hayat communications

Annual Report 08

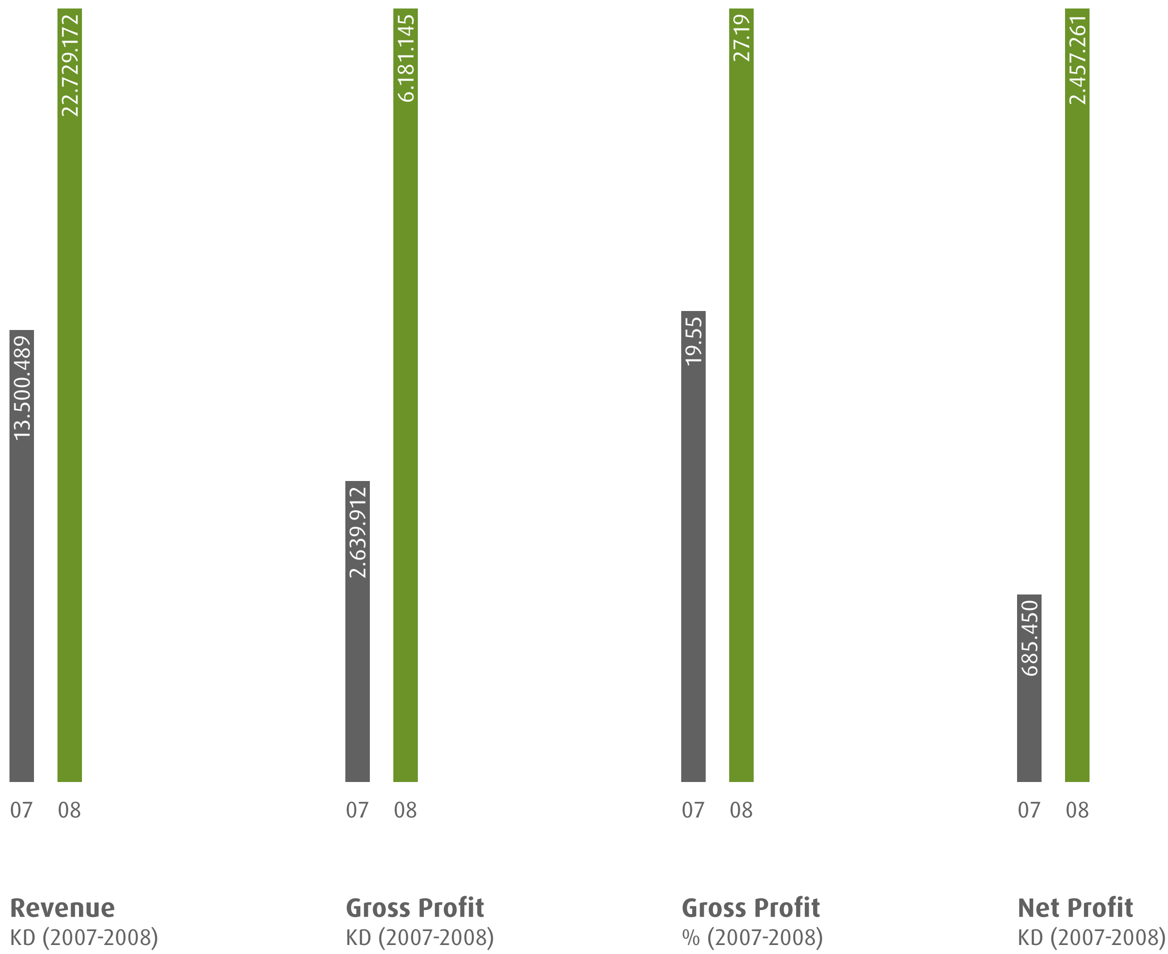
Contents

His Highness Sheikh
Nawaf Al-Ahmad Al-Jaber Al-Sabah
Crown Prince

His Highness Sheikh
Sabah Al-Ahmad Al-Jaber Al-Sabah
Amir of the State of Kuwait

His Highness Sheikh
Nasser Al-Mohammed Al-Ahmad Al-Sabah
Prime Minister

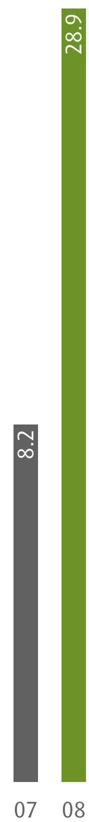
Financial Highlights



68.35% Growth in Revenue

Total Assets
KD (2007-2008)

Total Equity Attributable to Parent
KD (2007-2008)



Return on Average Equity
% (2007-2008)

EPS
In fils (2007-2008)

264.53% Growth in EPS

Our strategy in 2009 is to build on the successes of 2008, with more focus on achieving sustainable growth while improving the company's profitability and value delivered by the same ethos of sound investment in our operations and diversification




Chairman's Message

The global financial crisis that hit the business sector at the end of 2008 has resulted in many collapses among companies in different industries, which in turn has generated a negative outlook on the performance of companies and their profitability. Possible consequences of the financial crisis could as well result in the short-term instability and slower growth of companies in different sectors.

In light of market conditions, Hayat Communications (HC) can proudly announce that 2008 was highlighted by a strategic evolution and expansion of our global business service offerings around our core areas of expertise in order to better position the company. We have historically been founded on operations as our one and unique source of revenue and profit, which had saved us from the dramatic pullback within the global economy. This has set our growth in a healthy and non-speculative manner.

Strategically, our expansion into vibrant areas in the Arabian Gulf and Africa has marked another major milestone in our long-term strategy. It has also provided us a foothold into potential and vital markets within the industry. We are focusing on establishing joint venture activities with international partners including mobile operators and leading vendors seeking to grow through our high quality and development capabilities as well as our level of excellence. These potential joint venture opportunities would offer HC quality recurring revenue streams, increased visibility, and long-term customer relationships.

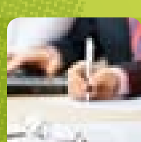
In 2008, we have completed several projects that have resulted in a heightened reputation and introduced new clientele and potential regional partners to HC for the immediate and long term future. HC closed the year with a sales figure for KWD 22,729,172/- which is the highest ever sales figure recorded in our history and represents increase of 68% over the previous period comparative. The company's profits (attributable to parent shareholders) increased multifold to reach a figure for KWD 2,471,597/- compared to KWD 685,450/- recorded past year. This increase is reflected in our EPS which touched new heights at 41.63 fils. HC would like to reiterate its medium term goal of shifting from a passive infrastructure turnkey solution provider, to becoming a builder and manager of various network solutions within the region. This mandate is critical to achieving a clear and sustainable creation of value for our shareholders.

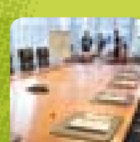
Our strategy in 2009 is to build on the successes of 2008, with more focus on achieving sustainable growth while improving the company's profitability and value delivered by the same ethos of sound investment in our operations and diversification. We deeply believe that our customers are critical to our success; therefore retaining, broadening these relationships and adding new customers are key parts of our strategy.

I would like to thank as well all of our employees for their contribution in making 2008 such a successful year and I look forward to continuing our journey together in the years ahead.

Tareq Al Kandari
Chairman

HC’s goal is to provide individuals of the highest callable of expertise to lead and support all activities on the ground in all our locations of operation. Our confidence in the abilities and day to day activities of senior management is sure to reflect on the level of service provided to our customers



Executive Management

Board Members

1 Tareq Al Kandari | Chairman
2 Imad Hayat | Vice Chairman
3 Mahinder K. Malhotra | Managing Director
4 Alaa Hayat | Board Member
5 Khalid Al Wogayan | Board Member

Senior Management

Mohinder Kapur | Technical Director
Ali Alostath | Chief Executive Officer-Kuwait, Kingdom of Saudi Arabia and iraq
Khalid Al Qassem | HR Director
Rajat Malhotra | Chief Executive Officer-Middle East & Africa

Hayat Communications has launched over the past year a range of distinguished solutions including WIFI Mesh Networks, Fiber Optic Networks, Human Resource Outsource, and temporary/fast track/alternative energy solutions for the mobilization/expansion of mobile networks




Product Portfolio

Driven by its prime target and aiming constantly at improving its product portfolio with latest state-of-the-art technologies, Hayat Communications has launched over the past year a range of distinguished solutions including WIFI Mesh Networks, Fiber Optic Networks, Human Resource Outsource, and temporary/fast track/alternative energy solutions for the mobilization/expansion of mobile networks. Additionally, HC has fulfilled a major achievement in becoming the first regional owner of a Build, Operate & Lease Network (BOL).

