

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

**Condensed Consolidated Interim Financial Information (Unaudited)
30 June 2018**

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INDEPENDENT AUDITOR'S REVIEW REPORT TO THE BOARD OF DIRECTORS of MOBILE TELECOMMUNICATIONS COMPANY K.S.C.P

Report on Review of Condensed Consolidated Interim Financial Information

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of Mobile Telecommunications Company K.S.C.P ("the Company") and its subsidiaries (together called "the Group") as at 30 June 2018 and the related condensed consolidated statements of profit or loss, profit or loss and other comprehensive income for three-month and six-month periods then ended and the related condensed consolidated statements of changes in equity and cash flows for the six-month period then ended. Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with International Accounting Standard 34 - Interim Financial Reporting. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis of Qualified Conclusion

As disclosed in note 2 to the condensed consolidated interim financial information, the Group has excluded the effects reported therein, of applying International Accounting Standard (IAS) 29: Financial Reporting in Hyperinflationary Economies that, we believe, should have been recorded in this condensed consolidated interim financial information with respect to its subsidiaries in Sudan, to conform with that standard.

Qualified Conclusion

Based on our review, with the exception of the matter described in the preceding paragraph, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 - Interim Financial Reporting.

Emphasis of matter

We draw attention to note 15 to the condensed consolidated interim financial information, which discloses the uncertainty related to the outcome of various claims against the subsidiary in Iraq. Our conclusion is not modified in respect of this matter.

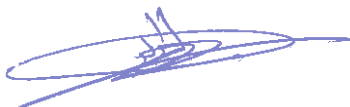
**INDEPENDENT AUDITOR'S REVIEW REPORT TO THE BOARD OF DIRECTORS of
MOBILE TELECOMMUNICATIONS COMPANY K.S.C.P (Continued)**

Emphasis of matter

We draw attention to note 15 to the condensed consolidated interim financial information, which discloses the uncertainty related to the outcome of various claims against the subsidiary in Iraq. Our conclusion is not modified in respect of this matter.

Report on Other Legal and Regulatory Requirements

Furthermore, based on our review, the condensed consolidated interim financial information is in agreement with the books of account of the Company. We further report that, to the best of our knowledge and belief, we have not become aware of any violations of the Companies Law No. 1 of 2016 and its Executive Regulations or of the Company's Memorandum of Incorporation and Articles of Association, as amended, during the six-month period ended 30 June 2018 that might have had a material effect on the business of the Company or on its financial position.



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Kuwait
31 July 2018

Condensed Consolidated Statement of Financial Position as at 30 June 2018 (Unaudited)

		<u>Unaudited</u>	<u>Audited</u>	<u>Unaudited</u>
	Note	<u>30 June</u>	<u>31 December</u>	<u>30 June</u>
		<u>2018</u>	<u>2017</u>	<u>2017</u>
		<u>KD '000</u>		
Assets				
Current assets				
Cash and bank balances	4	153,555	244,398	154,849
Trade and other receivables		419,570	455,801	479,533
Contract assets		43,355	-	-
Inventories		19,261	34,402	19,313
Investment securities at FVTPL		11,622	778	996
Non-current assets held for sale	5	7,656	7,656	-
		<u>655,019</u>	<u>743,035</u>	<u>654,691</u>
Non-current assets				
Contract assets		13,469	-	-
Investment securities at FVOCI		8,312	-	-
Investment securities available for sale		-	16,118	18,315
Investments in associates and joint ventures	6	188,886	188,412	190,162
Due from associates		434,271	415,759	397,306
Other assets		15,232	15,131	15,044
Property and equipment		676,975	743,586	753,911
Intangible assets and goodwill		858,931	911,630	959,173
		<u>2,196,076</u>	<u>2,290,636</u>	<u>2,333,911</u>
Total assets		<u>2,851,095</u>	<u>3,033,671</u>	<u>2,988,602</u>
Liabilities and equity				
Current liabilities				
Trade and other payables		469,245	467,616	507,713
Deferred revenue		49,864	47,768	56,949
Due to banks	7	148,198	199,564	381,402
		<u>667,307</u>	<u>714,948</u>	<u>946,064</u>
Non-current liabilities				
Due to banks	7	746,372	670,637	670,209
Other non-current liabilities		40,543	38,482	36,436
		<u>786,915</u>	<u>709,119</u>	<u>706,645</u>
Equity				
Attributable to the Company's shareholders				
Share capital	8	432,706	432,706	432,706
Share premium		1,707,164	1,707,164	1,707,164
Legal reserve		216,353	216,353	216,353
Foreign currency translation reserve		(1,293,692)	(1,189,469)	(1,131,206)
Treasury shares	10	-	-	(567,834)
Treasury shares reserve		-	-	1,967
Investment fair valuation reserve		875	3,251	4,068
Share of reserves of associates		(747)	(326)	(320)
Retained earnings		177,782	281,919	517,242
		<u>1,240,441</u>	<u>1,451,598</u>	<u>1,180,140</u>
Non-controlling interests		156,432	158,006	155,753
Total equity		<u>1,396,873</u>	<u>1,609,604</u>	<u>1,335,893</u>
Total liabilities and equity		<u>2,851,095</u>	<u>3,033,671</u>	<u>2,988,602</u>

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

This condensed consolidated interim financial information was approved and authorized for issue by the Board of Directors on 31 July 2018.


Ahmed Tahous Al Tahous
 Chairman


Bader Nasser Al Kharafi
 Vice Chairman & Chief Executive Officer

Mobile Telecommunications Company K.S.C.P
**Condensed Consolidated Statement of Profit or Loss – six months ended 30 June 2018
(Unaudited)**

	Note	Three months ended 30 June		Six months ended 30 June	
		2018	2017	2018	2017
		KD'000		KD'000	
Revenue		244,259	261,129	503,162	508,070
Cost of sales		(70,830)	(76,200)	(162,025)	(143,708)
Gross profit		<u>173,429</u>	<u>184,929</u>	<u>341,137</u>	<u>364,362</u>
Operating and administrative expenses		(86,390)	(79,777)	(166,147)	(148,543)
Depreciation and amortization		(38,362)	(47,405)	(76,901)	(97,322)
Provision for impairment – trade and other receivables		-	(768)	-	(4,178)
Expected credit loss on financial assets (ECL)		(2,104)	-	(5,801)	-
Operating profit		<u>46,573</u>	<u>56,979</u>	<u>92,288</u>	<u>114,319</u>
Interest income		7,226	9,362	14,450	11,737
Investment income	11	81	174	298	427
Share of results of associates and joint ventures	6	(1,189)	157	(3,553)	1,045
Other expenses		(513)	(1,010)	(17,029)	(2,162)
Finance costs		(10,557)	(10,383)	(19,817)	(19,847)
Provision for impairment loss on property and equipment	17	-	(21,292)	(9,648)	(21,292)
Loss from currency revaluation		(5,181)	(6,641)	(7,805)	(12,482)
Net monetary gain	17	16,063	24,019	50,269	24,019
Profit before contribution to KFAS, NLST, ZAKAT, income taxes and Board of Directors' remuneration		<u>52,503</u>	<u>51,365</u>	<u>99,453</u>	<u>95,764</u>
Contribution to Kuwait foundation for Advancement of Sciences (KFAS)		(306)	(340)	(480)	(620)
National Labour Support Tax (NLST) and Zakat		(1,158)	(1,799)	(1,905)	(3,382)
Income tax expenses		(4,112)	(3,847)	(8,104)	(7,696)
Board of Directors' remuneration		(69)	(69)	(138)	(138)
Profit for the period		<u>46,858</u>	<u>45,310</u>	<u>88,826</u>	<u>83,928</u>
Attributable to:					
Shareholders of the Company		45,554	44,057	86,451	82,286
Non-controlling interests		1,304	1,253	2,375	1,642
		<u>46,858</u>	<u>45,310</u>	<u>88,826</u>	<u>83,928</u>
Earnings per share	12				
Basic and diluted – Fils		11	11	20	21

