

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

**Condensed Consolidated Interim Financial Information (Unaudited)
30 June 2019**

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

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE BOARD OF DIRECTORS

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 2019 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 with respect to its subsidiaries in the Republic of Sudan. It is not possible to determine with reasonable certainty the exact impact of applying hyperinflationary accounting for these subsidiaries as the Group has not performed the required calculations. In these circumstances, we are unable to quantify the effect of the departure from IAS 29.

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

Without qualifying our conclusion, we draw attention to Note 17 to the condensed consolidated interim financial information, which discloses the uncertainty related to the outcome of a claim against the subsidiary in Iraq.

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

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE BOARD OF DIRECTORS (Continued)

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 during the six-month period ended 30 June 2019 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 2019

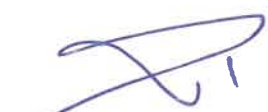
Mobile Telecommunications Company K.S.C.P

Condensed Consolidated Statement of Financial Position as at 30 June 2019 (Unaudited)

		Unaudited 30 June 2019	Audited 31 December 2018	Unaudited 30 June 2018 KD '000
Assets				
Current assets				
Cash and bank balances	4	336,297	311,916	153,555
Trade and other receivables		602,629	572,783	419,570
Contract assets		72,680	66,062	43,355
Inventories		43,330	45,957	19,261
Investment securities at FVTPL		8,655	15,519	11,622
Assets of disposal group classified as held for sale	5	13,557	7,656	7,656
		<u>1,077,148</u>	<u>1,019,893</u>	<u>655,019</u>
Non-current assets				
Contract assets		20,432	16,940	13,469
Investment securities at FVOCI		4,956	7,040	8,312
Investments in associates and joint venture	6	71,823	69,851	188,886
Due from associates		-	-	434,271
Other assets		11,325	11,953	15,232
Property and equipment	7	1,166,911	1,198,775	676,975
Right of use of assets	3	179,430	-	-
Intangible assets and goodwill	8	2,169,009	2,163,267	858,931
		<u>3,623,886</u>	<u>3,467,826</u>	<u>2,196,076</u>
Total assets		<u>4,701,034</u>	<u>4,487,719</u>	<u>2,851,095</u>
Liabilities and equity				
Current liabilities				
Trade and other payables		922,229	956,272	469,245
Deferred revenue		94,405	105,308	49,864
Due to banks	9	449,068	412,971	148,198
Lease liabilities		44,690	-	-
Liabilities of disposal group classified as held for sale	5	4,214	-	-
		<u>1,514,606</u>	<u>1,474,551</u>	<u>667,307</u>
Non-current liabilities				
Due to banks	9	1,043,485	1,033,565	746,372
Lease liabilities	3	141,461	-	-
Other non-current liabilities	10	427,661	336,325	40,543
		<u>1,612,607</u>	<u>1,369,890</u>	<u>786,915</u>
Equity				
Attributable to the Company's shareholders				
Share capital	11	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		(1,365,687)	(1,367,018)	(1,293,692)
Investment fair valuation reserve		(1,279)	864	875
Other reserves		(3,359)	(4)	(747)
Retained earnings		233,340	287,143	177,782
		<u>1,219,238</u>	<u>1,277,208</u>	<u>1,240,441</u>
Non-controlling interests		354,583	366,070	156,432
Total equity		<u>1,573,821</u>	<u>1,643,278</u>	<u>1,396,873</u>
Total liabilities and equity		<u>4,701,034</u>	<u>4,487,719</u>	<u>2,851,095</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 2019.


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 – 30 June 2019 (Unaudited)

	Note	Three months ended 30 June		Six months ended 30 June	
		2019	2018	2019	2018
		KD'000		KD'000	
Revenue		406,636	244,259	811,127	503,162
Cost of sales		(103,940)	(70,830)	(222,950)	(162,025)
Operating and administrative expenses		(118,135)	(86,390)	(220,360)	(166,147)
Depreciation and amortization		(90,761)	(38,362)	(181,009)	(76,901)
Expected credit loss on financial assets (ECL)		(7,852)	(2,104)	(13,461)	(5,801)
Interest income		2,403	7,226	5,157	14,450
Investment income	13	962	81	772	298
Share of results of associates and joint venture		394	(1,189)	1,972	(3,553)
Other income/(expenses)		7,504	(513)	4,888	(17,029)
Finance costs		(28,372)	(10,557)	(56,602)	(19,817)
Provision for impairment loss on property and equipment	19	-	-	-	(9,648)
Loss from currency revaluation		(4,083)	(5,181)	(5,852)	(7,805)
Net monetary gain	19	835	16,063	4,075	50,269
Profit before contribution to KFAS, NLST, ZAKAT, income taxes and Board of Directors' remuneration		65,591	52,503	127,757	99,453
Contribution to Kuwait foundation for Advancement of Sciences (KFAS)		(520)	(306)	(979)	(480)
National Labour Support Tax (NLST) and Zakat		(1,827)	(1,158)	(3,457)	(1,905)
Income tax expenses		(4,817)	(4,112)	(9,031)	(8,104)
Board of Directors' remuneration		(105)	(69)	(210)	(138)
Profit for the period		58,322	46,858	114,080	88,826
Attributable to:					
Shareholders of the Company		50,205	45,554	97,291	86,451
Non-controlling interests		8,117	1,304	16,789	2,375
		58,322	46,858	114,080	88,826
Earnings per share					
Basic and diluted – Fils	14	12	11	22	20