In 2008, HC has introduced to the Kuwaiti market the WIFI mesh trial network. Although this product was technically challenging in terms of radio propagations, interference, coverage and design the company took the challenge and helped in designing the network resulting in a successful trial.

HC products have helped in improving both mobilization and efficiencies for clients. Temporary solutions were presented such as self- supported 2G and 3G site structures that can be built within two days with a height of up to 45m and Cell-On-Wheels which are immediate solutions to the expansion of passive networks. Also designed and manufactured by HC and its partners are alternative energy sites that depend on natural energy, Solar, Wind, and Fuel Cells.

On a regional level, HC became the first company in the region to own and implement the BOL network. This product type has been recently followed in Europe and is constantly growing in the Asia Pacific. The advantage of this new product/service is that it offers the telecommunication companies a new cost model and savings on both CAPEX and OPEX, where leasing becomes the preferable option as opposed to building/expending in their own network. In addition, the product would in turn enhance the visual aesthetics around the urban and suburban settings in cities by reducing the amount of towers by consolidating up to 4 to 5 operators on one tower solution.

Although currently implemented on a small scale, HC intends to expand this model throughout its enhanced regional presence.

In 2009, HC will build on the successes achieved in 2008 to fulfill further expansions and to deliver creative and sophisticated solutions.

HC has extended its roots towards new markets and established new companies in promising markets such as Zambia, Qatar, & KSA. An additional branch of HC was also established in Iraq to meet the requirements of the market's increasing activities and operations

HC Network

As a strategy over the past year, HC has extended its roots towards new markets and established new companies in promising markets such as Zambia, Qatar, & KSA. An additional branch of HC was also established in Iraq to meet the requirements of the market's increasing activities and operations.

Zambia
Hayat Communications Zambia LLC is established in Lusaka. The company embarked on operations by mainly focusing on turnkey passive infrastructure rollout for Huawei and their customer MTN, a global South African Operator.

The core of deployment is mainly on rural areas' expansion of the mobile networks around the Zambian Copper Belt.

Qatar
HC Qatar sealed a contract with Alcatel-Lucent for the turnkey green field rollout of Vodafone Qatar, Qatar's second mobile operator. This is the first time HC has had Alcatel-Lucent as a client, thus meeting our intention to diversify our client base. In addition, HC has been selected by Nokia-Siemens Networks as its partner for the swap of Q-Tel's core network, marking a major breakthrough for the company in this specialized field.

VIVA Project, Kuwait
HC has implemented one of the most challenging rollout projects in Kuwait for Huawei and its client VIVA, the third mobile operator in Kuwait. HC's team has been involved with material design, manufacturing and supply, site acquisition, surveys, civil construction, and telecom installation. This rollout was considered one of the fastest worldwide and HC is proud to be part of the team that delivered a major part of the radio network. The project included all types of sites such as passive and active IBS, outdoor sites of all types, green fields and rooftops. Due to its great record with the client, HC was also awarded the managed services for the First Line Maintenance of VIVA's total passive network.

Because of this performance and the trust established, HC and Huawei teamed up by signing a Global Partnership Agreement for more strategic work in the near future.

"To maintain business success, we believe that it is fundamental to invest in our employees and constantly motivate them to enhance their performance in a safe and healthy workplace conducive to a professional and a personal development"




A Competent Teamwork

Human Resources Capital
Hayat Communications has been known for its ability to attract and retain competent people. To maintain business success, we believe that it is fundamental to invest in our employees and constantly motivate them to enhance their performance in a safe and healthy workplace conducive to a professional and a personal development. At HC, employees are given all the opportunities to develop their talents and progress their careers, and in the process develop their skills and abilities. Our employees are the main driver behind the successes the company has achieved in the past years. With their skills and competencies, we had achieved remarkable results and growth. On the same note, HC has strict rules that govern employee behavior and performance, to ensure that employees are fully aware of the level of performance required for their own, and the group's continued success.

Our growth for 2008 has been nothing less than exponential, where offices such as Kuwait have increased their Human Resources Capital by 115% in a period of nine months. Such fluctuations required by new projects are always utilized upon completion in other geographical areas of expansion, so as to duplicate quality and efficiency standards in all new areas of operation; thus giving HC the competitive edge of consistency and rapid deployment in any new market.

Our adherence to a unique standard of operations has allowed us to duplicate skill sets and competencies in order to share our pool of human capital across different locations. This has been clearly demonstrated in the setup of our newest operations offices in the Kingdom of Saudi Arabia, Qatar. It is this unified standard and consistent output that gives HC an edge in maximizing manpower resources at all operational levels. Emphasizing the use of national human capital has been a main objective on all new and existing countries of operation, as an example, the percentage of nationals working in Kuwait has experienced an increase of 120% between 2007 and 2008.

With a diverse and deep range of experts and professionals, the company today is capable of providing clients the value added service of Human Resource Outsource program, where experts from HC are seconded to clients on medium to long-term contracts. This is a strong reflection on HC's great wealth of internal human resources, abilities, and expertise. We take our human capital management practices further than some of our peers in various global locations, particularly in the area of social responsibility and community involvement.

Manpower Sourcing: Extending Hayat's Services
As a natural evolution of our strength in human capital, HC has added another service to its existing arsenal of managed services to the industry during 2008: Manpower Sourcing. Currently supplying highly skilled technical and engineering manpower to the leading operators and vendors in the region, Hayat's ability to mobilize personnel in remote locations is proof of the high level of trust and confidence that industry leaders have in our human capital.

Additionally, HC's recent creation of a Fiber Optics department promises to provide new and existing customers with supply, commissioning and support for Fiber Optics related activities and projects.

Our Fiber Optics department, linked to the Corporate Head Office, utilizes our global resources to provide rapid and responsive deployment in the most technologically advanced and efficient manner.

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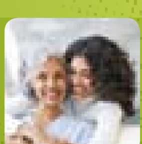
Hayat Communications continues to passionately pursue on its mission by diversifying income streams and introducing new services. We recognize the prevailing challenging business conditions and stand committed to our goals

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Growth through Diversity...Growth through Integration

Hayat Communications continues to passionately pursue on its mission by diversifying income streams and introducing new services. We recognize the prevailing challenging business conditions and stand committed to our goals.

We close the year with a sales increase of 68% (coming off a deficit of 3 % from the previous year) and an increase in gross profit to 27% (compared to 20% from last year), a reflection of our abilities in exercising strict project control.

Our new territories in Qatar and Zambia contributed to 3% of the total increase in sales having started operations only during the last quarter of 2008. With the operations in Saudi and Iraq already in the commencement stage, our goal is to continue to generate returns in the long term. The additional investment made in India operations contributed to 18% in the overall sales growth.

Our final reflection of M/s Vision International as an associate is an attempt to diversify our income streams by venturing into new product lines within the means of our financial capabilities. We continued to use our available financial resources (including term loans) to optimum utilization while meeting all due financial obligations.

As we go further, we will be fine-tuning our growth strategy with integration and exercise caution on managing the needs of our established operations. We will give importance to exercising cost control and prioritize projects based on fund management, taking into consideration operational needs and the ability of our business units to generate returns with the least increase in fixed costs.

Managing our growth

To monitor and measure our mission goals, we will maintain close coordination between the supporting functions of finance/commercial/logistics and human resources, which plan, record and fulfill operational requirements. We will work in synchronization given that HC entities are independently structure, and will regularly measure performance at individual, department, entity and group level.