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

Mobile Telecommunications Company K.S.C.P

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income – six months ended 30 June 2018 (Unaudited)

	Three months ended 30 June		Six months ended 30 June	
	2018	2017	2018	2017
	KD'000		KD'000	
Profit for the period	46,858	45,310	88,826	83,928
Other comprehensive income				
<i>Items that will be reclassified to profit or loss:</i>				
Exchange differences on translating foreign operations	(6,262)	(35,751)	(105,216)	(32,572)
Net unrealised gain on available for sale investments	-	199	-	908
Net realised gain transferred to condensed consolidated statement of profit or loss on available for sale investments (net of impairment losses)	-	(227)	-	(324)
Cash flow hedges	(507)	(41)	(421)	(200)
	<u>(6,769)</u>	<u>(35,820)</u>	<u>(105,637)</u>	<u>(32,188)</u>
<i>Items that will not be reclassified to profit or loss:</i>				
Changes in the fair value of equity investments at FVOCI	(112)	-	(158)	-
Total comprehensive income/(expense) for the period	<u>39,977</u>	<u>9,490</u>	<u>(16,969)</u>	<u>51,740</u>
Total comprehensive income attributable to:				
Shareholders of the Company	37,795	9,359	(18,351)	51,558
Non-controlling interests	2,182	131	1,382	182
	<u>39,977</u>	<u>9,490</u>	<u>(16,969)</u>	<u>51,740</u>

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

Mobile Telecommunications Company K.S.C.P

Condensed Consolidated Statement of Changes in Equity – six months ended 30 June 2018 (Unaudited)

	Equity attributable to Company's shareholders									Non - controlling interests	Total
	Share capital	Share premium	Legal reserve	Foreign currency translation reserve	Treasury shares	Treasury shares reserve	Investment fair valuation reserve	Share of reserves of associates	Retained earnings		
	KD '000										
Balance at 1 January 2018	432,706	1,707,164	216,353	(1,189,469)	-	-	3,251	(326)	281,919	158,006	1,609,604
Transition adjustment on adoption of IFRS 9 and IFRS 15 at 1 January 2018 (Note 3)	-	-	-	-	-	-	(2,218)	-	(39,141)	(1,357)	(42,716)
	432,706	1,707,164	216,353	(1,189,469)	-	-	1,033	(326)	242,778	156,649	1,566,888
Total comprehensive income for the period	-	-	-	(104,223)	-	-	(158)	(421)	86,451	1,382	(16,969)
<i>Transactions with shareholders Of the Company, recognized directly in equity</i>											
Cash dividends (2017)	-	-	-	-	-	-	-	-	(151,447)	(1,599)	(153,046)
Balance at 30 June 2018	432,706	1,707,164	216,353	(1,293,692)	-	-	875	(747)	177,782	156,432	1,396,873
Balance at 1 January 2017	432,706	1,707,164	216,353	(1,100,094)	(567,834)	1,967	3,484	(120)	571,503	157,353	1,422,482
Total comprehensive income for the period	-	-	-	(31,112)	-	-	584	(200)	82,286	182	51,740
<i>Transactions with shareholders of the Company, recognized directly in equity</i>											
Cash dividends (2016)	-	-	-	-	-	-	-	-	(136,547)	(1,782)	(138,229)
Balance at 30 June 2017	432,706	1,707,164	216,353	(1,131,206)	(567,834)	1,967	4,068	(320)	517,242	155,753	1,335,893

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

Mobile Telecommunications Company K.S.C.P

**Condensed Consolidated Statement of Cash Flows – six months ended 30 June 2018
(Unaudited)**

	Six months ended 30 June	
	2018	2017
	KD'000	
Cash flows from operating activities		
Profit for the period before income tax	96,930	91,624
Adjustments for:		
Depreciation and amortization	76,901	97,322
ECL / provision for impairment	5,801	4,178
Interest income	(14,450)	(11,737)
Investment income	(298)	(427)
Share of results of associates and joint ventures	3,553	(1,045)
Provision for impairment loss on property and equipment	9,648	21,292
Finance costs	19,817	19,847
Loss from currency revaluation	7,805	12,482
Net monetary gain	(50,269)	(24,019)
Gain on sale of property and equipment	(54)	-
Operating profit before working capital changes	155,384	209,517
Increase in trade and other receivables	(73,681)	(53,930)
Decrease/(increase) in inventories	14,821	(2,889)
Increase/(decrease) in trade and other payables	21,176	(4,906)
Cash generated from operations	117,700	147,792
Paid to KFAS	(319)	(250)
NLST and Zakat paid	(5,492)	(5,049)
Income tax paid	(8,476)	(9,325)
<i>Net cash from operating activities</i>	<u>103,413</u>	<u>133,168</u>
Cash flows from investing activities		
Deposits maturing after three months and cash at bank under lien (note 4)	(5)	(7,418)
Investments in securities	(3,738)	(3,963)
Proceeds from sale of investments	316	8,068
Increase in due from associates	(7,039)	(5,776)
Acquisition of property and equipment (net)	(30,559)	(42,378)
Acquisition of intangible assets (net)	(308)	(7,650)
Interest received	2,668	12,359
Dividend received	253	246
<i>Net cash used in investing activities</i>	<u>(38,412)</u>	<u>(46,512)</u>
Cash flows from financing activities		
Proceeds from bank borrowings	142,901	219,824
Repayment of bank borrowings	(120,587)	(208,768)
Dividends paid to Company's shareholders	(148,760)	(134,319)
Dividends paid to minority shareholders of subsidiaries	(470)	(1,718)
Finance costs paid	(16,692)	(20,850)
<i>Net cash used in financing activities</i>	<u>(143,608)</u>	<u>(145,831)</u>
Net decrease in cash and cash equivalents	(78,607)	(59,175)
Effect of foreign currency translation	(5,744)	(2,146)
Transition adjustment on adoption of IFRS 9 (Note 3.3)	(6,497)	-
Cash and cash equivalents at beginning of period	206,432	177,150
Cash and cash equivalents at end of period (Note 4)	<u><u>115,584</u></u>	<u><u>115,829</u></u>

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

1. Incorporation and activities

Mobile Telecommunications Company K.S.C.P (the "Company") is a Kuwaiti shareholding company, incorporated in 1983. Its shares are traded on the Kuwait Stock Exchange. The registered office of the Company is at P. O. Box 22244, 13083 Safat, State of Kuwait.

The Company and its subsidiaries (the "Group") along with associates provide mobile telecommunication services in Kuwait and 8 other countries (31 December 2017 - Kuwait and 8 other countries; 30 June 2017 - Kuwait and 8 other countries) under licenses from the Governments of the countries in which they operate, purchase, deliver, install, manage and maintain mobile telephone and paging systems; and invest surplus funds in investment securities.

The Company is a subsidiary of Oman Telecommunications Company SAOG, Oman.

2. Basis of preparation

This condensed consolidated interim financial information is prepared in accordance with IAS 34: Interim Financial Reporting.

In 2015, the Group noted that the economy of the Republic of Sudan, where the Group has subsidiaries, may be hyperinflationary from the beginning of 2015. This was based on the general price index showing the cumulative three-year rate of inflation exceeding 100% at that time. However, International Accounting Standard, IAS 29: Financial Reporting in Hyperinflationary Economies, does not establish an absolute rate at which hyperinflation is deemed to arise and states that it is a matter of judgment when restatement of financial statements in accordance with this Standard becomes necessary. In addition, the Group noted that in the 2014 International Monetary Fund (IMF) Sudan country report, the cumulative projected three year inflation rate outlook for Sudan in 2017 to be around 57% and thus, applying IAS 29 in 2015, could entail going in and out of hyperinflation within a short period. Based on the above matters, the Group concluded that there was no definitive basis to apply IAS 29 at that time and to review it on an ongoing basis. This assessment was confirmed by the consumer price inflation rates in 2016 and 2017, which indicate that the economy of Sudan is no longer hyperinflationary. Currently, the general price index after April 2018 is not available to determine with reasonable certainty the direction of the index in 2018.

