

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

**Condensed Consolidated Interim Financial Information (Unaudited)
30 September 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 September 2019 and the related condensed consolidated statements of profit or loss, profit or loss and other comprehensive income for three-month and nine-month periods then ended and the related condensed consolidated statements of changes in equity and cash flows for the nine-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 nine-month period ended 30 September 2019 that might have had a material effect on the business of the Company or on its financial position.



**Talal Y. Al-Muzaini
Licence No. 209A
Deloitte & Touche
Al-Wazzan & Co.**

Kuwait
06 November 2019

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

	Note	Unaudited 30 September 2019	Audited 31 December 2018	Unaudited 30 September 2018 KD '000
Assets				
Current assets				
Cash and bank balances	4	329,379	311,916	282,185
Trade and other receivables		564,189	537,999	575,989
Contract assets		70,382	66,062	55,866
Inventories		42,371	45,957	26,984
Investment securities at FVTPL		8,622	15,519	13,181
Assets of disposal group classified as held for sale	5	16,357	7,656	7,656
		<u>1,031,300</u>	<u>985,109</u>	<u>961,861</u>
Non-current assets				
Contract assets		20,627	16,940	12,804
Investment securities at FVOCI		5,148	7,040	7,030
Investments in associates and joint venture	6	72,219	69,851	68,672
Other assets		10,766	11,953	15,285
Property and equipment	7	1,223,339	1,233,559	1,199,296
Right of use of assets	3	174,991	-	-
Intangible assets and goodwill	8	2,151,897	2,163,267	2,185,399
		<u>3,658,987</u>	<u>3,502,610</u>	<u>3,488,486</u>
Total assets		<u>4,690,287</u>	<u>4,487,719</u>	<u>4,450,347</u>
Liabilities and equity				
Current liabilities				
Trade and other payables		902,956	956,272	904,672
Deferred revenue		85,536	105,308	107,518
Due to banks	9	244,469	412,971	331,317
Lease liabilities	3	40,221	-	-
Liabilities of disposal group classified as held for sale	5	5,035	-	-
		<u>1,278,217</u>	<u>1,474,551</u>	<u>1,343,507</u>
Non-current liabilities				
Due to banks	9	1,189,135	1,033,565	1,160,848
Lease liabilities	3	148,131	-	-
Other non-current liabilities	10	436,446	336,325	323,283
		<u>1,773,712</u>	<u>1,369,890</u>	<u>1,484,131</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		(1,364,682)	(1,367,018)	(1,305,915)
Investment fair valuation reserve		(1,119)	864	894
Other reserves		(3,929)	(4)	398
Retained earnings		289,018	287,143	227,733
		<u>1,275,511</u>	<u>1,277,208</u>	<u>1,279,333</u>
Non-controlling interests		362,847	366,070	343,376
Total equity		<u>1,638,358</u>	<u>1,643,278</u>	<u>1,622,709</u>
Total liabilities and equity		<u>4,690,287</u>	<u>4,487,719</u>	<u>4,450,347</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 06 November 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 September 2019 (Unaudited)

	Note	Three months ended 30 September		Nine months ended 30 September	
		2019	2018	2019	2018
		KD'000		KD'000	
Revenue		410,634	403,098	1,221,761	906,260
Cost of sales		(106,402)	(121,329)	(329,352)	(283,354)
Operating and administrative expenses		(113,446)	(122,982)	(333,806)	(289,129)
Depreciation and amortization		(91,745)	(75,555)	(272,754)	(152,456)
Expected credit loss on financial assets (ECL)		(7,623)	(3,848)	(21,084)	(9,649)
Interest income		2,318	1,191	7,475	15,641
Investment income	13	147	1,388	919	1,686
Share of results of associates and joint venture		395	(74)	2,367	(3,627)
Other income/(expenses)		5,871	(17,005)	10,759	(34,034)
Fair value gain on the previously held equity interest		-	30,931	-	30,931
Finance costs		(27,874)	(24,738)	(84,476)	(44,555)
Provision for impairment loss on property and equipment	19	-	-	-	(9,648)
Loss from currency revaluation		(2,022)	(1,691)	(7,874)	(9,496)
Net monetary gain/(loss)	19	1,386	(4,555)	5,461	45,714
Profit before contribution to KFAS, NLST, ZAKAT, income taxes and Board of Directors' remuneration		71,639	64,831	199,396	164,284
Contribution to Kuwait foundation for Advancement of Sciences (KFAS)		(573)	(594)	(1,552)	(1,074)
National Labour Support Tax (NLST) and Zakat		(2,003)	(2,160)	(5,460)	(4,065)
Income tax expenses		(5,114)	(7,122)	(14,145)	(15,226)
Board of Directors' remuneration		(105)	(68)	(315)	(206)
Profit for the period		63,844	54,887	177,924	143,713
Attributable to:					
Shareholders of the Company		55,678	50,624	152,969	137,075
Non-controlling interests		8,166	4,263	24,955	6,638
		63,844	54,887	177,924	143,713
Earnings per share					
Basic and diluted – Fils	14	13	12	35	32

