit or loss and comprehensive income. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term.

The estimated useful lives for the current and comparative years of significant items of property and equipment are as follows:

Network equipment and infrastructure	5 – 15 years
IT related assets	3 – 5 years
Furniture and fixtures	5 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

The useful lives are reviewed periodically and are reassessed and adjusted, if appropriate, at each reporting date to ensure that the period of depreciation is consistent with the expected pattern of economic benefits from items of property and equipment. A change in the estimated useful life of property and equipment is applied at the beginning of the period of change with no retrospective effect.

b) Intangible assets

i) Recognition and measurement

Subscriber acquisition costs are incurred for acquiring the customers. The subscriber acquisition costs are considered integral to the rendering of telecom services. The Company capitalizes the directly attributed subscriber acquisition costs (represented by subsidies for the price of handsets) when all the following conditions are met:

- The capitalization cost can be measured reliably.
- There is a contract binding the customer for a specific period of time; and
- It is probable that the amount of capitalized cost will be recovered through revenue generated by the services contractually provided, or, when the customer withdrawn from the contract in advance, through the collection of penalty.

License fees incurred or acquired by the Company have finite useful lives and are measured at cost less accumulated amortization and any accumulated impairment losses.

ii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognized in the statement of profit or loss and comprehensive income as incurred.

iii) Amortization

License fees are amortized on a straight-line basis in the statement of profit or loss and comprehensive income over their estimated useful lives of 3 years from the date they are available for use.

Subscriber acquisition costs are amortized over the commitment period of the underlying customer contract between 12 months to 24 months.

Amortization methods and useful lives are reassessed at each reporting date and adjusted if appropriate.

c) Key money

Key money paid in respect of operating leases is recognized as a lease prepayment. The prepayment is expensed through the statement of profit or loss and comprehensive income over the lease term.

d) Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the weighted-average principle and includes expenditure incurred in bringing them to their existing location and condition.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost necessary to make the sale.

e) Financial instruments

i) Non-derivative financial assets

The Company classifies non-derivative financial assets into the loans and receivables category.

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective profit method, less any impairment losses (see note 3(h)(i)).
The Company initially recognizes loans and receivables on the date that they are originated. All other financial assets are recognized initially on trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument.

Loans and receivables comprise of cash and cash equivalents and trade and other receivables.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expires, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

ii) Non-derivative financial liabilities

All financial liabilities are recognized initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

The Company classifies non-derivative financial liabilities into the other financial liability category. Such financial liabilities are recognized initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortized cost using the effective profit method.

Financial liabilities comprise of Islamic financing facilities and trade and other payables.

f) Cash and cash equivalents

Cash and cash equivalents comprise of cash balances, short-term deposits and investments in Islamic money market instruments with original maturities of three months or less.

g) Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

h) Impairment

i) Non-derivative financial assets

A financial asset not classified as at fair value through the statement of profit or loss and comprehensive income is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that loss event(s) had an impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, an increase in the number of delayed payments in the portfolio past the average credit period, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in payment status of a borrower or issuers, economic conditions that correlate with defaults or disappearance of an active market for a security.

The Company considers evidence of impairment for financial assets measured at amortized cost (loans and receivables) at both a specific asset and collective level. All individually significant assets are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risks characteristics.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective profit rate. Losses are recognized in the statement of profit or loss and comprehensive income and reflected as an allowance account against loans and receivables. When an event occurring after the impairment was recognized causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the statement of profit or loss and comprehensive income.

ii) Non-financial assets

The carrying amounts of the Company's non-financial assets, other than inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognized if the carrying amount of an asset or cash-generating unit (CGU) exceeds its recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

Impairment losses are recognized in statement of profit or loss and comprehensive income. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized. A reversal of an impairment loss is recognized immediately in the statement of profit or loss and comprehensive income.

Impairment of inventories

Inventories are held at the lower of cost and net realizable value. When inventories become old or obsolete, an estimate is made of their net realizable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on historical selling prices.

i) Employee benefits

Pensions and other social benefits for Kuwaiti employees are covered by the Public Institution for Social Security Scheme, to which employees and employers contribute monthly on a fixed-percentage-of-salaries basis. The Company's share of contributions to this scheme is charged to the statement of profit or loss and comprehensive income in the year to which they relate.