Had IAS 29 been applied, and the opening retained earnings as at 1 January 2015 been restated, it would have been higher by approximately KD 324 million and non-monetary assets comprising of Zain Sudan's Property and Equipment, Intangible assets and Capital WIP as of that date higher by the same amount. This would have then required the Group to test the restated carrying value of its investment in Zain Sudan and the related goodwill for impairment losses, if any, to be recognized in the consolidated statement of profit or loss. Even if this had resulted in goodwill being determined as fully impaired at that time, the net overall impact on the Group's consolidated statement of financial position is that net equity and the above non-monetary assets related to Zain Sudan as of 30 June 2018 would have been higher by KD 26 million (31 December 2017 – KD 53 million; 30 June 2017: KD 75 million). Furthermore, the profit for the period ended 30 June 2018 would have been lower by KD 10.33 million (30 June 2017: KD 10.65 million).

This condensed consolidated interim financial information does not contain all of the information and disclosures required for complete financial statements prepared in accordance with International Financial Reporting Standards. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Results for the interim period are not necessarily indicative of the results that may be expected for the year ending 31 December 2018, including the impact of the matter stated above regarding application of IAS 29. For further information, refer to the audited consolidated financial statements and notes thereto for the year ended 31 December 2017.

Changes in accounting policy and disclosures

The accounting policies used in the preparation of the condensed consolidated interim financial information are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2017. However, the Group has adopted IFRS 15: Revenue from Contract with Customers and IFRS 9: Financial Instruments, effective 1 January 2018. As required by IAS 34, the nature and effect of adoption of IFRS 15 and IFRS 9 are disclosed in Note 3. Significant judgments and estimates are also disclosed in Note 3 considering first time adoption of IFRS 9 and IFRS 15.

Other amendments and interpretations that apply for the first time in 2018 do not have an impact on the condensed consolidated interim financial information of the Group.

Financial support to associate and group companies

The Group has committed to provide working capital and other financial support to certain subsidiaries including Mobile Telecommunications Company Saudi Arabia ("SMTC"), Zain Jordan, Al Khatem and Zain South Sudan whose working capitals are in deficit. Based on business plans, the Group does not expect these conditions will have a material adverse impact on the operations of these Group companies.

3. Impact of changes in accounting policies due to adoption of new standards

The key changes to the Group's accounting policies resulting from its adoption of IFRS 9 and IFRS 15 are summarized below:

3.1 IFRS 15 Revenue from Contracts with Customers

The Group has applied IFRS 15 Revenue from Contracts with Customers (as amended in April 2016) on its effective date of 1 January 2018. IFRS 15 introduces a 5-step approach to revenue recognition. The core principle of IFRS 15 is that the entity should recognize revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange of those goods and services. Under IFRS 15, an entity recognizes revenue when or as the performance obligation is satisfied.

The implementation of IFRS 15 does not impact the quantum or the phasing of cash flows. The adjustments made are purely a timing difference between the cash flows and accounting recognition, with the difference recognized on the balance sheet and reflected in the working capital changes and other cash flow line items.

Management has identified the following as areas where key revenue recognition and other accounting changes under IFRS 15 have had an impact on the Group's condensed consolidated interim financial information.

Handsets and telecommunication services

Revenue from mobile telecommunication services provided to postpaid and prepaid customers is recognized as services are transferred. When the customer performs first, for example, by prepaying its promised consideration, the Group has a contract liability. If the Group performs first by satisfying a performance obligation, the Group has a contract asset. Consideration received from the sale of prepaid credit is recognized as contract liability until such time the customer uses the services when it is recognized as revenue.

The Group provides subsidized handsets to its customers along with mobile telecommunication services. IFRS 15 requires entities to allocate a contract's transaction price to each performance obligation based on their relative stand-alone selling price. This resulted in a reallocation of a portion of revenue from trading revenue to service revenue which was earlier recognized upfront on signing of the customer contract and correspondingly a creation of contract asset, which includes also some items previously presented as trade and other receivables. Contract asset represents receivable from customers that has not yet legally come into existence. The standalone selling prices are determined based on observable prices. Revenue from device sales is recognized when the device is delivered to the customer. This usually occurs when a customer signs the contract. For devices sold separately, customer pays in full at the point of sale. Revenue from voice, messaging, internet services etc. are included in the bundled package and are recognized as the services are rendered during the period of the contract.

Connection fees

The Group has concluded that connection fees charged for the activation of services will be recognized over the contract period, however connection fees which relates at or near to the contract inception to fulfill that contract, then revenue will be recognized as and when services are provided (i.e.as the identified performance obligations are satisfied).

Value added services - Principal vs. agent

Revenue from value added services (VAS) sharing arrangements depend on the analysis of the facts and circumstances surrounding these transactions. Revenue from VAS is recognized when the Group performs the related service and, depending on the Group's control or lack of control on the services transferred to the customer, is recognized either at the gross amount billed to the customer or the amount receivable by the Group as commission for facilitating the service.

Significant financing component

If a customer can pay for purchased equipment or services over a period, IFRS 15 requires judgement to determine if the contract includes a significant financing component. If it does, then the transaction price is adjusted to reflect the time value of money.

Commissions and other contract costs

Under IFRS 15, certain incremental costs incurred in acquiring a contract with a customer is deferred on the consolidated statement of financial position and amortised as revenue is recognised under the related contract; this will generally lead to the later recognition of charges for some commissions payable to third party dealers and employees.

Intermediaries are given incentives by the Group to acquire new customers and upgrade existing customers. Activation commission and renewal commission paid on post-paid connections are amortized over the period of the contract. In case of prepaid customers, commission costs are expensed when incurred. However, the Group may choose to expense such commission costs if the amortization period of the resulting asset is one year or less or if it is not significant.

Customer loyalty programs

The Group operates a customer loyalty program that provides a variety of benefits for customers. The Group allocates the consideration received between products and services in a bundle including loyalty points as separate performance obligation based on their stand-alone selling prices.

3.2 IFRS 9 – Financial Instruments

The Group has adopted *IFRS 9 Financial Instruments* issued in July 2014 with a date of initial application of 1 January 2018. The requirements of IFRS 9 represent a significant change from *IAS 39 Financial Instruments: Recognition and Measurement*. The new standard brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities.

Classification of financial assets and financial liabilities

The Group classifies its financial assets as follows:

- Financial assets at amortised cost
- Financial assets at Fair Value Through Other Comprehensive Income (FVOCI)
- Financial assets at Fair Value Through Profit or Loss (FVTPL)

To determine their classification and measurement category, IFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics.

Adoption of IFRS 9 did not result in any change in classification or measurement of financial liabilities, which continue to be at amortized cost.

Business model assessment

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these are applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'Sell' business model.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account.

Contractual cash flow characteristics test

The Group assesses whether the financial instruments' cash flows represent Solely for Payments of Principal and Interest (the 'SPPI'). The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk.

The Group reclassifies a financial asset only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent.

Financial assets at amortised cost

A financial asset is measured at amortised cost if it satisfies the SPPI test and is held within a business model whose objective is to hold assets to collect contractual cash flows; and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and profit on the principal amount outstanding.

Cash and cash equivalents, trade and receivables, contract assets, due from associates and other assets are classified as financial assets at amortised cost.