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 September 2019 (Unaudited)**

	Three months ended 30 September		Nine months ended 30 September	
	2019	2018	2019	2018
	KD'000		KD'000	
Profit for the period	63,844	54,887	177,924	143,713
Other comprehensive income				
<i>Items that will be reclassified to profit or loss:</i>				
Exchange differences on translating foreign operations	2,072	5,450	3,364	(99,766)
Cash flow hedges	(1,539)	1,072	(10,597)	651
Share in associate transferred to condensed consolidated statement of profit or loss on business combination	-	(16,395)	-	(16,395)
	<u>533</u>	<u>(9,873)</u>	<u>(7,233)</u>	<u>(115,510)</u>
<i>Items that will not be reclassified to profit or loss:</i>				
Changes in the fair value of equity investments at FVOCI	160	(654)	(1,983)	(812)
Total comprehensive income for the period	<u>64,537</u>	<u>44,360</u>	<u>168,708</u>	<u>27,391</u>
Total comprehensive income attributable to:				
Shareholders of the Company	56,273	38,892	149,397	20,541
Non-controlling interests	8,264	5,468	19,311	6,850
	<u>64,537</u>	<u>44,360</u>	<u>168,708</u>	<u>27,391</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 – Nine months ended 30 September 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		
									KD '000
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)	-	-	-	2,336	(1,983)	(3,925)	152,969	19,311	168,708
Balance at 30 September 2019	432,706	1,707,164	216,353	(1,364,682)	(1,119)	(3,929)	289,018	362,847	1,638,358
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 On business combination	432,706	1,707,164	216,353	(1,189,469)	1,033	(326)	242,778	156,649	1,566,888
Realised loss on equity securities at FVOCI	-	-	-	(116,446)	(812)	724	137,075	6,850	27,391
Cash dividends (2017) (Note 12)	-	-	-	-	-	-	-	181,483	181,483
Balance at 30 September 2018	432,706	1,707,164	216,353	(1,305,915)	894	398	227,733	343,376	1,622,709

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

**Condensed Consolidated Statement of Cash Flows – nine months ended 30 September 2019
(Unaudited)**

	Nine months ended 30 September	
	2019	2018
	KD'000	
Cash flows from operating activities		
Profit for the period before income tax	192,069	158,939
Adjustments for:		
Depreciation and amortization	272,754	152,456
ECL on financial assets	21,084	9,649
Interest income	(7,475)	(15,641)
Investment income	(919)	(1,686)
Share of results of associates and joint venture	(2,367)	3,627
Provision for impairment loss on property and equipment	-	9,648
Finance costs	84,476	44,555
Loss from currency revaluation	7,874	9,496
Net monetary gain	(5,461)	(45,714)
Fair value gain on the previously held equity interest	-	(30,931)
Loss on sale of property and equipment	1,482	147
Operating profit before working capital changes	563,517	294,545
Increase in trade and other receivables	(75,538)	(53,091)
Decrease in inventories	3,673	13,941
(Decrease)/increase in trade and other payables	(10,796)	52,351
Cash generated from operations	480,856	307,746
Paid to KFAS	(771)	(319)
NLST and Zakat paid	(2,068)	(5,492)
Income tax paid	(11,054)	(10,165)
<i>Net cash from operating activities</i>	<u>466,963</u>	<u>291,770</u>
Cash flows from investing activities		
Deposits maturing after three months and cash at bank under lien (note 4)	(28)	(69)
Investments in securities	(290)	(3,989)
Investment in subsidiaries	-	103,276
Proceeds from sale of investments	7,589	1,919
Increase in due from associates	-	(7,039)
Acquisition of property and equipment (net)	(165,701)	(102,700)
Acquisition of intangible assets (net)	(24,925)	(18,286)
Interest received	6,422	3,632
Dividend received	383	253
<i>Net cash used in investing activities</i>	<u>(176,550)</u>	<u>(23,003)</u>
Cash flows from financing activities		
Proceeds from bank borrowings	425,978	194,235
Repayment of bank borrowings	(441,649)	(233,467)
Repayment of lease liabilities	(41,069)	-
Dividends paid to Company's shareholders	(129,179)	(150,573)
Dividends paid to minority shareholders of subsidiaries	(5,020)	(611)
Finance costs paid – due to banks	(83,358)	(30,240)
<i>Net cash used in financing activities</i>	<u>(274,297)</u>	<u>(220,656)</u>
Net increase in cash and cash equivalents	16,116	48,111
Effect of foreign currency translation	1,319	(3,896)
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>321,671</u>	<u>244,150</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 September 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.