The Company employees are entitled to an end of service indemnity payable under the Kuwait Labor Law and the Company's by-laws based on the employees' accumulated periods of service and latest entitlements of salaries and allowances.

j) Offsetting

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

k) Revenue recognition

Revenue represents the value of fixed or determinable consideration that has been received or is receivable and includes revenue from revenue sharing arrangements entered into with national and international telecommunication operators in respect of traffic exchanged.

Revenue from telecommunication services is recognized when services have been rendered and is net of discounts and rebates allowed. Prepaid revenue collected in advance is deferred and recognized based on actual usage or upon expiration of the usage period, whichever comes first. Upon termination of the customer contract, all deferred revenue for unused airtime is recognized in the statement of profit or loss and comprehensive income.

Revenue from sale of equipment, handsets etc. is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably.

l) Finance cost

Finance costs comprise of expense on Islamic financing facilities. The expense is recognized on effective yield method in the statement of profit or loss and comprehensive income.

m) Customer loyalty program

Credit awards resulting from sale proceeds is deferred until the customer redeems or the obligation in respect of the credit award is fulfilled.

Deferred revenue is released to statement of profit or loss and comprehensive income when it is no longer considered probable that the credit awards will be redeemed.

n) Leases

Payments made under operating leases are recognized in the statement of profit or loss and comprehensive income on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense over the term of the lease.

o) Contingent liabilities

Contingent liabilities are present obligations that arise from past events for which an outflow of resources embodying economic benefits is not probable or for which the amount of the obligation cannot be measured reliably.

p) Foreign currency transactions

Transactions in foreign currencies are translated into KD at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to KD at the exchange rate at that date.

Non-monetary assets and liabilities that are measured at fair value in a foreign currency are retranslated to the KD at the exchange rate at the date that the fair value was determined. Non-monetary items that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on retranslation are recognized in the statement of profit or loss and comprehensive income.

q) New standards and interpretations not yet adopted

Following standards have been issued but are not yet effective and have not yet been adopted by the Company:

IFRS 9: Financial Instruments: Classification and Measurement

The IASB issued IFRS 9 - Financial Instruments in its final form in July 2014 and is effective for annual periods beginning on or after 1 January 2018 with a permission to early adopt. IFRS 9 sets out the requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non- financial assets. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement. The adoption of this standard will have an effect on the classification and measurement of Company's financial assets but is not expected to have any impact on the classification and measurement of financial liabilities. The Company is in the process of quantifying the impact of this standard on the Company's financial statements, when adopted.

IFRS 15 – Revenue from Contracts with Customers

IFRS 15 specifies how and when an entity will recognize revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers. The standard was issued in May 2014 and applies to annual financial statements beginning on or after 1 January 2018. Management is currently assessing the impact that this standard will have on the financial position and performance of the Company.

Amendments to IAS 1 Disclosure Initiative

The amendments to IAS 1 give some guidance on how to apply the concept of materiality in practice. The amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2016. The Management of the Company do not anticipate that the application of these amendments to IAS 1 will have a material impact on the Company’s financial statements.

Amendments to IAS 16 and IAS 38 (Amendments) – Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. This is because such methods reflect factors other than the consumption of economic benefits embodied in the asset.

The amendments to IAS 38 introduce a rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate. This presumption can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are “highly correlated”, or when the intangible asset is expressed as a measure of revenue.

Annual Improvements to IFRSs 2012-2014 Cycle

The Annual Improvements to IFRSs 2012-2014 Cycle include a number of amendments to various IFRSs, which are summarised below.

The amendments to IFRS 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets.

The Management of the Company do not anticipate that the application of these amendments will have a material effect on the Company's financial statements.