Financial assets at FVOCI

A debt instrument is measured at FVOCI if it satisfies the SPPI test and is held within a business model whose objective is to hold assets to collect contractual cash flows and to sell. These assets are subsequently measured at fair value, with change in fair value recognized in OCI. Interest income calculated using effective interest method, foreign exchange gains/losses and impairment are recognized in the condensed consolidated interim statement of profit or loss. On de-recognition, gains and losses accumulated in the OCI are reclassified to SOI.

For an equity instrument; upon initial recognition, the Group may elect to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of equity under IAS 32 *Financial Instruments: Presentation* and are not held for trading. Such classification is determined on an instrument-by-instrument basis. Gains and losses on these equity instruments are never recycled to statement of profit or loss. Dividends are recognised in statement of profit or loss when the right to receive has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment. Upon disposal cumulative gains or losses may be reclassified from fair value reserve to retained earnings in the statement of changes in equity.

Financial asset at FVTPL

Financial assets that do not meet the criteria for amortized cost or FVOCI are measured at FVTPL. This also includes equity instruments held-for-trading and are recorded and measured in the statement of financial position at fair value.

Changes in fair values and dividend income are recorded in statement of profit or loss according to the terms of the contract, or when the right to receive has been established.

Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward looking 'Expected Credit Loss' (ECL) model. Under IFRS 9, credit losses are recognised earlier than under IAS 39.

Group recognizes ECL for cash and bank balances, due from associates and other assets using the general approach and uses the simplified approach for trade receivables and contract assets as required by IFRS 9.

General approach

The Group applies three-stage approach to measuring ECL. Assets migrate through the three stages based on the change in credit quality since initial recognition. Financial assets with significant increase in credit risk since initial recognition, but not credit impaired, are transitioned to stage 2 from stage 1 and ECL is recognized based on the probability of default (PD) of the counter party occurring over the life of the asset. All other financial assets are considered to be in stage 1 unless it is credit impaired and an ECL is recognized based on the PD of the customer within next 12 months. Financial assets are assessed as credit impaired when there is a detrimental impact on the estimated future cash flows of the financial asset.

Simplified approach

The Group applies simplified approach to measuring credit losses, which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled customer receivables and have substantially the same risk characteristics as the trade receivable for the same type of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

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ECL is the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD). The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation. EAD represents the expected exposure in the event of a default. The Group derives the EAD from the current exposure to the financial instruments and potential changes to the current amounts allowed under the contract including amortisation. The EAD of a financial asset is its gross carrying amount. The LGD represents expected loss conditional on default, its expected value when realised and the time value of money.

The Group incorporates forward-looking information based on expected changes in macro- economic factors in assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL.

3.3 Impact on adoption of the IFRS 9 and IFRS 15 - Transition

Changes in accounting policies resulting from the adoption of IFRS 15 and IFRS 9 have been applied with effect from 1 January 2018, using the modified retrospective method and accordingly the comparative periods have not been restated. Differences in the carrying amounts of assets and liabilities resulting from the adoption of IFRS 9 and IFRS 15 are recognised in opening retained earnings as at 1 January 2018.

Accordingly, the information presented for 2017 does not reflect the requirements of IFRS 9 and 15 and therefore is not comparable.

(a) Impact of IFRS 9 and IFRS 15 on the condensed consolidated interim financial information

Net impact from the adoption of IFRS 9 and 15 on opening retained earnings and non-controlling interests as at 1 January 2018 is as follows:

	KD `000		
	Retained earnings	Fair value reserve	Non-controlling interests
Closing balance -31 December 2017	281,919	3,251	158,006
Adjustment from adoption of IFRS 9:			
On reclassification and re-measurement	2,218	(2,218)	-
On recognition of ECL on financial assets	(26,344)	-	(1,272)
Share of associate's ECL on financial assets	242	-	-
On recognition of ECL on financial guarantees	(2,631)	-	-
Adjustment from adoption of IFRS 15:			
Mainly from handset & telecommunication services	(16,271)	-	(85)
Share of associate's adjustments	3,645	-	-
	<u>(39,141)</u>	<u>(2,218)</u>	<u>(1,357)</u>
Opening retained earnings 1 January 2018 – post IFRS 9 and IFRS 15 restatement	<u>242,778</u>	<u>1,033</u>	<u>156,649</u>

The following table shows the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for the Group's financial assets as at 1 January 2018:

Financial assets	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	Reclassification and re-measurement	New carrying amount under IFRS 9
			KD `000	KD `000	KD `000
Cash and bank balances	Loans and receivables	Amortised Cost	244,398	(6,497)	237,901
Trade and other receivables	Loans and receivables	Amortised cost	389,186	(14,572)	374,614
Contract assets	Loans and receivables	Amortised cost	56,467	(5,465)	51,002
Investment securities at FVTPL	FVTPL	FVTPL	778	-	778
Investment securities	AFS	FVOCI	6,454	-	6,454
Investment securities	AFS	FVTPL	9,664	-	9,664
Due from associates	Loans and receivables	Amortised Cost	415,759	(1,082)	414,677
Other assets	Loans and receivables	Amortised Cost	12,072	-	12,072
Total financial assets			<u>1,134,778</u>	<u>(27,616)</u>	<u>1,107,162</u>

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The financial assets at amortized cost are after reclassifications and adjustments arising from the adoption of IFRS 15.

Investment securities classified as Available for Sale (AFS) under IAS 39 represent investments that the Group intends to hold for a long term for strategic purposes. As permitted by IFRS 9, the Group has designated these investments at the date of initial application as measured at FVOCI.

Certain investment securities classified as AFS under IAS 39 have been reclassified mandatorily to FVTPL under IFRS 9 as the Group has not elected to reclassify irrevocably as FVOCI for these equity securities on the date of initial application.

3.4 Impact of adoption of IFRS 9 and 15 on the condensed consolidated interim statement of financial position

(a) The following table summarizes the impact on statement of financial position as at 30 June 2018:

	KD '000			
	As reported	IFRS 15	IFRS 9	Amounts without adoption of IFRS 15 and IFRS 9
Current assets				
Cash and bank balances	153,555	-	6,609	160,164
Trade and other receivables	419,570	80,511	12,049	512,130
Contract assets	43,355	(47,268)	3,913	-
Inventories	19,261	-	-	19,261
Investment securities at FVTPL	11,622	-	(10,031)	1,591
Non-current assets held for sale	7,656	-	-	7,656
	<u>655,019</u>	<u>33,243</u>	<u>12,540</u>	<u>700,802</u>
Non-current assets				
Contract assets	13,469	(15,020)	1,551	-
Investment securities at FVOCI	8,312	-	(8,312)	-
Investment securities available for sale	-	-	18,343	18,343
Investments in associates and joint ventures	188,886	(3,645)	(242)	184,999
Due from associates	434,271	-	1,082	435,353
Other assets	15,232	-	-	15,232
Property and equipment	676,975	-	-	676,975
Intangible assets and goodwill	858,931	1,610	-	860,541
	<u>2,196,076</u>	<u>(17,055)</u>	<u>12,422</u>	<u>2,191,443</u>
Total Assets	<u>2,851,095</u>	<u>16,188</u>	<u>24,962</u>	<u>2,892,245</u>
Current liabilities				
Trade and other payables	469,245	56	(2,196)	467,105
Deferred revenue	49,864	-	-	49,864
Due to banks	148,198	-	-	148,198
	<u>667,307</u>	<u>56</u>	<u>(2,196)</u>	<u>665,167</u>
Non-current liabilities				
Due to banks	746,372	-	-	746,372
Other non-current liabilities	40,543	-	-	40,543
	<u>786,915</u>	<u>-</u>	<u>-</u>	<u>786,915</u>
Equity				
Attributable to the Company's shareholders				
Share capital	432,706	-	-	432,706
Share premium	1,707,164	-	-	1,707,164
Legal reserve	216,353	-	-	216,353
Foreign currency translation reserve	(1,293,692)	-	-	(1,293,692)
Investment fair valuation reserve	875	-	2,585	3,460
Share of reserves of associates	(747)	-	-	(747)
Retained earnings	177,782	15,937	23,407	217,126
	<u>1,240,441</u>	<u>15,937</u>	<u>25,992</u>	<u>1,282,370</u>
Non-controlling interests	156,432	195	1,166	157,793
Total equity	<u>1,396,873</u>	<u>16,132</u>	<u>27,158</u>	<u>1,440,163</u>
Total Liabilities and Equity	<u>2,851,095</u>	<u>16,188</u>	<u>24,962</u>	<u>2,892,245</u>