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 September 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.

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

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 9.857 million for the period ended 30 September 2019.

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

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	537,999	(32,730)	505,269
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 September 2019:

	KD'000		
	As reported	IFRS 16 adjustments	Amounts without adoption of IFRS 16
Current assets			
Cash and bank balances	329,379	-	329,379
Trade and other receivables	564,189	28,328	592,517
Contract assets	70,382	-	70,382
Inventories	42,371	-	42,371
Investment securities at FVTPL	8,622	-	8,622
Assets of disposal group classified as held for sale	16,357	(8,701)	7,656
	<u>1,031,300</u>	<u>19,627</u>	<u>1,050,927</u>
Non-current assets			
Contract assets	20,627	-	20,627
Investment securities at FVOCI	5,148	-	5,148
Investments in associates and joint venture	72,219	-	72,219
Other assets	10,766	-	10,766
Property and equipment	1,223,339	-	1,223,339
Right of use of assets	174,991	(174,991)	-
Intangible assets and goodwill	2,151,897	-	2,151,897
	<u>3,658,987</u>	<u>(174,991)</u>	<u>3,483,996</u>
Total assets	<u>4,690,287</u>	<u>(155,364)</u>	<u>4,534,923</u>
Current liabilities			
Trade and other payables	902,956	6,186	909,142
Deferred revenue	85,536	-	85,536
Due to banks	244,469	-	244,469
Lease liabilities	40,221	(40,221)	-
Liabilities of disposal group classified as held for sale	5,035	(5,035)	-
	<u>1,278,217</u>	<u>(39,070)</u>	<u>1,239,147</u>
Non-current liabilities			
Due to banks	1,189,135	-	1,189,135
Lease liabilities	148,131	(148,131)	-
Other non-current liabilities	436,446	-	436,446
	<u>1,773,712</u>	<u>(148,131)</u>	<u>1,625,581</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	(1,364,682)	-	(1,364,682)
Investment fair valuation reserve	(1,119)	-	(1,119)
Other reserves	(3,929)	-	(3,929)
Retained earnings	289,018	16,073	305,091
	<u>1,275,511</u>	<u>16,073</u>	<u>1,291,584</u>
Non-controlling interests	362,847	15,764	378,611
Total equity	<u>1,638,358</u>	<u>31,837</u>	<u>1,670,195</u>
Total Liabilities and Equity	<u>4,690,287</u>	<u>(155,364)</u>	<u>4,534,923</u>

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

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

	KD'000				
	Three months ended 30 September 2019 (Unaudited)	Amounts without adoption of IFRS 16	As reported	IFRS 16 adjustments	Amounts without adoption of IFRS 16
Revenue	410,634	410,634	1,221,761	-	1,221,761
Cost of sales	(106,402)	(106,402)	(329,352)	-	(329,352)
Operating and administrative expenses	(113,446)	(131,362)	(333,806)	(54,919)	(388,725)
Depreciation and amortization	(91,745)	(79,642)	(272,754)	38,190	(234,564)
Expected credit loss on financial assets (ECL)	(7,623)	(7,623)	(21,084)	-	(21,084)
Interest income	2,318	2,318	7,475	-	7,475
Investment income	147	147	919	-	919
Share of results of associates and joint venture	395	395	2,367	-	2,367
Other income	5,871	5,949	10,759	13	10,772
Finance costs	(27,874)	(24,572)	(84,476)	9,857	(74,619)
Loss from currency revaluation	(2,022)	(2,022)	(7,874)	-	(7,874)
Net monetary gain	1,386	1,386	5,461	-	5,461
Profit before contribution to KFAS, NLST, ZAKAT, income taxes and Board of Directors' remuneration	71,639	69,206	199,396	(6,859)	192,537
Contribution to Kuwait foundation for Advancement of Sciences (KFAS)	(573)	(573)	(1,552)	-	(1,552)
National Labour Support Tax (NLST) and Zakat	(2,003)	(2,003)	(5,460)	-	(5,460)
Income tax expenses	(5,114)	(5,140)	(14,145)	(42)	(14,187)
Board of Directors' remuneration	(105)	(105)	(315)	-	(315)
Profit for the period	63,844	61,385	177,924	(6,901)	171,023
Attributable to:					
Shareholders of the Company	55,678	53,689	152,969	(5,209)	147,760
Non-controlling interests	8,166	7,696	24,955	(1,692)	23,263
	63,844	61,385	177,924	(6,901)	171,023