4. Property and equipment

	Network equipment and infrastructure KD'000	IT related assets KD'000	Furniture and fixtures KD'000	Capital work in progress KD'000	Total KD'000
Cost					
At 1 January 2015	166,043	19,026	4,084	19,903	209,056
Additions	-	-	116	39,042	39,158
Transfers	40,464	3,094	-	(43,558)	-
Write offs	(773)	-	-	-	(773)
At 31 December 2015	205,734	22,120	4,200	15,387	247,441
Depreciation					
At 1 January 2015	(79,386)	(13,031)	(3,561)	-	(95,978)
Charge for the year	(23,898)	(2,541)	(231)	-	(26,670)
Write offs	560	-	-	-	560
At 31 December 2015	(102,724)	(15,572)	(3,792)	-	(122,088)
Carrying amount					
At 31 December 2015	103,010	6,548	408	15,387	125,353

	Network equipment and infrastructure KD'000	IT related assets KD'000	Furniture and fixtures KD'000	Capital work in progress KD'000	Total KD'000
Cost					
At 1 January 2014	148,665	15,731	3,947	24,789	193,132
Additions	-	-	137	16,985	17,122
Transfers	18,576	3,295	-	(21,871)	-
Write offs	(1,198)	-	-	-	(1,198)
At 31 December 2014	166,043	19,026	4,084	19,903	209,056
Depreciation					
At 1 January 2014	(60,054)	(10,840)	(3,277)	-	(74,171)
Charge for the year	(19,892)	(2,191)	(284)	-	(22,367)
Write offs	560	-	-	-	560
At 31 December 2014	(79,386)	(13,031)	(3,561)	-	(95,978)
Carrying amount					
At 31 December 2014	86,657	5,995	523	19,903	113,078

Capital work in progress comprise of cellular and other equipment. Such assets are not subject to depreciation until the network is tested and is ready for use.

5. Intangible assets

	2015 **KD'000**
Cost	
At 1 January 2015	100,910
Additions	69,815
At 31 December 2015	170,725
Amortization	
At 1 January 2015	(64,619)
Charge for the year	(55,554)
At 31 December 2015	(120,173)
Carrying amount	
At 31 December 2015	50,552

	2014 **KD'000**
Cost	
At 1 January 2014	49,942
Additions	50,968
At 31 December 2014	100,910
Amortization	
At 1 January 2014	(19,366)
Charge for the year	(45,253)
At 31 December 2014	(64,619)
Carrying amount	
At 31 December 2014	36,291

Intangible assets comprise significantly of subscriber acquisition costs.

6. Other non-current assets

Other non-current assets represent key money paid to lessors as part of leasing contracts. Key money expensed during the year amounted to KD 89 thousand (2014: KD 91 thousand).

7. Trade and other receivables

	2015 **KD'000**	**2014** **KD'000**
Gross trade receivables	39,585	35,718
Provision for doubtful debts	(17,482)	(14,841)
	22,103	20,877
Other receivables	809	291
	22,912	21,168

The movement in the provision for doubtful debts during the year was as follows:

	2015 KD'000	**2014 KD'000**
At 1 January	14,841	12,110
Charge for the year	7,092	4,129
Write offs	(4,451)	(1,398)
At 31 December	17,482	14,841

Ageing of gross trade receivables are as follows:

	2015 KD'000	**2014 KD'000**
Less than 30 days	14,621	8,892
30-60 days	1,903	4,541
60-90 days	1,455	1,211
90-150 days	2,212	1,821
Above 150 days	19,394	19,253
	39,585	35,718

8. Cash and cash equivalents

	2015 KD'000	**2014 KD'000**
Cash at banks	10,026	10,254
Cash in hand	4	6
Islamic deposits	41,780	22,000
	51,810	32,260
Less: Islamic deposits with original maturity period exceeding three months	(6,070)	-
Cash and cash equivalents in statement of cash flows	45,740	32,260

Islamic deposits are placed with local Islamic financial institutions carrying an effective profit rate of 0.8% per annum.

9. Equity

9.1 Share capital

The Company's authorized, issued and fully paid up share capital is KD 49,940 thousand (2014: KD 49,940 thousand) comprising of 499,400,000 (2014: 499,400,000) shares of 100 fils each and is fully paid in cash.