We aim to continue growth with dedication and commitment with performance evaluation at all levels.

Financial Statements

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Auditors' Report

Independent Auditors' Report to the Shareholders of Hayat Communications Company K.S.C (Closed)

We have audited the accompanying consolidated financial statements of Hayat Communications Company K.S.C. (Closed) (the "parent company") and its subsidiaries (the "group"), which comprise the consolidated balance sheet as at 31 December 2008 and the consolidated income statement, consolidated cash flow statement and consolidated statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, 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 for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the group's management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the group as of 31 December 2008, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on Other Legal and Regulatory Requirements

Furthermore, in our opinion proper books of account 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 the 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, nor of the articles of association have occurred during the year ended 31 December 2008 that might have had a material effect on the business of the parent company or on its financial position.

WALEED A. AL OSAIMI
LICENCE NO. 68 A
OF ERNST & YOUNG

ALI A. AL-HASAWI
LICENCE NO. 33-A
RÖDL MIDDLE EAST
BURGAN – INTERNATIONAL ACCOUNTANTS

22 March 2009
Kuwait

Consolidated Income Statement

Year ended 31 December 2008

	Notes	2008 KD	2007 KD
Sales		22,729,172	13,500,489
Cost of sales		(16,548,027)	(10,860,577)
GROSS PROFIT		6,181,145	2,639,912
Other income		283,265	114,385
Foreign exchange gain		198,108	161,205
Share of results of associates	5	102,184	(56,159)
Realised gain on sale of financial assets carried at fair value through income statement		-	18,505
Unrealised (loss) gain on financial assets carried at fair value through income statement		(10,640)	4,088
Loss on disposal of a subsidiary		(34,995)	-
Loss on disposal of associates		-	(16,827)
Impairment of investment in an associate	5	-	(42,841)
Finance costs		(329,088)	(79,304)
Staff costs		(1,835,171)	(949,897)
Depreciation and amortisation		(213,001)	(175,819)
General and administrative expenses		(1,744,639)	(907,297)
PROFIT BEFORE CONTRIBUTION TO KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES (“KFAS”), NATIONAL LABOUR SUPPORT TAX (“NLST”), ZAKAT AND BOARD OF DIRECTORS’ REMUNERATION		2,597,168	709,951
Contribution to KFAS	20	(23,504)	(6,390)
NLST	21	(65,288)	(17,679)
Zakat	22	(26,115)	(432)
Board of directors’ remuneration		(25,000)	-
PROFIT FOR THE YEAR		2,457,261	685,450
Attributable to:			
Equity holders of the parent company		2,471,597	685,450
Minority interests		(14,336)	-
		2,457,261	685,450
BASIC AND DILUTED EARNINGS PER SHARE	3	41.63 fils	11.42 fils

The attached notes 1 to 22 form part of these consolidated financial statements

Consolidated Balance Sheet

At 31 December 2008

	Notes	2008 KD	2007 KD
ASSETS			
Non-current assets			
Property, plant and equipment	4	615,109	753,862
Investment in associates	5	878,212	-
Goodwill	5	-	1,204,488
Financial assets available for sale		214,195	14,385
Other assets		37,632	6,332
		1,745,148	1,979,067
Current assets			
Inventories	6	3,096,011	1,858,395
Gross amount due from customers for contract work	7	3,031,251	1,701,475
Financial assets carried at fair value through income statement		34,720	45,360
Accounts receivable and prepayments	8	10,716,875	8,158,395
Amounts due from related parties	15	16,955	260,428
Cash and cash equivalents	9	1,213,757	1,011,106
		18,109,569	13,035,159
TOTAL ASSETS		19,854,717	15,014,226
EQUITY AND LIABILITIES			
Equity			
Share capital	10	6,000,000	6,000,000
Treasury shares	11	(817,380)	-
Statutory reserve	12	1,177,725	916,575
Revaluation reserve		85,926	91,445
Foreign currency translation reserve		(415,026)	(269,251)
Retained earnings		2,973,375	1,357,409
Equity attributable to equity holders of the parent company		9,004,620	8,096,178
Minority interests		(1,505)	-
		9,003,115	8,096,178
Non current liabilities			
Interest bearing loans	13	3,145,358	817,350
Employees' end of service benefits		444,840	306,507
		3,590,198	1,123,857
Current liabilities			
Interest bearing loans	13	2,100,202	163,470
Accounts payable and accruals	14	5,066,659	4,011,539
Amounts due to related parties	15	94,543	1,619,182
		7,261,404	5,794,191
Total liabilities		10,851,602	6,918,048
TOTAL LIABILITIES AND EQUITY		19,854,717	15,014,226

Tareq Al Kandari
Chairman

Imad H. J. Hayat
Vice Chairman

The attached notes 1 to 22 form part of these consolidated financial statements

Consolidated Cash Flow Statement

Year ended 31 December 2008

	Notes	2008 KD	2007 KD
OPERATING ACTIVITIES			
Profit for the year attributable to the equity holders of the parent company		2,471,597	685,450
Adjustments for:			
Depreciation and amortisation		213,001	175,819
Provision for doubtful debts		34,396	99,596
Provision against receivable on sale of associates		-	146,104
Provision against receivable from an associate		-	10,952
Share of results of associates		(102,184)	56,159
Impairment of investment in an associate		-	42,841
Gain on sale of property, plant and equipment		(29,814)	(766)
Loss on disposal of a subsidiary		34,995	-
Realised gain on sale of financial assets carried at fair value through income statement		-	(18,505)
Unrealised loss (gain) on financial assets carried at fair value through income statement		10,640	(4,088)
Dividend income		-	(2,800)
Finance costs		329,088	79,304
Provision for employees' end of service benefits		158,860	116,485
		3,120,579	1,386,551
Working capital changes:			
Inventories		(1,237,616)	(130,753)
Gross amount due from customers for contract work		(1,329,776)	(455,856)
Accounts receivables and prepayments		(3,332,020)	(2,212,046)
Related party balances		(1,281,166)	408,957
Accounts payable and accruals		2,335,917	790,750
Cash used in operations		(1,724,082)	(212,397)
Employees' end of service benefits paid		(13,896)	(14,868)
Net cash used in operating activities		(1,737,978)	(227,265)
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(185,342)	(288,603)
Proceeds from sale of property, plant and equipment		100,570	1,500
Additions to other assets		(31,300)	(7,715)
Purchase of financial assets available for sale		(199,810)	-
Proceeds from sale of financial assets carried at fair value through income statement		-	759,871
Net cash outflow on acquisition of subsidiaries		-	(282,000)
Net cash outflow on disposal of a subsidiary		(140,218)	-
Dividend income received		-	2,800
Net cash (used in) from investing activities		(456,100)	185,853
FINANCING ACTIVITIES			
Net movement in interest bearing loan		4,264,740	949,570
Purchase of treasury shares		(817,380)	-
Finance costs paid		(329,088)	(23,373)
Dividend paid		(578,850)	(900,000)
Net movement in minority interests		(1,505)	-
Net cash from financing activities		2,537,917	26,197
Foreign currency translation differences		(141,188)	(268,679)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		202,651	(283,894)
Cash and cash equivalents at 1 January		1,011,106	1,295,000
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	9	1,213,757	1,011,106