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

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	21,974	1,576
Less: Amortisation	(29,919)	(8,271)
Less: Retirement	(3,126)	(1,019)
Closing balance as at 30 September 2019 (excluding assets of disposal group classified as held for sale)	152,853	22,138

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.

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

4. Cash and bank balances

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

	Unaudited 30 September 2019	Audited 31 December 2018	Unaudited 30 September 2018
	KD '000		
Cash on hand and at banks	154,652	141,699	138,078
Short-term deposits with banks	178,012	174,014	149,666
Government certificates of deposits held by subsidiaries	108	102	172
	<u>332,772</u>	<u>315,815</u>	<u>287,916</u>
Expected credit loss	(3,393)	(3,899)	(5,731)
	<u>329,379</u>	<u>311,916</u>	<u>282,185</u>
Cash at bank under lien	(7,600)	(7,578)	(7,573)
Deposits with maturity exceeding three months	-	-	(30,290)
Government certificates of deposits with maturities exceeding three months held by subsidiaries	(108)	(102)	(172)
Cash and cash equivalent in the condensed consolidated statements of cash flows	<u>321,671</u>	<u>304,236</u>	<u>244,150</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 September 2018 - KD 7.656 million) and right of use of assets amounting to KD 8.701 million (31 December 2018 - Nil; 30 September 2018 - Nil) in Kuwait and its related lease liabilities amounting to KD 5.035 million (31 December 2018 - Nil; 30 September 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 venture

Interest in a joint venture

This represents Group's KD 72.198 million (31 December 2018 - KD 69.831 million; 30 September 2018: KD 68.648 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

	Unaudited 30 September 2019	Audited 31 December 2018	Unaudited 30 September 2018
	KD '000		
Net fixed assets	1,130,015	1,059,851	1,066,602
Capital work in progress	93,324	173,708	132,694
	<u>1,223,339</u>	<u>1,233,559</u>	<u>1,199,296</u>

During the nine-months period ended 30 September 2019, the Group acquired property and equipment amounting to KD 107.573 million (30 September 2018: KD 103.358 million). Depreciation charged for the period amounted to KD 150.727 million (30 September 2018: KD 103.358 million).

8. Intangible assets and goodwill

	Unaudited 30 September 2019	Audited 31 December 2018	Unaudited 30 September 2018
	KD '000		
Intangible assets	1,539,865	1,554,146	1,572,162
Goodwill	612,032	609,121	613,237
	<u>2,151,897</u>	<u>2,163,267</u>	<u>2,185,399</u>

During the nine-months period ended 30 September 2019, the Group acquired intangible assets amounting to KD 65.527 million (30 September 2018: KD 19.614 million).

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9. Due to banks

	<u>Unaudited</u> <u>30 September</u> <u>2019</u>	<u>Audited</u> <u>31 December</u> <u>2018</u>	<u>Unaudited</u> <u>30 September</u> <u>2018</u> <u>KD '000</u>
<i>Company</i>			
Short term loans	80,800	110,930	110,870
Long term loans	637,651	610,117	618,395
	<u>718,451</u>	<u>721,047</u>	<u>729,265</u>
<i>SMTC</i>			
Long term loans	544,054	568,126	609,935
	<u>544,054</u>	<u>568,126</u>	<u>609,935</u>
<i>Atheer – Iraq</i>			
Long term loans	171,086	153,066	152,965
	<u>171,086</u>	<u>153,066</u>	<u>152,965</u>
<i>Zain Jordan</i>			
Short term loans	-	4,275	-
	<u>-</u>	<u>4,275</u>	<u>-</u>
<i>Others</i>			
Long term loans	13	22	-
	<u>13</u>	<u>22</u>	<u>-</u>
	<u>1,433,604</u>	<u>1,446,536</u>	<u>1,492,165</u>