9.2 Statutory reserve

In accordance with the Companies Law No. 25 of 2012, as amended, and the Company's Articles of Association, 10% of the profit for the year is transferred to statutory reserve until the reserve totals 50% of the paid up share capital, after which such transfers can be discontinued by a resolution of the shareholders in the Annual General Assembly meeting upon recommendation by the Board of Directors.

Distribution of the reserve is limited to the amount required to enable the payment of a dividend of 5% of paid up share capital to be made in years when retained earnings are not sufficient for the payment of a dividend of that amount. During the year, the Company has transferred 10% of net profits for the year to statutory reserve.

9.3 Voluntary reserve

In accordance with the Company's Articles of Association, a percentage of profit for the year, as recommended by the Board of Directors and approved by the shareholders, shall be deducted and transferred to a voluntary reserve. Such transfers may be discontinued by a resolution of the shareholders in the Annual General Assembly meeting upon recommendation by the Board of Directors. There are no restrictions on the distribution of this reserve. During the year, the Company has transferred 10% of net profits for the year to voluntary reserve.

10. Employees' end of service benefits

	2015 KD'000	**2014 KD'000**
At 1 January	2,579	1,698
Charge for the year	487	1,029
Payments made during the year	(250)	(148)
At 31 December	2,816	2,579

11. Islamic financing facilities

In 2011, the Company obtained facilities amounting to KD 51,000 thousand through Islamic financing arrangements repayable over 1-5 years. As at 31 December 2015, KD 19,996 thousand (31 December 2014: KD 24,997 thousand) is outstanding against these facilities.

In 2013, the Company has signed Islamic financing arrangement amounting to KD 76,000 thousand (approximately USD 250,000 thousand) repayable over 3 years starting from September 2015 in equal quarterly installments. As at 31 December 2015, KD 54,430 thousand (approximately USD 179,341 thousand) (31 December 2014: KD 64,246 thousand, approximately USD 211,684 thousand) is outstanding against this facility. The amount disclosed on the face of the statement of financial position is net of finance cost, processing fees paid in advance and foreign translation differences.

12. Trade and other payables

	2015 KD'000	2014 KD'000
Current		
Trade payables	4,631	11,571
Accruals and provisions	70,667	45,751
Other payables	16,271	15,212
Due to related party	3,438	3,379
	95,007	75,913

The Company's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 19.

Included within accruals and provisions are capital expenditure accruals amounting to KD 24,665 thousand (2014: KD 18,738 thousand) representing capital expenditure which have been incurred by the Company, but not yet invoiced by the suppliers.

13. Operating expenses

	2015 KD'000	2014 KD'000
Access charges	42,598	41,004
Sales and marketing expenses	20,909	20,447
Staff costs	15,801	15,865
Repairs and maintenance	18,390	12,899
Rent and utilities	9,078	7,937
Inventories consumption	7,784	3,533
Roaming and interconnect	9,470	7,766
Consultancy fees	2,871	1,901
Provisions	7,517	4,438
Other operating expenses	11,368	10,471
	145,786	126,261

14. Other expenses

Other expenses represent foreign currency exchange losses of KD 1,046 thousand (2014: KD 1,840 thousand).

15. Taxes

Kuwait Foundation for Advancement of Sciences ("KFAS")

Contribution towards KFAS is computed at 1% of taxable profit of the Company after deducting Board of Directors' remuneration in accordance with the modified calculation based on the KFAS's Board of Directors resolution which states that the income from associates and subsidiaries, Board of Directors' remuneration, transfer to statutory reserve should be excluded from the profit for the year when determining the contribution.

Zakat

Contribution towards Zakat is computed at 1% of the net profit before Board of Directors' remuneration and contribution to KFAS for the period and provided for in accordance with the requirements of Law No. 46 of 2006 and charged to the statement of profit or loss and comprehensive income.

NLST

Contribution towards NLST is computed at 2.5% of the net profit before Board of Directors' remuneration and contribution to NLST for the period and provided for in accordance with the requirements of Law No. 46 of 2006 and charged to the statement of profit or loss and comprehensive income.