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(b) The following table summarizes the impact on the condensed consolidated statement of profit or loss for the three month and six month periods ended 30 June 2018:

	Three months ended 30 June 2018 (Unaudited)				Six months ended 30 June 2018 (Unaudited)			
	KD '000							
	As reported	IFRS 15	IFRS 9	Amounts without adoption of IFRS 15 and IFRS 9	As reported	IFRS 15	IFRS 9	Amounts without adoption of IFRS 15 and IFRS 9
Revenue	244,259	1,636	-	245,895	503,162	6,230	-	509,392
Cost of sales	(70,830)	887	-	(69,943)	(162,025)	2,173	-	(159,852)
Gross profit	173,429	2,523	-	175,952	341,137	8,403	-	349,540
Operating and administrative expenses	(86,390)	601	-	(85,789)	(166,147)	601	-	(165,546)
Depreciation and amortization	(38,362)	(2,263)	-	(40,625)	(76,901)	(4,780)	-	(81,681)
Provision for impairment – trade and other receivables	-	-	(4,098)	(4,098)	-	-	(8,800)	(8,800)
Expected credit loss on financial assets	(2,104)	-	2,104	-	(5,801)	-	5,801	-
Operating profit	46,573	861	(1,994)	45,440	92,288	4,224	(2,999)	93,513
Interest income	7,226	-	-	7,226	14,450	-	-	14,450
Investment income	81	-	86	167	298	-	(367)	(69)
Share of results of associates and joint ventures	(1,189)	-	-	(1,189)	(3,553)	-	-	(3,553)
Other (expense)/income	(513)	-	-	(513)	(17,029)	-	-	(17,029)
Finance costs	(10,557)	-	-	(10,557)	(19,817)	-	-	(19,817)
Provision for impairment loss on property and equipment	-	-	-	-	(9,648)	-	-	(9,648)
Loss from currency revaluation	(5,181)	-	-	(5,181)	(7,805)	-	-	(7,805)
Net monetary gain	16,063	-	-	16,063	50,269	-	-	50,269
Profit before contribution to KFAS, NLST, ZAKAT, income taxes and Board of Directors' remuneration	52,503	861	(1,908)	51,456	99,453	4,224	(3,366)	100,311
Contribution to KFAS	(306)	(8)	19	(295)	(480)	(42)	34	(488)
NLST and Zakat	(1,158)	(30)	67	(1,121)	(1,905)	(148)	118	(1,935)
Income tax expenses	(4,112)	(20)	-	(4,132)	(8,104)	(12)	-	(8,116)
Board of Directors' remuneration	(69)	-	-	(69)	(138)	-	-	(138)
Profit for the period	46,858	803	(1,822)	45,839	88,826	4,022	(3,214)	89,634

3.5 Significant judgments and estimates

The preparation of the condensed consolidated interim financial information requires management to make judgments, estimates and assumptions that affects the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. The significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Group's annual consolidated financial statements for the year ended 31 December 2017, except as mentioned below:

Classification of equity investment securities

On acquisition of an equity investment security, the Group decides whether it should be classified as fair value through profit or loss or fair value through other comprehensive income.

Measurement of the expected credit loss allowance

Loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in the accounting policy above.

4. Cash and bank balances

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

	<u>Unaudited</u> <u>30 June</u> <u>2018</u>	<u>Audited</u> <u>31 December</u> <u>2017</u>	<u>Unaudited</u> <u>30 June</u> <u>2017</u> <u>KD '000</u>
Cash on hand and at banks	106,879	125,484	100,732
Short-term deposits with banks	53,114	118,673	53,826
Government certificates of deposits held by subsidiaries	171	241	291
	<u>160,164</u>	<u>244,398</u>	<u>154,849</u>
Expected credit loss	(6,609)	-	-
	<u>153,555</u>	<u>244,398</u>	<u>154,849</u>
Cash at bank under lien	(7,560)	(7,545)	(8,469)
Deposits with maturity exceeding three months	(30,240)	(30,180)	(30,260)
Government certificates of deposits with maturities exceeding three months held by subsidiaries	(171)	(241)	(291)
Cash and cash equivalent in the condensed consolidated statements of cash flows	<u>115,584</u>	<u>206,432</u>	<u>115,829</u>

5. Non-current assets held for sale

This represents the carrying value of telecom tower assets in Kuwait classified as held for sale, on the basis that management is committed to a plan to sell these assets and the sale is expected to qualify for recognition as a sale within one year of the date of its classification.

6. Investments in associates and joint ventures

6.1 Investments in associates

This mainly represents the Group's share of investments in SMTC accounted for using the equity method:

	<u>Unaudited</u> <u>30 June</u> <u>2018</u>	<u>Audited</u> <u>31 December</u> <u>2017</u>	<u>Unaudited</u> <u>30 June</u> <u>2017</u> <u>KD '000</u>
Current assets	297,839	302,248	302,660
Non-current assets	1,805,180	1,784,895	1,843,516
Current liabilities	387,724	924,335	973,155
Non-current liabilities	1,427,019	876,084	882,065
Net asset of SMTC	288,276	286,724	290,956
Revenue	282,537	604,913	305,791
(Loss)/Profit	(9,190)	955	4,324
Other comprehensive income	(1,119)	(577)	(540)
Total comprehensive income for the period	(10,309)	378	3,784
Proportion of Group's ownership interest in SMTC	37.045%	37.045%	37.045%
Group's share of SMTC's net assets	106,792	106,217	107,785
Goodwill	12,392	12,367	12,400
Carrying amount of Group's interest in SMTC	<u>119,184</u>	<u>118,584</u>	<u>120,185</u>

SMTC refinanced and extended the maturity date of its existing five years syndicated Murabaha facility of SAR 5.9 billion (KD 477.074 million) which includes a working capital facility of SAR 647 million (KD 52.32 million) for two years.

As at 30 June 2018 the fair value of the Group's investment in SMTC, being its quoted market share price on the Saudi Stock Exchange, was KD 116.803 million (31 December 2017 - KD 127.186 million; 30 June 2017: KD 160.548 million).

Based on an event subsequent to the date of the interim consolidated statement of financial position, the Company has concluded that it is able to control SMTC through its majority representation on the board of directors. Pending completion of a provisional assessment of the fair values of SMTC's identifiable assets and liabilities on the date of this business combination an estimate of its financial effect cannot currently be made.

6.2 Interest in a joint venture

This represents Group's KD 69.679 million (31 December 2017 - KD 69.828 million; 30 June 2017: KD 69.977 million) interest in the joint venture, Zain Al Ajial S.A. that owns 31% of the equity shares and voting rights of Wana Corporate (a Moroccan joint stock company that is specialized in the telecom sector in that country).