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 –
30 June 2019 (Unaudited)**

	Three months ended 30 June		Six months ended 30 June	
	2019	2018	2019	2018
	KD'000		KD'000	
Profit for the period	58,322	46,858	114,080	88,826
Other comprehensive income				
<i>Items that will be reclassified to profit or loss:</i>				
Exchange differences on translating foreign operations	411	(6,262)	1,292	(105,216)
Cash flow hedges	(3,618)	(507)	(9,058)	(421)
	<u>(3,207)</u>	<u>(6,769)</u>	<u>(7,766)</u>	<u>(105,637)</u>
<i>Items that will not be reclassified to profit or loss:</i>				
Changes in the fair value of equity investments at FVOCI	(2,193)	(112)	(2,143)	(158)
Total comprehensive income/(expense) for the period	<u>52,922</u>	<u>39,977</u>	<u>104,171</u>	<u>(16,969)</u>
Total comprehensive income/(expense) attributable to:				
Shareholders of the Company	48,335	37,795	93,124	(18,351)
Non-controlling interests	4,587	2,182	11,047	1,382
	<u>52,922</u>	<u>39,977</u>	<u>104,171</u>	<u>(16,969)</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 2019 (Unaudited)

	Equity attributable to Company's shareholders							Non - controlling interests	Total
	Share capital	Share premium	Legal reserve	Foreign currency translation reserve	Investment fair valuation reserve	Other reserves	Retained earnings		
Balance at 1 January 2019	432,706	1,707,164	216,353	(1,367,018)	864	(4)	287,143	366,070	1,643,278
Transition adjustment on adoption of IFRS 16 (Note 3)	-	-	-	-	-	-	(21,282)	(17,456)	(38,738)
Total comprehensive income for the period <i>Transactions with shareholders of the Company, recognized directly in equity</i>	432,706	1,707,164	216,353	(1,367,018)	864	(4)	265,861	348,614	1,604,540
Cash dividends (2018) (Note 12)	-	-	-	1,331	(2,143)	(3,355)	97,291	11,047	104,171
Balance at 30 June 2019	432,706	1,707,164	216,353	(1,365,687)	(1,279)	(3,359)	233,340	354,583	1,573,821
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	-	-	-	-	(2,218)	-	(39,141)	(1,357)	(42,716)
Total comprehensive income for the period <i>Transactions with shareholders of the Company, recognized directly in equity</i>	432,706	1,707,164	216,353	(1,189,469)	1,033	(326)	242,778	156,649	1,566,888
Cash dividends (2017) (Note 12)	-	-	-	(104,223)	(158)	(421)	86,451	1,382	(16,969)
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 2019
Transition adjustment on adoption of IFRS 16 (Note 3)

Total comprehensive income for the period
Transactions with shareholders of the Company, recognized directly in equity
Cash dividends (2018) (Note 12)

Balance at 1 January 2018
Transition adjustment on adoption of IFRS 9 and IFRS 15 at 1 January 2018

Total comprehensive income for the period
Transactions with shareholders of the Company, recognized directly in equity
Cash dividends (2017) (Note 12)

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

Condensed Consolidated Statement of Cash Flows – six months ended 30 June 2019 (Unaudited)

	Six months ended 30 June	
	2019	2018
	KD'000	
Cash flows from operating activities		
Profit for the period before income tax	123,111	96,930
Adjustments for:		
Depreciation and amortization	181,009	76,901
ECL on financial assets	13,461	5,801
Interest income	(5,157)	(14,450)
Investment income	(772)	(298)
Share of results of associates and joint venture	(1,972)	3,553
Provision for impairment loss on property and equipment	-	9,648
Finance costs	56,602	19,817
Loss from currency revaluation	5,852	7,805
Net monetary gain	(4,075)	(50,269)
Gain on sale of property and equipment	1,561	(54)
Operating profit before working capital changes	369,620	155,384
Increase in trade and other receivables	(73,065)	(73,681)
Decrease in inventories	2,641	14,821
Increase in trade and other payables	24,985	21,176
Cash generated from operations	324,181	117,700
Paid to KFAS	(771)	(319)
NLST and Zakat paid	(2,068)	(5,492)
Income tax paid	(9,022)	(8,476)
<i>Net cash from operating activities</i>	<u>312,320</u>	<u>103,413</u>
Cash flows from investing activities		
Deposits maturing after three months and cash at bank under lien (note 4)	(6)	(5)
Investments in securities	(274)	(3,738)
Proceeds from sale of investments	7,425	316
Increase in due from associates	-	(7,039)
Acquisition of property and equipment (net)	(106,609)	(30,559)
Acquisition of intangible assets (net)	(15,377)	(308)
Interest received	4,417	2,668
Dividend received	381	253
<i>Net cash used in investing activities</i>	<u>(110,043)</u>	<u>(38,412)</u>
Cash flows from financing activities		
Proceeds from bank borrowings	134,258	142,901
Repayment of bank borrowings	(89,217)	(120,587)
Repayment of lease liabilities	(30,394)	-
Dividends paid to Company's shareholders	(127,535)	(148,760)
Dividends paid to minority shareholders of subsidiaries	(4,268)	(470)
Finance costs paid – due to banks	(61,271)	(16,692)
<i>Net cash used in financing activities</i>	<u>(178,427)</u>	<u>(143,608)</u>
Net increase/(decrease) in cash and cash equivalents	23,850	(78,607)
Effect of foreign currency translation	525	(5,744)
Transition adjustment on adoption of IFRS 9	-	(6,497)
Cash and cash equivalents at beginning of period	304,236	206,432
Cash and cash equivalents at end of period (Note 4)	<u>328,611</u>	<u>115,584</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 2018 - Kuwait and 8 other countries; 30 June 2018 - 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.