16. Basic and diluted earnings per share

	2015	**2014**
Net profit for the year (KD'000)	42,959	40,364
Weighted average number of shares	499,400,000	499,400,000
Earnings per share (fils)	86	81

Basic and diluted earnings per share is calculated by dividing the net profit for the year by the weighted average number of ordinary shares outstanding during the year.

17. Related party balances and transactions

Parties are considered to be related if one party, directly or indirectly through one or more intermediaries, has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions.

Related parties primarily comprise of major shareholders of the Company, its Directors, key management personnel and entities over which they exercise significant influence.

The Company enters in to related party transactions with the Parent Company. The balance as at the reporting date is disclosed in note no 14.

Significant transactions with the Parent Company included in the statement of profit or loss and comprehensive income are as follows:

	2015 KD'000	**2014 KD'000**
Management fees	9,691	8,363
Other operating expenses	203	257

Key management personnel comprise of the Board of Directors and key members of management having authority and responsibility for planning, directing and controlling the activities of the Company. The key management personnel compensation is as follows:

	2015 KD'000	2014 KD'000
Salaries, allowances and other benefits	1,544	1,330
End of service benefits	152	105
	1,696	1,435

18. Commitments and contingent liabilities

	2015 KD'000	2014 KD'000
Commitments		
Capital commitments	13,546	14,060
Contingent liabilities		
Letters of guarantee	5,696	10,614

Operating lease commitments

The Company enters into non-cancellable operating lease agreements in the normal course of business, which are principally in respect of its premises and property and equipment.

At the end of the reporting period, the future minimum lease payments under non-cancellable operating leases are payables as follows:

	2015 KD'000	2014 KD'000
Less than one year	4,160	4,095
Between one and five years	63	14
	4,223	4,109

19. Financial instruments and risk management

The Company has exposure to the following risks arising from financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk and the Company's management of capital.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board of Directors is responsible for developing and monitoring the Company's risk management policies.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, 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 Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company's Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Company's Audit Committee is assisted in its oversight role by Internal Audit.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from the customers and balances with banks.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2015 **KD'000**	**2014** **KD'000**
Trade and other receivables	22,912	21,168
Cash at banks	10,026	10,254
Islamic deposits	41,780	22,000
	74,718	53,422

Trade and other receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Company's customer base, including the default risk of the industry and country, in which customers operate, has less of an influence on credit risk.

The Company has established a credit policy under which each new customer is analyzed for creditworthiness before Company's standard terms and conditions are offered. Credit exposure is controlled by counterparty limits that are reviewed and approved by the management annually. The Company does not have an internal credit rating of counter parties and considers all counter parties with which the Company deals to be of the same credit quality.

The Company does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Company does not require collateral in respect of trade and other receivables.

The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main component of this allowance is a collective loss component established in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

The Company's normal credit cycle comprises of 30 days. All amounts due more than 30 days are classified as "billed and due".

2015	**Gross KD'000**	**Provision for doubtful debts KD'000**
Billed not due	14,621	-
Billed and due	25,773	17,482
	40,394	17,482

2014	**Gross KD'000**	**Provision for doubtful debts KD'000**
Billed not due	8,892	-
Billed and due	27,117	14,841
	36,009	14,841

Cash and cash equivalents

The Company limits its exposure to credit risk by only placing funds with counterparties with appropriate credit ratings. Given these credit ratings, management does not expect any counterparty to fail to meet its obligations.

20. Financial instruments and risk management (continued)

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The following are the contractual maturities of financial liabilities.

31 December 2015

Non-derivative financial liabilities		**Contractual undiscounted cash flows**			
	Carrying amount KD'000	**1 year or less KD'000**	**1-2 years KD'000**	**More than 2 years KD'000**	**Total KD'000**
Islamic financing facilities	72,371	41,811	21,116	10,628	73,555
Trade and other payables*	77,776	77,776	-	-	77,776
	150,147	119,587	21,116	10,628	151,331
Commitments					
Acquisition of property and equipment	13,546	13,546	-	-	13,546
Operating lease commitments	4,223	4,160	63	-	4,223
	17,769	17,706	63	-	17,769

*Trade and other payables above exclude deferred revenue and income received in advance.