The attached notes 1 to 22 form part of these consolidated financial statements

Consolidated Statement of Changes In Equity

Year ended 31 December 2008

	Attributable to equity holders of the parent company								
	Share capital KD	Treasury shares KD	Statutory reserve KD	Revaluation reserve KD	Foreign currency translation reserve KD	Retained earnings KD	Subtotal KD	Minority interests KD	Total KD
Balance as at 31 December 2006	3,000,000	-	845,580	91,445	(572)	4,642,954	8,579,407	-	8,579,407
Foreign currency translation differences	-	-	-	-	(268,679)	-	(268,679)	-	(268,679)
Total expense for the year recognised directly in equity	-	-	-	-	(268,679)	-	(268,679)	-	(268,679)
Profit for the year	-	-	-	-	-	685,450	685,450	-	685,450
Total expense and income for the year	-	-	-	-	(268,679)	685,450	416,771	-	416,771
Issue of bonus shares (Note 10)	3,000,000	-	-	-	-	(3,000,000)	-	-	-
Dividends 2006 (Note 10)	-	-	-	-	-	(900,000)	(900,000)	-	(900,000)
Transfer to statutory reserve	-	-	70,995	-	-	(70,995)	-	-	-
Balance as at 31 December 2007	6,000,000	-	916,575	91,445	(269,251)	1,357,409	8,096,178	-	8,096,178
Foreign currency translation differences	-	-	-	-	(145,775)	-	(145,775)	(73)	(145,848)
Building revaluation adjustment	-	-	-	(5,519)	-	5,519	-	-	-
Total expense and income for the year recognised directly in equity	-	-	-	(5,519)	(145,775)	5,519	(145,775)	(73)	(145,848)
Profit for the year	-	-	-	-	-	2,471,597	2,471,597	(14,336)	2,457,261
Total expense and income for the year	-	-	-	(5,519)	(145,775)	2,477,116	2,325,822	(14,409)	2,311,413
Arising on acquisition of a subsidiary	-	-	-	-	-	-	-	12,904	12,904
Purchase of treasury shares	-	(817,380)	-	-	-	-	(817,380)	-	(817,380)
Dividends 2007 (Note 10)	-	-	-	-	-	(600,000)	(600,000)	-	(600,000)
Transfer to statutory reserve	-	-	261,150	-	-	(261,150)	-	-	-
Balance as at 31 December 2008	6,000,000	(817,380)	1,177,725	85,926	(415,026)	2,973,375	9,004,620	(1,505)	9,003,115

The attached notes 1 to 22 form part of these consolidated financial statements

Notes to the Consolidated Financial Statements

At 31 December 2008

1 CORPORATE INFORMATION

The consolidated financial statements of Hayat Communications Company K.S.C. (Closed) (the "parent company") and subsidiaries (the "group") for the year ended 31 December 2008 were authorised for issue by the board of directors on 22 March 2009.

The parent company is a Kuwaiti closed shareholding company registered and incorporated in Kuwait on 24 May 1999 under the Commercial Companies Law No. 15 of 1960 and amendments thereto. The group is engaged in trading and contracting of electrical and communication equipment, the trading and contracting of wired and wireless telecommunication equipment and maintenance thereof.

The parent company's registered address is P.O. Box 1668 Safat 13017 Kuwait and was listed on Kuwait stock exchange on 7 May 2007.

Details of the subsidiary companies are set out in Note 2.

2 SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The consolidated financial statements are prepared under the historical cost convention modified to include the measurement at fair value of financial assets carried at fair value through income statement and certain financial assets available for sale. The consolidated financial statements have been presented in Kuwaiti Dinars.

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and applicable requirements of Ministerial Order No. 18 of 1990.

The accounting policies used in the preparation of the consolidated financial statements for the year ended 31 December 2008 are consistent with those used in the previous year.

New and amended IASB Standards issued but not yet adopted

- IAS 1 (Revised): Presentation of Financial Statements (effective for periods beginning on or after 1 January 2009).
- IFRS 8: Operating Segments (effective for periods beginning on or after 1 January 2009).
- IFRS 3 (Revised): Business Combinations (effective for periods beginning on or after 1 July 2009).
- IAS 27 (Revised): Consolidated and Separate Financial Statements (effective for periods beginning on or after 1 July 2009).

IAS 1 (Revised) Presentation of Financial Statements

The standard separates owner and non-owner changes in equity. The consolidated statement of changes in equity will include only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, the standard introduces the statement of comprehensive income: it presents all items of recognised income and expense, either in one single statement, or in two linked statements.

IFRS 8 Operating Segments

IFRS 8 replaces IAS 14 Segment Reporting (IAS 14) upon its effective date. The group has not early adopted this amendment. The group is still evaluating the impact of application of IFRS 8 on the consolidated financial statement.

IFRS 3 (Revised) Business Combinations and IAS 27 (Revised) Consolidated and Separate Financial Statements

IFRS 3 (Revised) introduces a number of changes in the accounting for business combinations occurring after this date that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. IAS 27 (Revised) requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as an equity transaction. Therefore, such transactions will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Other consequential amendments were made to IAS 7 Statement of Cash Flows, IAS 12 Income Taxes, IAS 21 The Effects of Changes in Foreign Exchange Rates, IAS 28 Investment in Associates and IAS 31 Interests in Joint Ventures. The changes by IFRS 3 (Revised) and IAS 27 (Revised) will affect future acquisitions or loss of control and transactions with minority interests.

The adoption and amendments of these standards will be made in the consolidated financial statements when these standards become effective and are not expected to have a material impact on the consolidated financial statements of the group.

2 SIGNIFICANT ACCOUNTING POLICIES continued

Basis of consolidation

The consolidated financial statements include the financial statements of the parent company and its subsidiaries. The financial statements of the subsidiaries are prepared for the same reporting years as the parent company, using consistent accounting policies. The consolidated financial statements include the following subsidiaries, as stated below:

Name	Country of incorporation	Beneficial ownership% 2008	Beneficial ownership% 2007	Principal activities
Direct				
Hayat Communications (MEA) FZCO	United Arab Emirates	100	100	Trading and installation of telecommunication and related equipment.
Hayat Communications Private Limited	India	100	100	Trading and installation of telecommunication and related equipment.
Vision International Computer Services and Consultancy Company	Kuwait	-	100	Computer consultancy.
Hayat Construction Company Limited	Sudan	100	100	Construction and communication services.
Hayat Communications Company Limited	Zambia	100	-	Construction and communication services.
Hayat Communications Company W.L.L	Qatar	88 (39% letter of assignment)	-	Construction and communication services.
Hayat Communications Company W.L.L	Saudi Arabia	70	-	Construction and communication services.
Held through Hayat Communications (international) FZE				
Hayat Communications LLC	Dubai, United Arab Emirates	100	100	Trading and installation of telecommunication and related equipment.

During the year ended 31 December 2008, the parent company subscribed for equity interest in the following newly setup companies:

- 100% equity interest representing 5,000,000 shares of Zambian Krone (ZK) 1 each, amounting to ZK 5,000,000 (equivalent to KD 281) in Hayat Communications Company Limited.
- 88% equity interest representing 176 shares of Qatari Riyal 1,000 each, amounting to QR 176,000 (equivalent to KD 12,987) in Hayat Communications Company W.L.L.
- 70 % equity interest representing 700 shares of Saudi Riyal (SAR) 500 each, amounting to SAR 350,000 (equivalent to KD 25,977) in Hayat Communications Company W.L.L.

These newly set up companies have started operating following the date of establishment.

During the year ended 31 December 2008, the parent company disposed 51% interest in Vision International Computer Services and Consultancy Company for a total consideration of KD 1,090,518. As a result of the disposal, the parent company realised a loss amounting to KD 34,995. In addition, the parent company's share in Vision International Computer Services and Consultancy Company reduced to 49% and it ceased to have control over this subsidiary. Therefore, Vision International Computer Services and Consultancy Company W.L.L is now accounted for as an associate, as the parent company still has a significant influence over the operating and financial policy decisions of the investee company.

The financial statements of the subsidiary companies are consolidated on a line-by-line basis by adding together like items of assets, liabilities, income and expenses. All significant intra-group balances, transactions and unrealised profits are eliminated on consolidation.

2 SIGNIFICANT ACCOUNTING POLICIES continued

Basis of consolidation continued

Subsidiaries are those enterprises controlled by the parent company. Control exists when the parent company 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 from the date that control effectively commences until the date that control effectively ceases.

Minority interests represent the portion of profit or loss and net assets not held by the group and are presented separately in the consolidated income statement and within equity in the consolidated balance sheet, separately from parent company's equity. Acquisitions of minority interests are accounted for using the parent entity extension method, whereby, the difference between the consideration and the book value of the share of the net assets acquired is recognised as goodwill.