The economy of Republic of South Sudan became 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 in Hyperinflationary Economies. The methods used to measure the fair value and adjustments made to the account of Group's entities that operate in the hyperinflationary economies are discussed further in the accounting policies and in the respective notes.

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 2016 to be around 57% and thus, applying IAS 29 in 2015, could have entailed going in and out of hyperinflation within a short period which was confirmed when the Republic of Sudan went out of hyperinflation in 2016. The Republic of Sudan has been again declared as hyperinflationary in 2018. Based on the above matters, the Group believes that there is no definitive basis to apply IAS 29 at this stage. However, the Group will review it on an ongoing basis, accordingly it has not quantified the impact of applying IAS 29 in 2018 and as of 30 June 2019.

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 2019, 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 2018.

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 2018. However, the Group has adopted IFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening statement of financial position on 1 January 2019.

Other amendments and interpretations apply for the first time in 2019, but do not have an impact on the condensed consolidated interim financial information of the Group.

Financial support to 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 16 are summarized below:

From 1 January 2019, operating leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Payments associated with leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Low-value assets comprise Information Technology (IT) equipment and small items of office furniture.

The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial applications.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019.

	KD'000
Operating lease commitments disclosed as at 31 December 2018	233,706
Discounted using the lessee's incremental borrowing rate of at the date of initial application	205,774
Lease liability recognised as at 1 January 2019	205,774
Current and non-current amounts are as follows:	
Current lease liabilities	44,132
Non-current lease liabilities	161,642
	205,774

The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 6.38%. Interest expense on lease liabilities amounted to KD 6.555 million for the period ended 30 June 2019.

Impact of IFRS 16 on the condensed consolidated interim financial information

- (a) Net impact from the adoption of IFRS 16 on opening statement of financial position as at 1 January 2019 is as follows:

	KD'000		
	31 December 2018	Increase/ (decrease)	1 January 2019
Right of use of assets (including held for sale assets)	-	199,571	199,571
Trade and other receivables	572,783	(32,730)	540,053
Lease liabilities	-	205,774	205,774
Accrued expenses	-	(195)	(195)
Retained earnings	287,143	(21,282)	265,861
Minority interests	366,070	(17,456)	348,614

The following table summarizes the impact on statement of financial position as at 30 June 2019:

	KD'000		
	As reported	IFRS 16	Amounts without adoption of IFRS 16
Current assets			
Cash and bank balances	336,297	-	336,297
Trade and other receivables	602,629	50,766	653,395
Contract assets	72,680	-	72,680
Inventories	43,330	-	43,330
Investment securities at FVTPL	8,655	-	8,655
Assets of disposal group classified as held for sale	13,557	(5,901)	7,656
	<u>1,077,148</u>	<u>44,865</u>	<u>1,122,013</u>
Non-current assets			
Contract assets	20,432	-	20,432
Investment securities at FVOCI	4,956	-	4,956
Investments in associates and joint venture	71,823	-	71,823
Other assets	11,325	-	11,325
Property and equipment	1,166,911	-	1,166,911
Right of use of assets	179,430	(179,430)	-
Intangible assets and goodwill	2,169,009	-	2,169,009
	<u>3,623,886</u>	<u>(179,430)</u>	<u>3,444,456</u>
Total assets	<u>4,701,034</u>	<u>(134,565)</u>	<u>4,566,469</u>
Current liabilities			
Trade and other payables	922,229	21,504	943,733
Deferred revenue	94,405	-	94,405
Due to banks	449,068	-	449,068
Lease liabilities	44,690	(44,690)	-
Liabilities of disposal group classified as held for sale	4,214	(4,214)	-
	<u>1,514,606</u>	<u>(27,400)</u>	<u>1,487,206</u>
Non-current liabilities			
Due to banks	1,043,485	-	1,043,485
Lease liabilities	141,461	(141,461)	-
Other non-current liabilities	427,661	-	427,661
	<u>1,612,607</u>	<u>(141,461)</u>	<u>1,471,146</u>
Equity			
Attributable to the Group'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	(1,365,687)	-	(1,365,687)
Investment fair valuation reserve	(1,279)	-	(1,279)
Other reserves	(3,359)	-	(3,359)
Retained earnings	233,340	18,062	251,402
	<u>1,219,238</u>	<u>18,062</u>	<u>1,237,300</u>
Non-controlling interests	354,583	16,234	370,817
Total equity	<u>1,573,821</u>	<u>34,296</u>	<u>1,608,117</u>
Total Liabilities and Equity	<u>4,701,034</u>	<u>(134,565)</u>	<u>4,566,469</u>