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

	<u>Unaudited</u> <u>30 September</u> <u>2019</u>	<u>Audited</u> <u>31 December</u> <u>2018</u>	<u>Unaudited</u> <u>30 September</u> <u>2018</u> <u>KD '000</u>
Opening balance	1,446,536	870,201	870,201
On acquisition of a subsidiary	-	657,143	657,143
Proceeds from bank borrowings	425,978	203,019	194,235
Repayment of bank borrowings	(441,649)	(288,901)	(233,467)
Effect of change in foreign exchange rates	2,739	5,074	4,053
	<u>1,433,604</u>	<u>1,446,536</u>	<u>1,492,165</u>

The current and non-current amounts are as follows:

	<u>Unaudited</u> <u>30 September</u> <u>2019</u>	<u>Audited</u> <u>31 December</u> <u>2018</u>	<u>Unaudited</u> <u>30 September</u> <u>2018</u> <u>KD '000</u>
Current liabilities	244,469	412,971	331,317
Non-current liabilities	1,189,135	1,033,565	1,160,848
	<u>1,433,604</u>	<u>1,446,536</u>	<u>1,492,165</u>

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

	<u>Unaudited</u> <u>30 September</u> <u>2019</u>	<u>Audited</u> <u>31 December</u> <u>2018</u>	<u>Unaudited</u> <u>30 September</u> <u>2018</u> <u>KD '000</u>
US dollar	933,355	1,149,914	1,158,640
Kuwaiti dinar	51,000	20,000	20,000
Saudi Riyals	449,236	272,325	313,525
Others	13	4,297	-
	<u>1,433,604</u>	<u>1,446,536</u>	<u>1,492,165</u>

The effective interest rate of the Group as at 30 September 2019 was 2.22% to 5.80% (31 December 2018 - 2.42% to 6.16%; 30 September 2018 - 2.42% to 6.16%) 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 170.674 million. This includes:
 - US\$ 360 million (KD 109.377 million) from an existing US\$ 700 million revolving credit facility.
 - US\$ 50.447 million (KD 15.290 million) from a long- term loan facility amounting to US\$ 200 million.
 - KD 25 million long- term loan facility availed in the current period.
 - US\$ 49.363 million (KD 15.006 million) from a long- term loan facility amounting to US\$ 49.363 million.
- repaid loans amounting to KD 174.467 million. This includes:
 - US\$ 366 million (KD 111.265 million) from a long-term loan facility amounting to US\$ 400 million.
 - US\$ 20 million (KD 6.08 million) from an existing US\$ 700 million revolving credit facility.
 - US\$ 40 million (KD 12.124 million) from a long-term loan facility amounting to US\$ 317 million.
 - US\$ 100 million (KD 30.364 million) from a short-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 647.30 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 a voluntary repayment 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 2,250 million (KD 182.68 million) syndicated junior murabaha facility signed in June 2019 from a consortium of banks with a two year tenure with an option to extend for one more year. This loan was drawn-down in July 2019 to settle the existing SAR 2,269 million (KD 184.22 million) long-term commercial loan that matured. This loan is fully secured by a guarantee by the Company.

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Atheer

Long-term loans include:

- Term loan from a commercial bank amounting to US\$ 250 million (KD 76 million) (31 December 2018: KD 75.775 million; 30 September 2018: KD 75.725 million) that is repayable by 17 December 2019.
- Term loan from a commercial bank amounting to US\$ 55 million (KD 16.632million) (31 December 2018: KD 16.671 million; 30 September 2018: KD 16.66 million) which is repayable by 31 March 2020.
- Term loan from a commercial bank amounting to US\$ 50 million (KD 15.20 million) (31 December 2018: KD 15.155 million; 30 September 2018: KD 15.145 million) which is repayable by 30 April 2020.
- Term loan from a commercial bank amounting to US\$ 50 million (KD 15.20 million) (31 December 2018: KD 15.155 million; 30 September 2018: KD 15.145 million) which is repayable by 09 April 2021.
- Term loan from a financial institution amounting to US\$ 157.783 million (KD 47.97 million) (31 December 2018: KD 30.31 million; 30 September 2018: 30.29 million) 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