Revenue recognition

Revenue is recognised to the extent that it is possible that the economic benefits will flow to the group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates etc.

Sales represent the invoiced value of goods supplied and services rendered net of returns. Revenue from sale of goods is recognised when significant risks and rewards of ownership of goods are transferred to the buyer.

Revenue from contracts is recognised in accordance with the percentage of completion method, measured by reference to the percentage of costs incurred to the total estimated costs for each contract. No profit is taken until a contract has progressed to the point where the ultimate realisable profit can be reasonably determined. Provision is made in full for the amount of anticipated losses on uncompleted contracts in the year such losses are first projected.

Interest income is recognised when earned, on a time apportionment basis.

Gain on sale of investments is measured by the difference between the sale proceeds and the carrying amount of the investment at the date of disposal, and is recognised at the time of the sale.

Dividend income is recognised when the right to receive the dividend is established.

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any impairment in value.

When an asset is revalued, any increase in the carrying amount arising on revaluation is credited directly to equity under the revaluation reserve, except to the extent that a revaluation increase merely restores the carrying value of an asset to its original cost, whereby it is recognised as income. A decrease resulting from a revaluation is initially charged directly against any related revaluation surplus held in respect of that same asset, the remaining portion being charged as an expense. On disposal the related revaluation surplus is credited directly to retained earnings.

Depreciation is calculated on a straight line basis over the estimated useful lives of assets as follows:

	Years
Buildings	16
Furniture and fixtures	3
Motor vehicles	3
Tools and equipment	3
Leasehold improvement	3-4

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

2 SIGNIFICANT ACCOUNTING POLICIES continued

Property, plant and equipment continued

Expenditure incurred to replace a component of an item of property and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of property and equipment. All other expenditure is recognised in the consolidated income statement as the expense is incurred.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated income statement in the year the asset is derecognised. The assets residual values, useful lives and methods of depreciation are reviewed at each financial year end, and adjusted prospectively if appropriate.

Investment in associates

The group's investment in associates is accounted for under the equity method of accounting. These are entities over which the group exercises significant influence and which are neither subsidiaries nor joint ventures. Investment in associates is carried in the consolidated balance sheet at cost, plus post-acquisition changes in the group's share of net assets of the associate, less any impairment in value. The consolidated income statement reflects the group's share of the results of its associates.

Unrealised profits and losses resulting from transactions between the group and its associates are eliminated to the extent of the group's interest in the associates. The financial statements of the associate are prepared for the same reporting period as the parent company. Where necessary, adjustments are made to bring the accounting policies in line with those of the group.

After application of the equity method, the group determines whether it is necessary to recognise an additional impairment loss of the group's investment in its associates. The group determines at each balance date whether there is any objective evidence that the investment in associate is impaired. If this is the case the group calculates the amount of impairment as being the difference between the fair value of the associate and the acquisition cost and recognises the amount in profit or loss.

Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the group's cash generating units, or groups of cash generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the group are assigned to those units or groups of units. Impairment is determined by assessing the recoverable amount of the cash-generating unit, to which the goodwill relates. Where recoverable amount of the cash-generating unit, or groups of cash generating units, is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a cash-generating unit (group of cash generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

When subsidiaries are sold, the difference between the selling price and the net assets plus cumulative translation differences and unamortised goodwill is recognised in the consolidated income statement.

Impairment of goodwill

The group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the 'value in use' of the cash-generating units to which the goodwill is allocated. Estimating a value in use amount requires management to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

2 SIGNIFICANT ACCOUNTING POLICIES continued

Financial assets and liabilities

The group classifies its financial assets with the following categories as "financial assets available for sale" "financial assets at fair value through income statement", "accounts receivable" and "cash and cash equivalents".

All "regular way" purchases and sales of financial assets are recognised on the settlement date, i.e. the date the asset is delivered to the counter party. Financial liabilities are not recognised unless the group becomes a party to the contractual provision of the instruments.

Financial assets and liabilities are measured initially at fair value (transaction price) plus, in case of a financial asset or financial liability not at fair value through income statement, directly attributable transaction costs. Transaction costs on financial assets and financial liabilities at fair value through income statement are expensed immediately, while on other debt instruments they are amortised.

Financial assets

Financial assets available for sale

Financial assets available for sale investments are recognised and derecognised, on a trade date basis, when the group becomes, or ceases to be, a party to the contractual provisions of the instrument.

Investments designated as financial assets available for sale investments are initially recorded at cost including transaction costs and subsequently measured at fair value, unless this cannot be reliably measured. Changes in fair value are reported as a separate component of equity. Upon impairment any loss, or upon derecognition any gain or loss, previously reported as "cumulative changes in fair values" within equity is included in the consolidated income statement for the period.

Financial assets carried at fair value through income statement

Financial assets carried at fair value through income statement includes financial assets held for trading and financial assets designated upon initial recognition as at fair value through income statement.

Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. All investments are initially recognised at cost. After initial recognition, investments are re-measured at fair value. Unrealised gains and losses are included in the consolidated income statement.

Financial assets may be designated at initial recognition as at fair value through income statement if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognising gains or losses on them on a different basis; or (ii) the assets are part of a group of financial assets which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy.

Accounts receivable

Accounts receivable are stated at original invoice amount less a provision for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when there is no possibility of recovery.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash in hand, bank balances, and short-term deposits with an original maturity of three months or less, net of outstanding bank overdrafts.

2 SIGNIFICANT ACCOUNTING POLICIES continued

Financial liabilities

The group classifies its financial liabilities with the following categories as "interest bearing loans" and "accounts payable and accruals".

Interest bearing loans

Interest bearing loans are carried on the consolidated balance sheet at their principal amounts. Instalments due within one year are shown as current liabilities. Interest is charged as an expense as it accrues, with unpaid amounts included in 'accounts payable and accruals'.

Accounts payable and accruals

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Impairment and uncollectibility of financial assets

An assessment is made at each balance sheet date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognised in the consolidated income statement. Impairment is determined as follows:

- for assets carried at fair value, impairment is the difference between cost and fair value less any impairment loss previously recognised in the consolidated income statement;
- for assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset, and
- for assets carried at amortised cost, impairment is based on estimated future cash flows discounted at the original effective interest rate.

In the case of equity investments classified as financial assets available for sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. Where there is evidence of impairment, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the consolidated income statement - is removed from equity and recognised in the income statement. Impairment losses on equity investments are not reversed through the consolidated income statement; increases in their fair value after impairment are recognised directly in equity.

Derecognition of financial assets and liabilities

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- the group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the group could be required to repay.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When 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 the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the consolidated income statement.

2 SIGNIFICANT ACCOUNTING POLICIES continued

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs are those expenses incurred in bringing each product to its present location and condition, as follows:

Work in progress and finished goods	-	costs of direct materials and labour plus attributable overheads based on a normal level of activity.

Net realisable value is based on estimated selling price less any further costs expected to be incurred on completion and disposal.

Gross amount due from customers for contract work

Gross amount due from customers for uncompleted contracts represents costs plus attributable profit to the extent that it is reasonably certain, less provision for any losses incurred or foreseen in bringing contracts to completion, and less amounts received or receivable as progress billings. For contracts where progress billings received and receivable exceed the costs plus attributable profit of work executed, the excess is included under liabilities.

Costs comprise direct materials, direct labour and an appropriate allocation of overheads and a proportion of administrative expenses.

Treasury shares

Treasury shares consist of the parent company's own shares that have been issued, subsequently reacquired by the group and not yet reissued or cancelled. The treasury shares are accounted for using the cost method. Under the cost method, the weighted average cost of the shares reacquired is charged to a contra equity account. When the treasury shares are reissued, gains are credited to a separate account in equity (treasury shares reserve) which is not distributable. Any realised losses are charged to the same account to the extent of the credit balance on that account. Any excess losses are charged to retained earnings then reserves. Gains realised subsequently on the sale of treasury shares are first used to offset any previously recorded losses in the order of reserves, retained earnings and the treasury shares reserve account. No cash dividends are paid on these shares. 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.