Mobile Telecommunications Company K.S.C.P

Notes to the Condensed Consolidated Interim Financial Information - 30 June 2019 (Unaudited)

(b) The following table summarizes the impact on the condensed consolidated statement of profit or loss for three month and six month periods ended 30 June 2019:

	KD'000					
	As reported	IFRS 16 (Unaudited)	Amounts without adoption of IFRS 16	As reported	IFRS 16 (Unaudited)	Amounts without adoption of IFRS 16
Revenue	406,636	-	406,636	811,127	-	811,127
Cost of sales	(103,940)	-	(103,940)	(222,950)	-	(222,950)
Operating and administrative expenses	(118,135)	(18,430)	(136,565)	(220,360)	(37,003)	(257,363)
Depreciation and amortization	(90,761)	13,054	(77,707)	(181,009)	26,087	(154,922)
Expected credit loss on financial assets (ECL)	(7,852)	-	(7,852)	(13,461)	-	(13,461)
Interest income	2,403	-	2,403	5,157	-	5,157
Investment income	962	-	962	772	-	772
Share of results of associates and joint venture	394	-	394	1,972	-	1,972
Other income/(expenses)	7,504	39	7,543	4,888	(65)	4,823
Finance costs	(28,372)	3,283	(25,089)	(56,602)	6,555	(50,047)
Loss from currency revaluation	(4,083)	-	(4,083)	(5,852)	-	(5,852)
Net monetary gain	835	-	835	4,075	-	4,075
Profit before contribution to KFAS, NLST, ZAKAT, income taxes and Board of Directors' remuneration	65,591	(2,054)	63,537	127,757	(4,426)	123,331
Contribution to Kuwait foundation for Advancement of Sciences (KFAS)	(520)	-	(520)	(979)	-	(979)
National Labour Support Tax (NLST) and Zakat	(1,827)	-	(1,827)	(3,457)	-	(3,457)
Income tax expenses	(4,817)	(26)	(4,843)	(9,031)	(16)	(9,047)
Board of Directors' remuneration	(105)	-	(105)	(210)	-	(210)
Profit for the period	58,322	(2,080)	56,242	114,080	(4,442)	109,638
Attributable to:						
Shareholders of the Company	50,205	(1,476)	48,729	97,291	(3,220)	94,071
Non-controlling interests	8,117	(604)	7,513	16,789	(1,222)	15,567
	58,322	(2,080)	56,242	114,080	(4,442)	109,638

The recognized right-of-use assets relate to the following types of assets:

	KD'000	
	Land and building	Cellular and other equipment
Balance as of 1 January 2019	163,924	29,852
Add: Additions	12,741	382
Less: Amortisation	(20,399)	(5,688)
Less: Retirement	(886)	(496)
Closing balance as at 30 June 2019 (excluding assets of disposal group classified as held for sale)	155,380	24,050

Land and building comprises mainly of telecommunication sites on lease.

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17 and IFRIC 4 *Determining whether an Arrangement contains a Lease*.

The net impact on retained earnings on 1 January 2019 was a decrease of KD 21.282 million.

The Group's leasing activities and how these are accounted for

The Group mostly leases indoor and outdoor spaces for installation of its telecommunications sites. Rental contracts are typically made for fixed periods of 1 to 8 years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, these leases were classified as operating leases. Payments made under operating leases were charged to profit or loss on a straight-line basis over the period of the lease.

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 2018, except as mentioned below:

Extension and termination options in lease contracts

Extension and termination options are included in a number of leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of the termination options held are exercisable both by the Group and the respective lessor.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

Discounting of lease payments

The lease payments are discounted using the Company's incremental borrowing rate ("IBR"). Management has applied judgments and estimates to determine the IBR at the commencement of lease.

4. Cash and bank balances

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

	<u>Unaudited</u> <u>30 June</u> <u>2019</u>	<u>Audited</u> <u>31 December</u> <u>2018</u>	<u>Unaudited</u> <u>30 June</u> <u>2018</u> <u>KD '000</u>
Cash on hand and at banks	149,187	141,699	106,879
Short-term deposits with banks	190,380	174,014	53,114
Government certificates of deposits held by subsidiaries	108	102	171
	<u>339,675</u>	<u>315,815</u>	<u>160,164</u>
Expected credit loss	<u>(3,378)</u>	<u>(3,899)</u>	<u>(6,609)</u>
	336,297	311,916	153,555
Cash at bank under lien	(7,578)	(7,578)	(7,560)
Deposits with maturity exceeding three months	-	-	(30,240)
Government certificates of deposits with maturities exceeding three months held by subsidiaries	<u>(108)</u>	<u>(102)</u>	<u>(171)</u>
Cash and cash equivalent in the condensed consolidated statements of cash flows	<u>328,611</u>	<u>304,236</u>	<u>115,584</u>

5. Assets and liabilities of disposal group classified as held for sale

This represents the carrying value of telecom tower assets amounting to KD 7.656 million (31 December 2018 – KD 7.656 million; 30 June 2018 – KD 7.656 million) and right of use of assets amounting to KD 5.901 million (31 December 2018 – Nil; 30 June 2018 – Nil) in Kuwait and its related lease liabilities amounting to KD 4.214 million (31 December 2018 – Nil; 30 June 2018 – Nil), classified as held for sale, on the basis that management is committed to a plan to sell these assets to a Tower Company. The Company will be the anchor tenant on commercial terms on each of the towers being sold and the transaction is expected to close in 2019, subject to customary closing conditions.