	Unaudited 30 September 2019	Audited 31 December 2018	Unaudited 30 September 2018
	KD '000		
Payable to Ministry of Finance-Saudi Arabia (refer below)	272,684	234,749	209,374
Due to CITC for acquisition of spectrum	74,913	33,719	-
Customer deposits	3,908	5,238	5,697
Post-employment benefits	36,273	32,468	31,572
Others	48,668	30,151	76,640
	436,446	336,325	323,283

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 September 2019 is 4,327,058,909 shares (31 December 2018 – 4,327,058,909; 30 September 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

	Three months ended 30 September (Unaudited)		Nine months ended 30 September (Unaudited)	
	2019	2018	2019	2018
	KD'000		KD'000	
Profit from investment securities at fair value through profit or loss (FVTPL)	145	1,388	536	1,433
Dividend income	2	-	383	253
	147	1,388	919	1,686

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 September (Unaudited)		Nine months ended 30 September (Unaudited)	
	2019	2018	2019	2018
	KD'000		KD'000	
Profit for the period attributable to shareholders	55,678	50,624	152,969	137,075
	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	13	12	35	32

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

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	30 September 2019						Total	
	Kuwait	Jordan	Sudan	Iraq	Bahrain	KSA	Others	KD '000
Segment revenues – airtime & data (Point over time)	193,968	107,903	65,476	239,275	30,290	438,980	18,750	1,094,642
Segment revenues - trading income (Point in time)	54,489	4,035	462	1,157	6,587	60,347	42	127,119
Net profit before interest and tax	66,119	28,947	14,255	28,730	3,600	92,833	8,232	242,716
Interest income	234	292	790	967	148	1,628	274	4,333
Finance costs	(307)	(5,488)	(182)	(14,215)	(676)	(63,634)	(90)	(84,592)
Income tax expenses	-	(5,719)	(4,117)	(3,513)	-	-	(394)	(13,743)
Unallocated items:	66,046	18,032	10,746	11,969	3,072	30,827	8,022	148,714
Investment income								919
Share of results of associates and joint venture								2,367
Others (Including unallocated interest income, income tax and finance costs, net of elimination)								25,924
Profit for the period								177,924
Segment assets including allocated goodwill	385,507	296,286	139,175	1,034,889	86,323	2,182,510	79,009	4,203,699
ROU assets	5,530	14,991	1,460	30,882	7,248	114,534	346	174,991
Unallocated items:								8,622
Investment securities at FVTPL								5,148
Investment securities at FVOCI								72,219
Investment in associates and joint venture								225,608
Others (net of eliminations)								4,690,287
Consolidated assets								
Segment liabilities	122,421	130,345	45,967	152,942	26,593	1,279,557	69,706	1,827,531
Lease liabilities (current and non-current)	5,295	15,308	1,563	34,193	7,649	123,967	377	188,352
Due to banks	-	-	-	171,086	-	544,054	13	715,153
Unallocated items:	127,716	145,653	47,530	358,221	34,242	1,947,578	70,096	2,731,036
Due to banks								718,451
Others (net of eliminations)								(397,558)
Consolidated liabilities								3,051,929
Net consolidated assets								1,638,358
Capital expenditure incurred during the period	30,523	4,681	1,981	23,353	11,353	98,273	85	170,249
Unallocated								2,851
Total capital expenditure								173,100
Depreciation of property and equipment and amortization of intangible assets	25,368	18,447	5,870	58,965	6,578	114,498	3,399	233,125
Amortization of ROU assets	2,691	2,417	123	5,292	2,316	24,646	705	38,190
Unallocated								1,439
Total depreciation and amortization								272,754