Employees' end of service benefits

The parent company provides end of service benefits to its expatriate employees. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment.

With respect to its national employees, the company makes contributions to social security calculated as a percentage of the employees' salaries. The company's obligations are limited to these contributions, which are expensed when due.

Impairment of non-financial assets

An asset is impaired if its carrying amount exceeds its estimated recoverable amount. The recoverable amount of an asset is the higher of an asset's fair value less cost to sell and value in use. Fair value less cost to sell is the amount obtainable from the sale of an asset in an arm's length transaction. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. An assessment is made at each balance sheet date to determine whether there is objective evidence that an asset may be impaired. If such evidence exists, an impairment loss is recognised in the consolidated income statement. Reversal of impairment losses is recognised in the consolidated income statement.

Foreign currencies

Transactions in foreign currencies are initially recorded in the functional currency at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the consolidated income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Assets including goodwill and liabilities, both monetary and non-monetary, of foreign operations are translated at the exchange rates prevailing at the balance sheet date. Operating results of such operations are translated at average exchange rates for the year. The resulting exchange differences are accumulated in a separate section of equity (foreign currency translation reserve) until the disposal of the foreign operation.

2 SIGNIFICANT ACCOUNTING POLICIES continued

Contingencies

Contingent liabilities are not recognised in the consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

Contingent assets are not recognised in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

Segment information

A segment is a distinguishable component of the group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Fair values

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. Consequently differences can arise between carrying values and the fair value estimates.

Underlying the definitions of fair value is the presumption that the group is a going concern without any intention or requirement to materially curtail the scale of its operation or to undertake a transaction on adverse terms.

Investments

For investments traded in an active market, fair value is determined by reference to quoted market bid prices.

For investments where there is no quoted market price, a reasonable estimate of the fair value is determined by reference to recent arm's length transactions, market value of a similar investment or expected discounted cash flows of the investment. Fair value estimates take into account liquidity constraints and assessment for any impairment.

Investments with no reliable measures of their fair values and for which no fair value information could be obtained are carried at their initial cost less impairment in value.

Other financial assets and liabilities

For other financial assets and liabilities, fair value is determined based on expected future cash flows and management's estimate of the amount at which these assets could be exchanged for cash on an arm's length basis or a liability settled to the satisfaction of creditors.

Offsetting

Financial assets and financial liabilities are only offset and the net amount reported in the consolidated balance sheet when there is a legally enforceable right to set off the recognised amounts and the group intends to settle on a net basis so as to realise the assets and liabilities simultaneously.

Significant accounting judgements and estimates

The preparation of consolidated financial statements in conformity with International Financial Reporting Standards requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The group has used judgement and estimates principally in, but not limited to, the classification of financial assets, the determination of impairment provisions and valuation of unquoted investments.

Classification of financial assets

Management decides on acquisition of investments whether it should be classified as financial assets carried at fair value through income statement or financial assets available for sale.

The group classifies financial assets as carried at fair value through income statement if they are acquired primarily for the purpose of short term profit making. Classification of financial assets as fair value through income statement depends on how management monitor the performance of these financial assets. When they are not classified as held for trading but have readily available fair values and the changes in fair values are reported as part of profit or loss in the management accounts, they are classified as fair value through income statement.

All other financial assets are classified as financial assets available for sale.

2 SIGNIFICANT ACCOUNTING POLICIES continued

Significant accounting judgements and estimates continued

Impairment of financial assets

The group treats financial assets available for sale equity as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires considerable judgment.

Impairment loss on investment in associates

After application of the equity method, the group determines whether it is necessary to recognise an additional impairment loss of the group's investment in its associates. The group determines at each balance sheet date whether there is any objective evidence that the investment in associate is impaired. If this is the case the group calculates the amount of impairment as being the difference between the fair value of the associate and the acquisition cost and recognises the amount in the consolidated income statement.

Impairment of accounts receivable

An estimate of the collectible amount of trade accounts receivable is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates.

At the balance sheet date, gross trade accounts receivable were KD 7,782,758 (2007: KD 6,150,746) and the provision for doubtful debts was KD 92,688 (2007: KD 61,962).

Valuation of unquoted equity investments

Valuation of unquoted equity investments is normally based on one of the following:

- Recent arm's length market transactions;
- Current fair value of another instrument that is substantially the same;
- Earnings multiple;
- The expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics;
- Underlying net asset base of the investment; or
- Other valuation models

The determination of the cash flows and discount factors for unquoted equity investments requires significant estimation.

3 BASIC AND DILUTED EARNINGS PER SHARE

Basic and diluted earnings per share amounts are calculated by dividing the profit for the year attributable to the equity holders of the parent company by the weighted average number of ordinary shares, less treasury shares, outstanding during the year.

There are no dilutive potential ordinary shares. The information necessary to calculate basic and diluted earnings per share, based on the weighted average number of ordinary shares, less treasury shares, outstanding during the year, is as follow:

	2008	2007
Profit for the year attributable to the equity holders of the parent company (KD)	2,471,597	685,450
	Shares	Shares
Number of shares outstanding during the year:		
Weighted average number of ordinary shares	60,000,000	60,000,000
Weighted average number of treasury shares	(628,934)	-
Weighted average number of outstanding ordinary share	59,371,066	60,000,000
Basic and diluted earnings per share	41.63 fils	11.42 fils

4 PROPERTY, PLANT AND EQUIPMENT

	Buildings and leasehold improvements KD	Furniture and fixtures KD	Motor vehicles KD	Tools and equipment KD	Total KD
Cost and valuation:					
At 1 January 2008	510,221	165,842	88,475	348,966	1,113,504
Additions	-	49,737	17,220	118,385	185,342
Disposals	(71,791)	(1,748)	(3,006)	(567)	(77,112)
Foreign exchange effect	46,717	(18,139)	(5,025)	(29,216)	(5,663)
Relating to disposal of a subsidiary	-	(22,577)	-	(75,114)	(97,691)
At 31 December 2008	485,147	173,115	97,664	362,454	1,118,380
Depreciation:					
At 1 January 2008	84,530	86,946	30,293	157,873	359,642
Charge for the year	65,851	37,413	28,898	75,780	207,942
Relating to disposals	(3,874)	(1,648)	(491)	(343)	(6,356)
Foreign exchange effect	6,944	(4,358)	(1,380)	(4,016)	(2,810)
Relating to disposal of a subsidiary	-	(16,373)	-	(38,774)	(55,147)
At 31 December 2008	153,451	101,980	57,320	190,520	503,271
Net carrying amount:					
At 31 December 2008	331,696	71,135	40,344	171,934	615,109
At 31 December 2007	425,691	78,896	58,182	191,093	753,862

5 INVESTMENT IN ASSOCIATES

	Country of incorporation	Equity interest% 2008	Equity interest% 2007	2008 KD	2007 KD
Vision International Computer Services and Consultancy Company W.L.L.	Kuwait	49	-	878,212	-
Out of Blue Advertising and Publishing Company W.L.L.	Kuwait	33	33	-	-
				878,212	-

The movement in the carrying amount of investment in associates during the year is as follows:

	2008 KD	2007 KD
At 1 January	-	989,834
Additions	776,028	-
Disposal	-	(890,834)
Share of results	102,184	(56,159)
Impairment (see note below)	-	(42,841)
At 31 December	878,212	-

Out of Blue Advertising and Publishing Company W.L.L.

During the year ended 31 December 2007, the parent company fully impaired its investment in Out of Blue Advertising and Publishing Company W.L.L. which amounted to KD 42,841. The company had no operations as at 31 December 2008.

5 INVESTMENT IN ASSOCIATES continued

Vision International Computer Services and Consultancy Company W.L.L.