6. Investments in associates and joint ventures

6.1 Investments in associates

This represented Group's interest in SMTC (31 December 2018 – KD Nil; 30 June 2018 – KD 119.184 million). Based on an event in July 2018, the Group had concluded that it is able to control SMTC through its majority representation on the board of directors and accordingly consolidated SMTC from July 2018.

6.2 Interest in a joint venture

This represents Group's KD 71.804 million (31 December 2018 - KD 69.831 million; 30 June 2018: KD 69.679 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. Property and equipment

	<u>Unaudited</u> <u>30 June</u> <u>2019</u>	<u>Audited</u> <u>31 December</u> <u>2018</u>	<u>Unaudited</u> <u>30 June</u> <u>2018</u> <u>KD '000</u>
Net fixed assets	1,050,375	1,059,851	591,799
Capital work in progress	116,536	138,924	85,176
	<u>1,166,911</u>	<u>1,198,775</u>	<u>676,975</u>

During the six-months period ended 30 June 2019, the Group acquired property and equipment amounting to KD 64.973 million (30 June 2018: KD 31.056 million). Depreciation charged for the period amounted to KD 99.362 million (30 June 2018: KD 50.949 million).

Notes to the Condensed Consolidated Interim Financial Information - 30 June 2019 (Unaudited)

8. Intangible assets and goodwill

	Unaudited 30 June 2019	Audited 31 December 2018	Unaudited 30 June 2018
	KD '000		
Intangible assets	1,558,541	1,554,146	273,934
Goodwill	610,468	609,121	584,997
	<u>2,169,009</u>	<u>2,163,267</u>	<u>858,931</u>

During the six-months period ended 30 June 2019, the Group acquired intangible assets amounting to KD 53.417 million (30 June 2018: KD 3.858 million).

9. Due to banks

	Unaudited 30 June 2019	Audited 31 December 2018	Unaudited 30 June 2018
	KD '000		
<i>Company</i>			
Short term loans	98,806	110,930	146,469
Long term loans	644,500	610,117	599,708
	<u>743,306</u>	<u>721,047</u>	<u>746,177</u>
<i>SMTC</i>			
Long term loans	544,941	568,126	-
	<u>544,941</u>	<u>568,126</u>	<u>-</u>
<i>Atheer – Iraq</i>			
Bank overdraft	-	-	979
Long term loans	204,289	153,066	146,664
	<u>204,289</u>	<u>153,066</u>	<u>147,643</u>
<i>Zain Jordan</i>			
Short term loans	-	4,275	-
	<u>-</u>	<u>4,275</u>	<u>-</u>
<i>Zain – Bahrain</i>			
Long term loans	-	-	750
	<u>-</u>	<u>-</u>	<u>750</u>
<i>Others</i>			
Long term loans	17	22	-
	<u>17</u>	<u>22</u>	<u>-</u>
	<u>1,492,553</u>	<u>1,446,536</u>	<u>894,570</u>

Reconciliation of movements of amounts due to banks to cash flows from financing activities:

	Unaudited 30 June 2019	Audited 31 December 2018	Unaudited 30 June 2018
	KD '000		
Opening balance	1,446,536	870,201	870,201
On acquisition of a subsidiary	-	657,143	-
Proceeds from bank borrowings	134,258	203,019	142,901
Repayment of bank borrowings	(89,217)	(288,901)	(120,587)
Effect of change in foreign exchange rates	976	5,074	2,055
	<u>1,492,553</u>	<u>1,446,536</u>	<u>894,570</u>

The current and non-current amounts are as follows:

	Unaudited 30 June 2019	Audited 31 December 2018	Unaudited 30 June 2018
	KD '000		
Current liabilities	449,068	412,971	148,198
Non-current liabilities	1,043,485	1,033,565	746,372
	<u>1,492,553</u>	<u>1,446,536</u>	<u>894,570</u>

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

	<u>Unaudited</u> 30 June 2019	<u>Audited</u> 31 December 2018	<u>Unaudited</u> 30 June 2018 KD '000
US dollar	1,189,313	1,149,914	873,820
Kuwaiti dinar	45,000	20,000	20,000
Saudi Riyals	258,223	272,325	-
Others	17	4,297	750
	<u>1,492,553</u>	<u>1,446,536</u>	<u>894,570</u>