31 December 2014

Non-derivative financial liabilities		Contractual undiscounted cash flows			
	Carrying amount KD'000	**1 year or less KD'000**	**1-2 years KD'000**	**More than 2 years KD'000**	**Total KD'000**
Islamic financing facilities	85,524	34,834	17,924	36,885	89,643
Trade and other payables*	60,590	60,590	-	-	60,590
	146,114	95,424	17,924	36,885	150,233
Commitments					
Acquisition of property and equipment	14,060	14,060	-	-	14,060
Operating lease commitments	4,109	4,095	14	-	4,109
	18,169	18,155	14	-	18,169

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, profit rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Company's exposure to market risk arises from:

- Currency risk
- Profit rate risk

Currency risk

Currency risk is a risk that the fair values or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Company is exposed to currency risks on trade and other payables, Islamic financing facilities and Islamic deposits that are denominated in a currency other than the KD, which is functional currency of the Company. The currencies in which these transactions are primarily denominated are the Saudi Riyals ("SAR") and US Dollars ("US$") with its Parent Company and other suppliers respectively.

The Company's currency risk is managed by monitoring significant foreign currency exposures on a regular basis.

Exposure to currency risk

The summary of quantitative data about the Company's exposure to foreign currency risk is as follows:

	2015 KD'000	**2014 KD'000**
US Dollars (short)	25,439	49,111
Saudi Riyals (short)	51	48
	25,490	49,159

The following significant exchange rates applied during the year:

	2015		**2014**	
	Average rate	**Reporting date Spot rate**	**Average rate**	**Reporting date Spot rate**
US$	0.30127	0.30350	0.28610	0.29280
SAR	0.08045	0.08104	0.07670	0.07818

Sensitivity analysis

A strengthening (weakening) of the KD, as indicated below, against US$ and SAR at 31 December would have affected the measurement of financial instruments denominated in a foreign currency and increased (decreased) the equity and profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Company considered to be reasonably possible at the reporting date. The analysis assumes that all other variables remain constant.

The analysis is performed on the same basis for 2015.

	Profit or loss	
	2015	**2014**
	KD'000	**KD'000**
3% movement	765	1,475

Profit rate risk

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

Financial instruments, which potentially subject the Company to profit rate risk, consist principally of cash and cash equivalents, term deposits and Islamic financing facilities.

The Company's Islamic deposits are for a short term period and are set at fixed rates and therefore management believes there is minimal risk of significant losses due to profit rate fluctuations.

The Company's Islamic financing facilities are obtained at a floating rate and a 10% movement in the profit rate would not have a material impact on the statement of profit or loss and comprehensive income.

Fair values of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- **Level 1 -** Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- **Level 2 -** Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- **Level 3 -** Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For financial instruments carried at amortised cost, the fair value is estimated by discounting future cash flows at the current market rate of return for similar financial instruments.

Financial instruments comprise financial assets and financial liabilities.

Financial assets consist of cash and cash equivalents and trade and other receivables. Financial liabilities consist of trade and other payables, including due to Parent Company and Islamic financing facilities.

The fair values of the financial assets and liabilities are not significantly different from their carrying value and is used only for disclosure purpose. Fair value of such financial instruments are classified under level 3 determined based on discounted cash flow basis, with most significant inputs being the discount rate that reflects the credit risk of counterparties.

20. Capital risk management

The Company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the Company performance in relation to its long range business plan and its long-term profitability objectives.

The Company's objectives for managing capital are:

- To safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To provide an adequate return to shareholders by pricing products and services commensurate with the level of risk.

21. Operating segments

The Company provides telecommunication services in Kuwait from which it earns revenues and incurs expenses and whose results are regularly reviewed by the Board of Directors of the Company. Accordingly, the Company has only one reportable segment and information relating to the reporting segment is set out in the statements of financial position and profit or loss and comprehensive income.