During the previous year, the parent company acquired 100% equity interest in Vision International Computer Services and Consultancy Company W.L.L. ("Vision"), a company registered in Kuwait for a purchase consideration of KD 1,705,873. The fair value of assets acquired and liabilities assumed amounted to KD 501,385, resulting in goodwill of KD 1,204,488.

During the year ended 31 December 2008, the parent company entered into an agreement to sell back 51% of its stake in this subsidiary to a related party for a total consideration of KD 1,090,518. The amount of sales proceeds to be received has been settled against the amount due to the related party. The purchase consideration for the remaining 49% of the equity stake in Vision was agreed to be KD 776,028. As a result of the sale, the parent company incurred a loss of KD 34,995 and its equity stake decreased from 100% to 49% and it ceased to have control over this subsidiary. Therefore, Vision International Computer Services and Consultancy Company W.L.L is now accounted as an associate.

The following table illustrates summarised information of the parent company's investment in associates:

	2008 KD	2007 KD
Share of associates' balance sheet:		
Total assets	633,217	92,496
Total liabilities	(146,636)	(49,655)
Net assets	486,581	42,841
Goodwill	434,472	-
	921,053	42,841
Less: impairment	(42,841)	(42,841)
	878,212	-
Share of associates' revenue and results:		
Revenue	437,353	-
Results	102,184	(56,159)

The carrying amount of associates as at 31 December 2008, includes goodwill amounting to KD 434,472 (2007: KD Nil).

6 INVENTORIES

	2008 KD	2007 KD
Monopole and accessories	611,789	164,038
Tower and accessories	396,356	205,112
Shelters	525,363	186,498
Cables and other	1,297,826	1,152,974
Finished goods	2,831,334	1,708,622
Less: Provision for slow moving items	(77,948)	(26,554)
	2,753,386	1,682,068
Work in progress	342,625	176,327
	3,096,011	1,858,395

7 GROSS AMOUNT DUE FROM CUSTOMERS FOR CONTRACT WORK

	2008 KD	2007 KD
Gross amount due from customers for contract work	3,031,251	1,701,475
Less: progress billings to date	-	-
	3,031,251	1,701,475

8 ACCOUNTS RECEIVABLE AND PREPAYMENTS

	2008 KD	2007 KD
Trade receivables	7,690,070	6,088,784
Retentions	2,049,143	625,222
Prepayments	202,395	209,353
Other receivables	775,267	283,145
Receivable on disposal of associates	-	951,891
	10,716,875	8,158,395

Trade receivables are non-interest bearing and are generally 90 to 180 days terms.

As at 31 December 2008, trade receivables at nominal value of KD 144,783 (2007: KD 145,854) were impaired.

Movement in the provision for impairment of trade receivables were as follows:

	2008 KD	2007 KD
At 1 January	61,962	-
Charge for the year	34,396	99,596
Amount written off	(3,670)	(37,634)
At 31 December	92,688	61,962

As at 31 December, the analysis of trade receivables that were not impaired is as follows:

		Past due but not impaired					
	Neither past due nor impaired KD	< 30 days KD	30 to 60 days KD	60 to 90 days KD	90 to 120 days KD	> 120 days KD	Total KD
2008	1,227,775	1,763,618	1,253,287	1,819,124	271,786	1,302,385	7,637,975
2007	1,572,064	1,303,883	1,116,684	791,688	481,381	739,192	6,004,892

Unimpaired receivables are expected, on the basis of past experience, to be fully recoverable. It is not the practice of the group to obtain collateral over receivables and therefore, they are unsecured.

Trade receivables include amounts denominated in the following major foreign currencies:

	2008 KD	2007 KD
US dollars	3,615,013	867,137
Euros	1,266,065	1,622
Indian rupees	878,128	389,533
	5,759,206	1,258,292

9 CASH AND CASH EQUIVALENTS

	2008 KD	2007 KD
Bank balances and cash	1,143,098	458,221
Short term deposits	1,193,820	552,885
Bank overdraft	(1,123,161)	-
	1,213,757	1,011,106

Short term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the group, carrying an average interest rate of 3.5% (2007: 4.25%) per annum. Bank overdraft carries an interest rate of 2% (2007: 2%) per annum over the Central Bank of Kuwait discount rate.

10 SHARE CAPITAL AND DIVIDENDS

	Authorised, issued and fully paid	
	2008 KD	2007 KD
Shares of 100 fils each	6,000,000	6,000,000

On 22 March 2009, the board of directors of the parent company have proposed cash dividends of 13 fils per share (31 December 2007: 10 fils per share) of paid up share capital which are subject to the approval of the annual general assembly of the shareholders of the parent company. These dividends have not been accounted for in these consolidated financial statements.

On 27 April 2008, the shareholders at the ordinary general assembly of the parent company approved cash dividends of KD 0.010 (2007: KD 0.015) per share amounting to KD 600,000 (2007: KD 900,000), in respect of the year ended 31 December 2007. No bonus shares were issued in respect of the year ended 31 December 2007 (in respect of the year ended 31 December 2006: 100% of the paid up capital totaling 30,000,000 shares).

11 TREASURY SHARES

	2008	2007
Number of treasury shares (shares)	2,300,000	-
Percentage of issued shares (%)	3.83%	-
Cost (KD)	817,380	-
Market value (KD)	570,400	-

12 STATUTORY RESERVE

As required by Kuwait Company Law and the parent company's Articles of Association, 10% of profit for the year before contribution to Kuwait Foundation for the Advancement of Sciences, NLST, Zakat and board of directors' remuneration has been transferred to statutory reserve. The parent company may resolve to discontinue such annual transfers when the reserve equals 50% of issued share capital.

Distribution of the statutory 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.

13 INTEREST BEARING LOANS

	2008 KD	2007 KD
The loan facility is unsecured and denominated in KD repayable in 6 semi annual instalments with effect from 31 December 2008. The loan carries interest at 2.5% over Central Bank of Kuwait discount rate.	3,713,708	-
The loan facility is unsecured and denominated in US dollar repayable in 6 semi annual instalments with effect from 31 December 2008. The loan carries interest at 2.5% over the cost of funds with minimum cap of 7.5%.	1,520,750	980,820
Other loans	11,102	-
	5,245,560	980,820

Interest bearings loans are classified as follows:

	2008 KD	2007 KD
Current liabilities	2,100,202	163,470
Non current liabilities	3,145,358	817,350
	5,245,560	980,820

14 ACCOUNTS PAYABLE AND ACCRUALS

	2008 KD	2007 KD
Trade payables	2,888,024	3,311,402
Accrued expenses	1,362,040	435,422
Other payables	301,243	43,117
Advance payments	515,352	221,598
	5,066,659	4,011,539

Accrued expenses mainly represents accruals made towards staff bonus and contracting expenses.

15 RELATED PARTY TRANSACTIONS

Related parties represent associates, major shareholders, directors and key management personnel of the group, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the group's management.

Transactions with related parties included in the consolidated income statement are as follows:

	Associates	Other related parties	2008	2007
	KD	KD	KD	KD
Share of results of associates	102,184	-	102,184	(56,159)

Balances with related parties included in the consolidated balance sheet are as follows:

	Associates	Other related parties	2008	2007
	KD	KD	KD	KD
Investments in associates	878,212	-	878,212	-
Amounts due from related parties	-	16,955	16,955	260,428
Amounts due to related parties	-	94,543	94,543	1,619,182

Key management compensation:

	2008	2007
	KD	KD
Salaries and other short-term benefits	425,339	161,838
Employees' end of service benefits	37,329	35,750
	462,668	197,588

16 SEGMENTAL INFORMATION

For the purpose of primary segment reporting, the group is organised into different geographical locations. Accordingly, the segment information for the year is as follows:

2008	Kuwait and GCC countries KD	India KD	Africa KD	Total KD
Segment revenue	20,067,419	2,288,852	372,901	22,729,172
Segment results	2,747,974	(171,909)	21,103	2,597,168
Unallocated expenses				(139,907)
Profit for the year				2,457,261
Total segment assets	17,468,187	1,942,083	444,447	19,854,717
Total segment liabilities	9,796,348	871,906	183,348	10,851,602
Other segmental information:				
Depreciation and amortisation	176,415	35,128	1,458	213,001

2007	Kuwait and GCC countries KD	India KD	Africa	Total KD
Segment revenue	12,808,635	638,311	53,543	13,500,489
Segment results	928,237	(185,788)	(32,498)	709,951
Unallocated expenses				(24,501)
Profit for the year				685,450
Total segment assets	14,805,048	174,486	34,692	15,014,226
Total segment liabilities	6,463,601	400,656	53,791	6,918,048
Other segmental information:				
Depreciation and amortisation	167,754	7,548	517	175,819

The group does not have a secondary segment.