The effective interest rate as at 30 June 2019 was 2.22 % to 6.23 % (31 December 2018 - 2.42% to 6.16%; 30 June 2018 - 2.42% to 5.1%) 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 67.557 million. This includes:
 - US\$ 20 million (KD 6.050 million) from a long- term loan facility amounting to US\$ 100 million.
 - US\$ 70 million (KD 21.217 million) from an existing US\$ 700 million revolving credit facility.
 - US\$ 50.447 million (KD 15.29 million) from a long- term loan facility amounting to US\$ 200 million.
 - KD 25 million long- term loan facility availed in the current period.
- repaid loans amounting to KD 45.318 million. This includes:
 - US\$ 40 million (KD 12.124 million) from a long-term loan facility amounting to US\$ 317 million.
 - US\$ 40 million (KD 12.124 million) from a short-term loan facility amounting to US\$ 100 million.
 - US\$ 20 million (KD 6.050 million) from a long-term loan facility amounting to US\$ 100 million.

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.

SMTC

Long-term loans include:

- SAR 4,463 million (KD 362.502 million) syndicated murabaha facility availed from a consortium of banks. In June 2018, SMTC refinanced and extended the maturity of the syndicated Murabaha facility that was maturing in 2018 to a SAR 5,900 million (KD 477.605 million) facility maturing in June 2023 which includes a working capital facility of SAR 647.3 million (KD 52.40 million) for two years. During the previous year, SMTC made early voluntary payments amounting to SAR 1,125 million (KD 91.114 million). During the second quarter of the current year SMTC made an early voluntary payment amounting to SAR 300 million (KD 24.33 million).

The murabaha facility is secured partially by a guarantee from the Company and a pledge of the Company's and some of the founding shareholders' shares in SMTC and assignment of certain contracts and receivables.

Under the murabaha financing agreement, SMTC can declare dividend or other distribution in cash or in kind to shareholders, provided SMTC is in compliance with all its obligations under the agreement.

- SAR 2,269 million (KD 183.676 million) long-term loan repayable by August 2019 availed from a commercial bank. This facility is guaranteed by the Company. In June 2019, SMTC signed an agreement with a consortium of banks to refinance this facility effective from July 2019.

Notes to the Condensed Consolidated Interim Financial Information - 30 June 2019 (Unaudited)

Atheer

Long-term loans include:

- Term loan from a commercial bank amounting to US\$ 250 million (KD 75.775 million) (31 December 2018: KD 75.775 million; 30 June 2018: KD 90.72 million) that is repayable by 17 December 2019.
- Term loan from a commercial bank amounting to US\$ 55 million (KD 16.671 million) (31 December 2018: KD 16.671 million; 30 June 2018: KD 16.632 million) which is repayable by 31 March 2020.
- Term loan from a commercial bank amounting to US\$ 50 million (KD 15.155 million) (31 December 2018: KD 15.155 million; 30 June 2018: KD 15.120 million) which is repayable by 30 April 2020.
- Term loan from a commercial bank amounting to US\$ 50 million (KD 15.155 million) (31 December 2018: KD 15.155 million; 30 June 2018: Nil) which is repayable by 09 April 2021.
- Term loan from a financial institution amounting to US\$ 269 million (KD 81.534 million) (31 December 2018: KD 30.31 million; 30 June 2018: Nil) which is repayable by 31 May 2025.

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

10. Other non-current liabilities

	<u>Unaudited</u> 30 June 2019	<u>Audited</u> 31 December 2018	<u>Unaudited</u> 30 June 2018 KD '000
Payable to Ministry of Finance – Saudi Arabia (refer below)	267,969	234,749	-
Due to CITC for acquisition of spectrum	74,692	33,719	-
Customer deposits	5,168	5,238	5,625
Post-employment benefits	34,830	32,468	23,304
Others	45,002	30,151	11,614
	<u>427,661</u>	<u>336,325</u>	<u>40,543</u>

During 2013, SMTC signed an agreement with the Ministry of Finance – Kingdom of Saudi Arabia to defer payments that are due until 2021. These amounts will be repaid in seven installments starting June 2021.

11. Share capital

The authorized, issued and fully paid up share capital as of 30 June 2019 is 4,327,058,909 shares (31 December 2018 – 4,327,058,909; 30 June 2018 - 4,327,058,909) of 100 fils each.

12. Dividend

The annual general meeting of shareholders for the year ended 31 December 2018 held on 20 March 2019 (31 December 2017 - 28 March 2018) approved distribution of cash dividends of 30 fils (31 December 2017 - 35 fils) per share amounting to KD 129,812,000 (31 December 2017 - KD 151,447,000) to be paid to the registered shareholders, after obtaining necessary regulatory approvals.

13. Investment income

	<u>Three months</u> <u>ended 30 June</u> <u>(Unaudited)</u>		<u>Six months</u> <u>ended 30 June</u> <u>(Unaudited)</u>	
	2019	2018	2019	2018
	KD'000		KD'000	
Profit/(loss) from investment securities at fair value through profit or loss (FVTPL)	753	(172)	391	45
Dividend income	209	253	381	253
	<u>962</u>	<u>81</u>	<u>772</u>	<u>298</u>

14. 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)	
	2019	2018	2019	2018
	KD'000		KD'000	
Profit for the period attributable to shareholders	50,205	45,554	97,291	86,451
	Shares	Shares	Shares	Shares
Weighted average number of shares in issue outstanding during the period	4,327,058,909	4,327,058,909	4,327,058,909	4,327,058,909
	Fils	Fils	Fils	Fils
Earnings per share – Basic and diluted	12	11	22	20

15. 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, Bahrain and KSA as the basis for disclosing the segment information.