7. Due to banks

	<u>Unaudited</u> <u>30 June</u> <u>2018</u>	<u>Audited</u> <u>31 December</u> <u>2017</u>	<u>Unaudited</u> <u>30 June</u> <u>2017</u> <u>KD '000</u>
<i>Company</i>			
Short term loans	146,469	110,540	182,580
Long term loans	599,708	621,940	716,828
	<u>746,177</u>	<u>732,480</u>	<u>899,408</u>
<i>Zain Sudan</i>			
Short term Murabaha financing	-	-	899
<i>Zain - Bahrain</i>			
Long term loans	750	1,501	4,628
<i>Atheer - Iraq</i>			
Bank overdraft	979	-	-
Long term loans	146,664	136,220	146,676
	<u>894,570</u>	<u>870,201</u>	<u>1,051,611</u>

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The closing balance includes a non-cash movement arising from foreign currency loss of KD 2.055 million (31 December 2017 – gain of KD 11.422 million; 30 June 2017 – gain of KD 8.792 million).

The current and non-current amounts are as follows:

	Unaudited	Audited	Unaudited
	30 June	31 December	30 June
	2018	2017	2017
	KD `000		
Current liabilities	148,198	199,564	381,402
Non-current liabilities	746,372	670,637	670,209
	<u>894,570</u>	<u>870,201</u>	<u>1,051,611</u>

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

	Unaudited	Audited	Unaudited
	30 June	31 December	30 June
	2018	2017	2017
	KD `000		
US dollar	873,820	836,587	941,816
Kuwaiti dinar	20,000	32,113	104,269
Others	750	1,501	5,526
	<u>894,570</u>	<u>870,201</u>	<u>1,051,611</u>

The effective interest rate as at 30 June 2018 was 2.42% to 5.1% (31 December 2017 - 2.01% to 12%; 30 June 2017 – 2.01% to 12.00%) per annum.

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

- consolidated net borrowings to adjusted consolidated Earnings Before Interest Tax Depreciation and Amortisation (EBITDA);
- adjusted consolidated EBITDA to adjusted consolidated net interest payable;
- equity to total assets.

During the period, the Company:

drew down loans amounting to KD 113.208 million. This includes:

- US\$ 200 million (KD 59.86 million) from an existing US\$ 200 million murabaha facility agreement
- US\$ 140 million (KD 41.964 million) from an existing US\$ 500 million revolving credit facility
- US\$ 37.65 million (KD 11.384 million) in respect of a term loan repaid loans amounting to KD 101.335 million. This includes:
 - US\$ 172.5 million (KD 51.637 million) of an existing US\$ 200 million murabaha facility agreement
 - KD 12.112 million to fully repay the term loan that was availed from a local commercial bank in 2014
- US\$ 50 million (KD 15.12 million) of an existing US\$ 500 million revolving credit facility
- US\$ 40 million (KD 12.096 million) to repay the term loan that was availed from a local commercial bank in 2017

The above facilities carry a floating interest rate of a fixed margin over three or six month London Inter-Bank Offer Rate (LIBOR) or over Central Bank Discount rate.

Zain – Bahrain

This represents balance outstanding on the long term Bahraini Dinar denominated facilities, availed in 2013, at a fixed margin over Bahrain Inter Bank Overnight rate (BIBOR). These were four year amortising facilities that will mature in September 2018.

Atheer

Long term loans include:

- US\$ 300 million (KD 90.720 million) loan from a commercial bank that was rolled over as a long term loan maturing in December 2019;
- US\$ 55 million (KD 16.632 million) long-term loan repayable by March 2020 availed from a commercial bank in 2015.
- US\$ 30 million (KD 9.072 million) long-term loan repayable by December 2019 availed from a commercial bank in 2017.
- US\$ 50 million (KD 15.120 million) long-term loan repayable by April 2020 availed from a commercial bank in 2018.

These facilities are guaranteed by the Company and carry a floating interest rate of a fixed margin over three month LIBOR.

8. Share capital

The authorized, issued and fully paid up share capital as of 30 June 2018 is 4,327,058,909 shares (31 December 2017 - 4,327,058,909; 30 June 2017 - 4,327,058,909) of 100 fils each.

9. Dividend

The annual general meeting of shareholders for the year ended 31 December 2017 held on 28 March 2018 (31 December 2016 - 12 March 2017) approved distribution of cash dividends of 35 fils (31 December 2016 - 35 fils) per share amounting to KD 151,447,000 (31 December 2016 - KD 136,547,000) to be paid to the registered shareholders, after obtaining necessary regulatory approvals.

10. Treasury shares

These shares were acquired based on an authorization granted to the Board of Directors by the shareholders and in accordance with Ministerial Decrees No. 10 of 1987 and No. 11 of 1988 and are carried at cost. Reserves equivalent to the cost of treasury shares held are not distributable.

	Unaudited	Audited	Unaudited
	30 June	31 December	30 June
	2018	2017	2017
Number of shares	-	-	425,711,648
Percentage of issued shares	-	-	9.84%
Market value (KD '000)	-	-	198,502
Cost (KD '000)	-	-	567,834

In August 2017, the Company sold all of its treasury shares for KD 255.172 million and the resultant difference between cost and sale price was recorded in retained earnings.

11. Investment income

	Three months		Six months	
	ended 30 June		ended 30 June	
	(Unaudited)		(Unaudited)	
	2018	2017	2018	2017
	KD'000		KD'000	
(Loss)/profit from investment securities at FVTPL	(172)	(49)	45	27
Realised gains from investment securities 'available for sale'	-	58	-	2,627
Impairment loss on available for sale investments	-	-	-	(2,473)
Dividend income	253	165	253	246
	81	174	298	427

12. Earnings per share

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

	Three months ended 30 June (Unaudited)		Six months ended 30 June (Unaudited)	
	2018	2017	2018	2017
	KD'000		KD'000	
Profit for the period attributable to shareholders	45,554	44,057	86,451	82,286
	Shares	Shares	Shares	Shares
Weighted average number of shares in issue outstanding during the period	4,327,058,909	3,901,347,261	4,327,058,909	3,901,347,261
	Fils	Fils	Fils	Fils
Earnings per share – Basic and diluted	11	11	20	21

13. Segmental information

The Company and its subsidiaries operate in a single business segment, telecommunications and related services in Kuwait and other countries. This forms the basis of the geographical segments.

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

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	30 June 2018						Total KD '000
	Kuwait	Jordan	Sudan	Iraq	Bahrain	Others	
Segment revenues - airtime, data and subscription (Point over time)	137,136	70,434	50,318	166,666	19,956	12,425	456,935
Segment revenues - trading income (Point in time)	36,792	2,108	258	884	6,096	89	46,227
Net profit before interest and tax	39,086	16,444	10,113	13,177	1,865	41,747	122,432
Interest income	-	212	358	59	22	97	748
Finance costs	-	(2,845)	-	(5,698)	(29)	(20)	(8,592)
Income tax expenses	-	(3,122)	(2,248)	(2,193)	-	(251)	(7,814)
	<u>39,086</u>	<u>10,689</u>	<u>8,223</u>	<u>5,345</u>	<u>1,858</u>	<u>41,573</u>	<u>106,774</u>
<i>Unallocated items:</i>							
Investment income							298
Share of results of associates and joint ventures							(3,553)
Others (including unallocated interest income and finance costs)							(14,693)
Profit for the period							<u>88,826</u>
Segment assets including goodwill	311,565	310,490	166,770	998,941	77,005	88,991	1,953,762
<i>Unallocated items:</i>							
Investment securities at FVTPL							11,622
Investment securities at FVOCI							8,312
Investment in associates and joint ventures							188,886
Dues from associates							434,271
Others							254,242
Consolidated assets							<u>2,851,095</u>
Segment liabilities	81,513	151,138	38,707	145,994	22,372	97,118	536,842
Due to banks	-	-	-	147,643	750	-	148,393
	<u>81,513</u>	<u>151,138</u>	<u>38,707</u>	<u>293,637</u>	<u>23,122</u>	<u>97,118</u>	<u>685,235</u>
<i>Unallocated items:</i>							
Due to banks							746,177
Others							22,810
Consolidated liabilities							<u>1,454,222</u>
Net consolidated assets							<u>1,396,873</u>
Capital expenditure incurred during the period	10,270	1,652	5,554	11,698	142	3,946	33,262
Unallocated							1,652
Total capital expenditure							<u>34,914</u>
Depreciation and amortization	12,979	12,507	5,515	38,602	4,134	2,172	75,909
Unallocated							992
Total depreciation and amortization							<u>76,901</u>