17 RISK MANAGEMENT

Risk is inherent in the group's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the group's continuing profitability and each individual within the group is accountable for the risk exposures relating to his or her responsibilities. The group is exposed to credit risk, liquidity risk and market risk. Market risk is subdivided into interest rate risk, currency risk and equity price risk. It is also subject to operating risks. The independent risk control process does not include business risks such as changes in the environment technology and industry. They are monitored through the group's strategic planning process.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The group manages credit risk by setting limits for individual counter-parties, and groups of counter-parties and for industry segments. The group also monitors credit exposures, and continually assesses the creditworthiness of counterparties. In addition, the group obtains security where appropriate.

Credit risk arising from the financial assets of the group, which comprise cash and cash equivalents, trade and other receivables and due from related parties, the group's exposure to credit risk arising from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Risk concentration of maximum exposure to credit risk

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the group's performance to developments affecting a particular industry or geographical location.

Liquidity risk

Liquidity risk is the risk that the group will be unable to meet its liabilities when they fall due. Liquidity risk can be caused by market disruptions or credit downgrades which may cause certain sources of funding to dry up immediately. To manage this risk, the group periodically assesses the financial viability of debtors and invests in bank deposits or other investments that are readily realisable. The maturity profile is monitored by management to ensure adequate liquidity is maintained.

The table below summarises the maturity profile of the group's undiscounted financial liabilities at 31 December based on contractual undiscounted obligations:

2008	Within 3 months KD	3-12 months KD	1- 5 years KD	Total KD
LIABILITIES				
Interest bearing loans	609,987	1,829,960	3,659,919	6,099,866
Accounts payable and accruals	3,397,955	1,668,704	-	5,066,659
Amounts due to related parties	-	94,543	-	94,543
Total	4,007,942	3,593,207	3,659,919	11,261,068

2007	Within 3 months KD	3- 12 months KD	1- 5 years KD	Total KD
LIABILITIES				
Interest bearing loans	-	163,470	904,449	1,067,919
Accounts payable and accruals	1,219,789	2,791,750	-	4,011,539
Amounts due to related parties	669,252	949,930	-	1,619,182
Total	1,889,041	3,905,150	904,449	6,698,640

17 RISK MANAGEMENT continued

Market risk

Market risk is the risk that the value of an asset will fluctuate as a result of changes in market variables such as interest rates, foreign exchange rates, and equity prices, whether those changes are caused by factors specific to the individual investment or its issuer or factors affecting all investments traded in the market.

Market risk is managed on the basis of pre-determined asset allocations across various asset categories, diversification of assets in terms of geographical distribution and industry concentration, a continuous appraisal of market conditions and trends and management's estimate of long and short term changes in fair value.

Interest rate risk

The group is exposed to interest rate risk on its interest bearing assets and liabilities mainly bank deposits, bank overdraft and interest bearing loans. The effective interest rates are disclosed in Notes 9 and 13.

The following table demonstrates the sensitivity of the consolidated income statement to reasonably possible changes in interest rates, with all other variables held constant.

The sensitivity of the consolidated income statement is the effect of the assumed changes in interest rates on the group's profit before KFAS, NLST, Zakat and board of directors' remuneration for one year, based on the floating rate financial assets and financial liabilities held at 31 December.

	Increase (decrease) In basis points	Effect on profit before KFAS, NLST, Zakat and board of directors' remuneration KD
2008		
KD	+25	(12,937)
2007		
KD	+25	(1,070)

The decrease in interest rate percentage will have the opposite effect on profits.

Equity price risk

Equity price risk arises from changes in the fair values of equity investments. The group manages this through diversification of investments in terms of industry concentration.

The effect on equity (as a result of a change in the fair value of financial assets available for sale at 31 December) and group's profit (as a result of a change in the fair value of financial assets at fair value through income statement at 31 December) due to a reasonably possible change in market indices, with all other variables held constant is as follows:

	Increase/ (decrease)	Effect on profit KD	Effect on equity KD
2008			
Kuwait stock exchange	+5.00%	764	-
Others	+5.00%	-	10,710
2007			
Kuwait stock exchange	+5.00%	2,268	-
Others	+5.00%	-	719

The effect of decrease in equity prices is expected to be equal and opposite to the effect of the increases shown above.

17 RISK MANAGEMENT continued

Foreign currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

The effect on profit before KFAS, NLST, Zakat and board of directors' remuneration (due to change in the fair value of monetary assets and liabilities) and on equity, as a result of change in currency rate, with all other variables held constant is shown below:

	Increase/ (decrease) against KD	Effect on profit KD	Effect on equity KD
2008			
Euro	+5%	65,631	-
US dollars	+5%	119,603	-
2007			
EUR	+5%	59,161	-
US dollars	+5%	43,233	-

The decrease in foreign currency percentage will have opposite impact on profit and equity.

Operational risk

Operational risk is the risk of loss arising from systems failure, human error, fraud or external events. When controls fail to perform, operational risks can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The group cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the group is able to manage the risks. Controls include effective segregation of duties, access, authorisation and reconciliation procedures, staff education and assessment processes.

18 CONTINGENCIES AND COMMITMENTS

As at 31 December 2008, the group had commitment towards lease payments amounting to KD 105,579. Contingent liabilities exist at the balance sheet date in respect of the following:

	2008 KD	2007 KD
Letters of guarantee	2,201,583	387,611
Letters of credit	490,953	7,979
Acceptance bills	-	57,105
	2,692,536	452,695

19 CAPITAL MANAGEMENT

The primary objective of the group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

No changes were made in the objectives, policies or processes during the years end 31 December 2008 and 31 December 2007.

The group monitors capital using a gearing ratio, which is net debt divided by total capital. The group includes within net debt, interest bearing loans, accounts payable and accruals and due to related parties, less cash and cash equivalents. Total capital represents total equity of the group.

	2008 KD	2007 KD
Interest bearing loans	5,245,560	980,820
Accounts payable and accruals	5,066,659	4,011,539
Due to related parties	94,543	1,619,182
Less: Cash and cash equivalents	(1,213,757)	(1,011,106)
Net debt	9,193,005	5,600,435
Total capital	9,004,620	8,096,178
Gearing (debt to equity) ratio	102.09%	69.17%

20 KUWAIT FOUNDATION FOR THE ADVANCEMENT OF SCIENCES (KFAS)

The parent company calculated the contribution to Kuwait Foundation for the Advancement of Sciences in accordance with the modified calculation based on the Foundation's Board of Directors resolution, which states that income from associates and subsidiaries, Board of Directors' remuneration, transfer to statutory reserve and Zakat should be excluded from profit for the year when determining the contribution.

21 NATIONAL LABOUR SUPPORT TAX (NLST)

The parent company calculated the NLST in accordance with Law No. 19 of 2000 and the Minister of Finance Resolutions No. 24 of 2006 at 2.5% of taxable profit for the year. As per the Law, income from associates and subsidiaries, cash dividends from listed companies which are subjected to NLST have been deducted from the profit for the year.

22 ZAKAT

Effective from 10 December 2007, the group has also provided for Zakat in accordance with the requirements of Law No. 46 of 2006 at 1% of the profit base similar to KFAS and NLST. The Zakat charge calculated in accordance with these requirements is charged to the consolidated income statement.