Mobile Telecommunications Company K.S.C.P

Notes to the Condensed Consolidated Interim Financial Information - 30 June 2019 (Unaudited)

	30 June 2019						Total KD '000
	Kuwait	Jordan	Sudan	Iraq	Bahrain	KSA	
Segment revenues - airtime & data (Point over time)	129,414	69,850	41,636	157,493	19,871	290,690	720,939
Segment revenues - trading income (Point in time)	35,803	2,749	288	843	4,721	45,769	90,188
Net profit before interest and tax	43,765	18,894	8,025	19,068	2,353	62,276	159,359
Interest income	116	224	529	570	85	1,122	2,829
Finance costs	(208)	(3,691)	(113)	(9,337)	(399)	(42,363)	(56,174)
Income tax expenses	-	(3,679)	(2,599)	(2,235)	-	-	(8,770)
Unallocated items:	43,673	11,748	5,842	8,066	2,039	21,035	97,244
Investment income							772
Share of results of associates and joint venture							1,972
Others (including unallocated interest income, income tax and finance costs)							14,092
Profit for the period							114,080
Segment assets including allocated goodwill	370,381	297,920	138,860	1,057,018	82,044	2,183,999	4,218,483
ROU assets	7,714	13,965	1,166	32,365	7,634	116,015	179,430
Unallocated items:							8,655
Investment securities at FVTPL							4,956
Investment securities at FVOCI							71,823
Investment in associates and joint venture							217,687
Others							4,701,034
Consolidated assets							
Segment liabilities	114,390	138,745	50,833	148,640	23,162	1,294,496	1,851,091
Lease liabilities (current and non-current)	6,737	14,024	1,260	34,891	8,201	120,408	186,151
Due to banks	-	-	-	204,289	-	544,942	749,247
Unallocated items:	121,127	152,769	52,093	387,820	31,363	1,959,846	2,786,489
Due to banks							743,306
Others							(402,582)
Consolidated liabilities							3,127,213
Net consolidated assets							1,573,821
Capital expenditure incurred during the period	14,016	2,473	1,500	11,482	153	87,185	116,890
Unallocated							1,500
Total capital expenditure							118,390
Depreciation of property and equipment and amortization of intangible assets	14,784	12,264	3,809	39,095	4,306	76,062	152,132
Amortization of ROU assets	3,659	1,623	104	3,547	1,713	16,584	27,699
Unallocated							1,178
Total depreciation and amortization							181,009

Mobile Telecommunications Company K.S.C.P

Notes to the Condensed Consolidated Interim Financial Information - 30 June 2019 (Unaudited)

	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)
Unallocated items:	39,086	10,689	8,223	5,345	1,858	41,573	106,774
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							88,826
Segment assets including goodwill	311,565	310,490	166,770	998,941	77,005	88,991	1,953,762
Unallocated items:							11,622
Investment securities at FVTPL							8,312
Investment securities at FVOCI							188,886
Investment in associates and joint ventures							434,271
Dues from associates							254,242
Others							2,851,095
Consolidated assets							536,842
Segment liabilities	81,513	151,138	38,707	145,994	22,372	97,118	148,393
Due to banks	-	-	-	147,643	750	-	685,235
Unallocated items:	81,513	151,138	38,707	293,637	23,122	97,118	746,177
Due to banks							22,810
Others							1,454,222
Consolidated liabilities							1,396,873
Net consolidated assets							
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							34,914
Depreciation and amortization	12,979	12,507	5,515	38,602	4,134	2,172	75,909
Unallocated							992
Total depreciation and amortization							76,901

16. 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)	
	2019	2018	2019	2018
	KD'000		KD'000	
Revenue	46	646	65	1,219
Cost of sales	84	496	236	895
Management fee (included in other income)	-	1,059	-	2,026
Interest income on loans to an associate	-	5,895	-	11,587

Key management compensation

	Three months ended 30 June (Unaudited)		Six months ended 30 June (Unaudited)	
	2019	2018	2019	2018
	KD'000		KD'000	
Salaries and other short term employee benefits	1,009	683	1,985	1,560
Post-employment benefits	497	290	956	402

Balances

	Unaudited	Audited	Unaudited
	30 June 2019	31 December 2018	30 June 2018
	KD '000		
Trade receivables	146	-	12,448
Trade payables	297	193	8,962

17. Commitments and contingencies

	Unaudited	Audited	Unaudited
	30 June 2019	31 December 2018	30 June 2018
	KD '000		
Capital commitments	246,639	127,757	51,441
Capital commitments - share of an associate	-	-	64,642
Uncalled share capital of investee companies	466	963	2,236
Letters of guarantee and credit	86,531	81,809	448,989

The above include guarantees amounting to KD Nil (31 December 2018 - KD Nil; 30 June 2018 - KD 394.5 million) relating to loans and other vendor financing availed by SMTC.