Mobile Telecommunications Company K.S.C.P

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	30 June 2017						Total KD '000
	Kuwait	Jordan	Sudan	Iraq	Bahrain	Others	
Segment revenues	167,221	73,407	64,957	159,144	30,524	12,817	508,070
Net profit before interest and tax	38,861	21,146	12,882	9,562	1,305	(289)	83,467
Interest income	5	107	341	65	13	78	609
Finance costs	-	(2,454)	-	(6,376)	(145)	(1,927)	(10,902)
Income tax expenses	-	(4,314)	(2,725)	-	-	(339)	(7,378)
	<u>38,866</u>	<u>14,485</u>	<u>10,498</u>	<u>3,251</u>	<u>1,173</u>	<u>(2,477)</u>	<u>65,796</u>
<i>Unallocated items:</i>							
Investment income							427
Share of results of associates and joint ventures							1,045
Others(including unallocated interest income and finance costs)							16,660
Profit for the period							<u>83,928</u>
Segment assets including goodwill	315,498	312,794	255,868	1,046,984	85,429	117,122	2,133,695
<i>Unallocated items:</i>							
Investment securities at FVTPL							996
Investment securities available for sale							18,315
Investment in associates and joint ventures							190,162
Dues from associates							397,306
Others							248,128
Consolidated assets							<u>2,988,602</u>
Segment liabilities	96,896	148,951	57,193	197,287	28,680	222,479	751,486
Due to banks	-	-	899	146,676	4,628	-	152,203
	<u>96,896</u>	<u>148,951</u>	<u>58,092</u>	<u>343,963</u>	<u>33,308</u>	<u>222,479</u>	<u>903,689</u>
<i>Unallocated items:</i>							
Due to banks							899,408
Others							(150,388)
Consolidated liabilities							<u>1,652,709</u>
Net consolidated assets							<u>1,335,893</u>
Capital expenditure incurred during the period	5,671	6,707	21,197	13,341	640	115	47,671
Unallocated							1,890
Total capital expenditure							<u>49,561</u>
Depreciation and amortization	24,844	14,043	7,390	37,810	7,761	4,795	96,643
Unallocated							679
Total depreciation and amortization							<u>97,322</u>

14. Related party transactions

The Group has entered into transactions with related parties on terms approved by management. Transactions and balances with related parties (in addition to those disclosed in other notes) are as follows:

Transactions

	Three months ended 30 June (Unaudited)		Six months ended 30 June (Unaudited)	
	2018	2017	2018	2017
	KD'000		KD'000	
Revenue	646	1,280	1,219	2,461
Cost of sales	496	451	895	932
Management fee (included in other income)	1,059	1,090	2,026	1,090
Interest income on loans to an associate	5,895	8,885	11,587	8,885

Key management compensation

	Three months ended 30 June (Unaudited)		Six months ended 30 June (Unaudited)	
	2018	2017	2018	2017
	KD'000		KD'000	
Salaries and other short term employee benefits	683	735	1,560	1,488
Post-employment benefits	290	112	402	224

Balances

	Unaudited	Audited	Unaudited
	30 June	31	30 June
	2018	December	2017
KD '000			
Trade receivables	12,448	16,553	9,052
Trade payables	8,962	9,851	5,117

15. Commitments and contingencies

	Unaudited	Audited	Unaudited
	30 June	31 December	30 June
	2018	2017	2017
KD '000			
Capital expenditure	51,441	37,727	69,430
Capital expenditure - share of an associate	64,642	60,835	42,183
Uncalled share capital of investee companies	2,236	4,685	4,917
Letters of guarantee and credit	448,989	453,691	451,549

The above include guarantees amounting to KD 394.5 million (31 December 2017 - KD 396.316 million; 30 June 2017 - KD 400.416 million) relating to loans and other vendor financing availed by SMTC.

The Company is a guarantor for credit facilities amounting to KD 7.257 million (31 December 2017 - KD 10.551 million; 30 June 2017 - KD 10.579 million) granted to a founding shareholder in SMTC. The Company believes that the collaterals provided by the founding shareholder to the bank, covers the credit facilities.

Penalties and Fee claims in Iraq

In 2011, the Communications and Media Commission (CMC) claimed an amount of US\$ 100 million (KD 30.24 million) from Atheer, citing non-compliance with certain license terms. This claim was resolved in favor of Atheer during the second quarter of 2015. However, in March 2016, the Executive Director of the CMC filed a complaint with the Hearing Panel of the CMC claiming US\$ 100 million (KD 30.24 million) relating to the matter which had been ruled in favor of Atheer by the Appeals Board of the CMC on three previous occasions. On 13 July 2016, the Hearing Panel of the CMC issued a decision in favor of CMC. On 8 September 2016, Atheer filed an appeal against this decision with the CMC Appellate Panel. On 15 January 2017, the CMC Appeals Board issued a decision in favor of CMC. Atheer challenged this decision of the CMC Appeals Board in the Court of First Instance arguing that the provisions of Order No. 65 (governing telecom activities in Iraq), that immunizes CMC Appeals Board decisions from being appealed or challenged, is unconstitutional. Atheer also requested the Court to issue an order preventing CMC from collecting the amount of claim or enforcing the CMC Appeals Board decision until the matter is decided by the Court. The Court of First Instance issued orders in February and April 2017 to stop any enforcement proceedings by the CMC to collect the amount of claim until the case is decided by the Court. On 27 April 2017, the Court of First Instance issued a decision in favor of CMC. In May 2017, Atheer filed an appeal with the Court of Appeals against this decision. In November 2017, the Court of Appeals issued a decision in favor of Atheer. However, CMC challenged such decision by filing an appeal with the Court of Cassation which issued a decision on 15 November 2017 reversing the decision of the Court of Appeals and returning the file to the Court of Appeals for a decision. On 28 December 2017, the Court of Appeals issued a decision which upheld the decision of Court of First Instance dated 27 April 2017. Atheer filed a challenge to this decision with the Court of Cassation on 11 January 2018. On 12 March 2018, the Court of Cassation decided in favour of Atheer and ruled that the Court of Appeals erred and should have examined the basis on which the CMC imposed the fine, taking into account the views of the expert appointed by the CMC. The case was remanded to the Court of Appeals to take a decision. On 3 June 2018, the Court of Appeals issued a decision in favour of Atheer and directed CMC to stop demanding payment of the fine amount from Atheer. CMC has challenged the decision before the Court of Cassation and is awaiting the Court's decision. Based on the report of its attorneys, Atheer believes that the prospects of resolving this matter is in its favor.

Income and Capital Gains taxes in Iraq

In November 2016, Atheer signed an agreement with Iraq's Ministry of Finance as follows:

- In connection with the additional corporate income tax for the years 2004 to 2010 of US\$ 244 million (KD 73.786 million) claimed by the Iraq General Commission for Taxes (IGCT), Atheer would have the right to submit its objection to the income tax claimed by the Income Tax Authority for the years from 2004 to 2010, and to pay minimum 25% of the amount claimed and the balance US\$ 173 million (KD 52.315 million) in fifty equal monthly instalments from December 2016, net of amount already paid. Atheer would reserve the right to file an objection for each of these years;
- Atheer to settle the capital gains tax claim for US\$ 93 million (KD 28.123 million) which is 50% of the original claim based on Iraq's Council of Ministers approval in November 2016;
- The block on Atheer's bank accounts and the lien on part of Group's share in Al Khatem would be released.

Atheer paid the amounts agreed in December 2016 and secured the release of the block on its bank accounts and the lien on Group's shares in Al Khatem. Atheer submitted its objections against the US\$ 244 million (KD 73.786 million) tax claim in November 2016 objecting to the full amount of the claim. As of 30 June 2018, Atheer has an obligation to pay the balance of US\$ 107 million; equivalent to KD 32.357 million (31 December 2017: KD 38.63 million) net of previous payments in thirty one instalments.

In May 2017, IGCT issued its decision rejecting the objections for the above years without stating any reasons. On 7 June 2017, Atheer filed appeals against IGCT decisions with the Appeal Committee at IGCT. On 9 November 2017, the Appeal Committee issued a decision with respect to years 2004-2007 rejecting Atheer's appeals by mainly arguing that Atheer did not have the right to file the original objections in November 2016, which implies that the Appeal Committee did not recognize the settlement agreed with the Ministry of Finance. On 21 December 2017, the Appeal Committee issued a decision with respect to years 2008-2010 rejecting Atheer's appeals on the basis that while Atheer had filed the objections on time but it did not pay the requisite amounts that are required under the law for the objections to be deemed properly filed, which again implies that the Appeal Committee did not recognize the settlement agreed with the Ministry of Finance. On 21 November 2017, Atheer filed a further appeal with the Cassation Committee at the IGCT with respect to years 2004-2007, and further filed similar appeals with the Cassation Committee on 2 January 2018 for the years 2008-2010. On 12 February 2018, the Cassation Committee issued decisions in favour of Atheer in relation to the years 2004-2010, by upholding Atheer's right to appeal and instructing the Appeals Committee to reconsider those appeals on their merits on the basis that Atheer's agreement with Ministry of Finance was not invalid. Appeals Committee resumed its session in June 2018 in which Atheer submitted a statement to clear its grounds. Based on the report of its attorneys, Atheer believes that the prospects of resolving this matter is in its favor.

Pella is a defendant in lawsuits amounting to KD 12.423 million (31 December 2017 – KD 12.474 million). Based on the report of its attorneys, the Group expects the outcome of these proceedings to be favorable to Pella. Pella has initiated legal proceedings against the claim by regulatory authorities of KD 9.510 million (31 December 2017 - KD 9.504 million) for the years 2002 - 2005 on the grounds that it has already paid the amount that it was obligated to pay for those years. Pella has also initiated legal proceedings against the regulatory authorities claiming refund of excess license fee paid amounting to KD 11.643 million (31 December 2017 - KD 11.934 million) of earlier years. Based on the report of its attorneys, the Group expects the outcome to be favorable to Pella.

In addition, legal proceedings have been initiated by and against the Group in some jurisdictions. On the basis of information currently available and the advice of the legal advisors, Group management is of the opinion that the outcome of these proceedings is unlikely to have a material adverse effect on the consolidated financial position or the consolidated performance of the Group.

16. Financial instruments

16.1 Categories of financial assets and liabilities

The carrying amounts of the Group's financial assets and liabilities as stated in the condensed consolidated statement of financial position are categorized as follows:

	(Unaudited) 30 June 2018	(Audited) 31 December 2017	(Unaudited) 30 June 2017
	KD'000		
Ammortised costs/Loans and receivables:			
Cash and bank balances	153,555	244,398	154,849
Trade and other receivables	419,364	455,472	479,533
Contract assets (current and non-current)	56,824	-	-
Due from associates	434,271	415,759	397,306
Other assets	12,096	12,072	12,188
Investment securities –FVTPL	11,622	778	996
Investment securities – FVOCI	8,312	-	-
Investments securities available for sale	-	16,118	18,315

All financial liabilities are categorized as 'other than at fair value through profit or loss'.

16.2 Fair value hierarchy for financial instruments measured at fair value

The following table presents the financial assets which are measured at fair value in the condensed consolidated statement of financial position in accordance with the fair value hierarchy.

This hierarchy groups financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

Level 1 : Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 : Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 : Inputs for assets or liabilities that are not based on observable market data (unobservable inputs).

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The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

30 June 2018

	Level 1	Level 2	Level 3	Total
				KD'000
Financial assets at fair value:				
Investments securities at FVTPL	3,531	8,091	-	11,622
Investments securities at FVOCI	1,054	395	6,863	8,312
Total assets	<u>4,585</u>	<u>8,486</u>	<u>6,863</u>	<u>19,934</u>

31 December 2017

	Level 1	Level 2	Level 3	Total
				KD'000
Financial assets at fair value:				
Investments securities at FVTPL	778	-	-	778
Investments securities available for sale	3,347	7,925	-	11,272
Total assets	<u>4,125</u>	<u>7,925</u>	<u>-</u>	<u>12,050</u>

30 June 2017

	Level 1	Level 2	Level 3	Total
				KD'000
Financial assets at fair value:				
Investments securities at FVTPL	996	-	-	996
Investments securities available for sale	5,533	7,763	-	13,296
Total assets	<u>6,529</u>	<u>7,763</u>	<u>-</u>	<u>14,292</u>

Measurement at fair value

The methods and valuation techniques used for the purpose of measuring fair value are unchanged compared to the previous year.

17. Hyperinflation – Zain South Sudan

Net monetary gain

The Republic of South Sudan economy had become hyperinflationary in 2016. Accordingly the results, cash flows and financial position of the Group's subsidiary in South Sudan have been expressed in terms of the measuring unit current at the reporting date in accordance with IAS 29 Financial Reporting. The effect on the net monetary position is included in the Condensed Consolidated Statement of Profit or Loss as 'net monetary gain'

The general price indices used in adjusting the results, cash flows and the financial position of Zain South Sudan is based on the Consumer Price Index (CPI) published by South Sudan Bureau for Statistics as set out below:

	Index	Conversion factor
30 June 2018	6,575	1.00
31 December 2017	4,502	1.46
31 December 2016	2,068	3.18
31 December 2015	357	18.43
31 December 2014	170	38.67
31 December 2013	155	42.50
31 December 2012	170	38.76

Provision for impairment loss on property and equipment

The Group assessed that the carrying value of its network assets at Zain South Sudan exceeds their recoverable amount as determined by their fair value less cost of disposal and estimated an impairment loss of KD 9.648 million (30 June 2017: KD 21.292 million). The fair value was determined using the current replacement cost approach based on level 3 inputs of the fair value hierarchy with the service capacity of the assets being the most significant unobservable input. The current use was determined to be highest and best use. The impairment loss is subject to reassessment at the end of each reporting period to determine if it no longer exists or may have decreased in which case it is reversible to that extent.

18. Derivative financial instruments

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

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

At 30 June 2018:

	Notional amounts by term to maturity		
	Positive fair value	Negative fair value	Notional amount
			KD '000
<i>Derivatives held for hedging:</i>			
<i>Cash flow hedges</i>			
Profit rate swaps - share of an associate	-	497	71,407

At 31 December 2017:

	Notional amounts by term to maturity		
	Positive fair value	Negative fair value	Notional amount
			KD '000
<i>Derivatives held for hedging:</i>			
<i>Cash flow hedges</i>			
Profit rate swaps - share of an associate	-	78	96,454

At 30 June 2017:

	Notional amounts by term to maturity		
	Positive fair value	Negative fair value	Notional amount
			KD '000
<i>Derivatives held for hedging:</i>			
<i>Cash flow hedges</i>			
Profit rate swaps - share of an associate	-	320	108,483