The Company is a guarantor for credit facilities amounting to KD 7.274 million (31 December 2018 - KD 7.274 million; 30 June 2018 - KD 7.257 million) granted by a bank to a founding shareholder in SMTC. The Company believes that the collaterals provided by the founding shareholder to the bank, covers the credit facilities.

Income and Capital Gains taxes in Iraq

In November 2016, Atheer signed an agreement with Iraq's Ministry of Finance under which, among other concessions, it obtained the right to submit its objection to the income tax claimed by the Income Tax Authority for the years from 2004 to 2010 amounting to US\$ 244 million (KD 73.956 million). According to the terms of the agreement, Atheer had to pay minimum 25% of the amount claimed and the balance US\$ 173 million (KD 52.436 million) in fifty equal monthly instalments from December 2016. Atheer would thus reserve the right to file an objection for each of these years. Accordingly, Atheer submitted its objections against the US\$ 244 million (KD 73.956 million) tax claim in November 2016 objecting to the full amount of the claim, and commenced payment of the amount agreed. As of 30 June 2019, Atheer has an obligation to pay a balance of US\$ 65.5 million (KD 19.853 million) (31 December 2018: US\$ 86 million equivalent to KD 26.067 million; 30 June 2018: US\$ 107 million equivalent to KD 32.357 million), net of previous payments in nineteen remaining instalments. In May 2017, Iraq General Commission for Taxes (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 implied 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. On 25 September 2018, the Appeals Committee decided to suspend the final decision on this case until getting the response from the Council of Ministers in respect of this matter based on recommendations by an internal committee at the Ministry of Finance. Based on the report of its attorneys, Atheer believes that the prospects of resolving this matter is in its favor.

Pella

Pella is a defendant in lawsuits amounting to KD 33.804 million (31 December 2018 - KD 12.371 million; 30 June 2018 - KD 12.423 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 9.533 million (31 December 2018 - KD 9.533 million; 30 June 2018 - 9.510 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. Based on the report of its attorneys, the Group expects the outcome to be favorable to Pella. Pella has also initiated legal proceedings against the regulatory authorities claiming refund of excess license fee paid amounting to KD 9.648 million (31 December 2018 - KD 11.671 million; 30 June 2018 - KD 11.643 million) of earlier years. The outcome of the above matter cannot be assessed at this stage, as it is dependent on several legal, regulatory and other technical aspects.

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.

18. Financial instruments

18.1 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 2019	(Audited) 31 December 2018	(Unaudited) 30 June 2018
	KD'000		
Amortised costs/Loans and receivables:			
Cash and bank balances	336,297	311,916	153,555
Trade and other receivables	397,054	374,094	419,364
Contract assets (current and non-current)	93,112	83,002	56,824
Due from associates	-	-	434,271
Other assets	973	1,039	12,096
Investment securities - FVTPL	8,655	15,519	11,622
Investment securities - FVOCI	4,956	7,040	8,312

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

18.2 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).

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 2019

	Level 1	Level 2	Level 3	Total
	KD'000			
Financial assets at fair value:				
Investments securities at FVTPL	782	7,873	-	8,655
Investments securities at FVOCI	1,035	890	3,031	4,956
Total assets	<u>1,817</u>	<u>8,763</u>	<u>3,031</u>	<u>13,611</u>

31 December 2018

	Level 1	Level 2	Level 3	Total
	KD'000			
Financial assets at fair value:				
Investments securities at FVTPL	3,829	11,690	-	15,519
Investments securities at FVOCI	1,012	875	5,153	7,040
Total assets	<u>4,841</u>	<u>12,565</u>	<u>5,153</u>	<u>22,559</u>

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>

Measurement at fair value

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

19. 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'.

Notes to the Condensed Consolidated Interim Financial Information - 30 June 2019 (Unaudited)

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:

	<u>Index</u>	<u>Conversion factor</u>
30 June 2019	9,914	1.00
31 December 2018	6,306	1.57
31 December 2017	4,502	2.20
31 December 2016	2,068	4.79
31 December 2015	357	27.79
31 December 2014	170	58.31
31 December 2013	155	64.07

Provision for impairment loss on property and equipment

In March 2018, the Group had assessed that the carrying value of its network assets at Zain South Sudan exceeded their recoverable amount as determined by their fair value less cost of disposal and recorded an impairment loss of KD 9.648 million.

20. 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 period-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 2019:

	<u>Notional amounts by term to maturity</u>		
	<u>Positive fair value</u>	<u>Negative fair value</u>	<u>Notional amount</u>
			<u>KD '000</u>
<i>Derivatives held for hedging:</i>			
<i>Cash flow hedges</i>			
Profit rate swaps	-	10,806	241,108

At 31 December 2018:

	<u>Notional amounts by term to maturity</u>		
	<u>Positive fair value</u>	<u>Negative fair value</u>	<u>Notional amount</u>
			<u>KD '000</u>
<i>Derivatives held for hedging:</i>			
<i>Cash flow hedges</i>			
Profit rate swaps	-	1,749	241,350

At 30 June 2018:

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