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	30 September 2018						Total KD '000	
	Kuwait	Jordan	Sudan	Iraq	Bahrain	KSA		Others
Segment revenues – airtime & data (Point over time)	199,866	108,062	75,695	255,606	30,092	139,991	16,324	825,636
Segment revenues - trading income (Point in time)	48,938	3,203	403	1,292	8,798	17,822	168	80,624
Net profit before interest and tax	59,692	25,915	15,960	23,204	2,946	23,254	38,272	189,243
Interest income	1	354	663	46	39	535	146	1,784
Finance costs	-	(4,361)	-	(9,058)	(40)	(19,909)	(30)	(33,398)
Income tax expenses	-	(4,965)	(3,392)	(3,900)	-	-	(2,542)	(14,799)
Unallocated items:	59,693	16,943	13,231	10,292	2,945	3,880	35,846	142,830
Investment income								1,686
Share of results of associates and joint venture								(3,627)
Others (including unallocated interest income, income tax and finance costs)								2,824
Profit for the period								143,713
Segment assets including allocated goodwill	317,159	310,491	179,461	998,413	77,624	2,134,236	90,738	4,108,122
Unallocated items:								13,181
Investment securities at FVTPL								7,030
Investment securities at FVOCI								68,672
Investment in associates and joint venture								253,342
Others								4,450,347
Segment liabilities	83,366	144,760	46,174	134,039	22,411	1,203,628	78,889	1,713,267
Due to banks	-	-	-	152,964	-	609,935	-	762,899
Unallocated items:	83,366	144,760	46,174	287,003	22,411	1,813,563	78,889	2,476,166
Due to banks								729,266
Others								(377,794)
Consolidated liabilities								2,827,638
Net consolidated assets								1,622,709
Capital expenditure incurred during the period	14,154	6,290	14,680	34,247	388	45,316	5,167	120,242
Unallocated								2,730
Total capital expenditure								122,972
Depreciation of property and equipment and amortization of intangible assets	19,755	18,717	8,075	57,943	6,232	37,137	3,100	150,959
Unallocated								1,497
Total depreciation and amortization								152,456

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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 September (Unaudited)		Nine months ended 30 September (Unaudited)	
	2019	2018	2019	2018
	KD'000		KD'000	
Revenue	84	10	149	1,229
Cost of sales	129	225	365	1,120
Management fee (included in other income)	-	-	-	2,026
Interest income on loans to an associate	-	-	-	11,587

Key management compensation

	Three months ended 30 September (Unaudited)		Nine months ended 30 September (Unaudited)	
	2019	2018	2019	2018
	KD'000		KD'000	
Salaries and other short term employee benefits	975	822	2,960	2,382
Post-employment benefits	212	125	1,168	527

Balances

	Unaudited	Audited	Unaudited
	30 September 2019	31 December 2018	30 September 2018
	KD '000		
Trade receivables	14	-	4
Trade payables	156	193	219

17. Commitments and contingencies

	Unaudited	Audited	Unaudited
	30 September 2019	31 December 2018	30 September 2018
	KD '000		
Capital commitments	260,310	127,757	201,363
Uncalled share capital of investee companies	447	963	1,988
Letters of guarantee and credit	89,969	81,809	81,474

The Company is a guarantor for credit facilities amounting to KD 7.295 million (31 December 2018 - KD 7.274 million; 30 September 2018 - KD 7.269 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 taxes in Iraq

During the period 2012 to 2014, Atheer received additional income tax claims for the years 2004 to 2010 from Iraq General Commission for Taxes (IGCT). In November 2016, Atheer signed an agreement with Iraq's Ministry of Finance under which it obtained the right to submit its objection to these additional income tax claimed by the IGCT amounting to USD 244 million (KD 74.176 million) and submitted its objections against the tax claim objecting to the full amount of the claim. On 15 October 2019, the Appeals Committee of IGCT issued its decision to reduce the amount of claim to USD 109.75 million (KD 33.364 million). There is no indication that any appeal has been submitted by IGCT against this decision as of the date of issue of this interim financial information. As on 30 September 2019, the Group carries adequate provision to cover its income tax liabilities.

Pella

Pella is a defendant in lawsuits amounting to KD 33.435 million (31 December 2018 – KD 12.371 million; 30 September 2018 – KD 12.449 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 a claim of KD 9.560 million (31 December 2018 - KD 9.533 million; 30 September 2018 - 9.527 million) by a regulatory authority 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 9.675 million (31 December 2018 - KD 11.671 million; 30 September 2018 – KD 11.663 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 September 2019	(Audited) 31 December 2018	(Unaudited) 30 September 2018
	KD'000		
Amortised costs/Loans and receivables:			
Cash and bank balances	329,379	311,916	282,185
Trade and other receivables	404,149	374,094	373,464
Contract assets (current and non-current)	91,009	83,002	68,670
Other assets	-	1,039	12,116
Investment securities –FVTPL	8,622	15,519	13,181
Investment securities – FVOCI	5,148	7,040	7,030

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.

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

30 September 2019

	Level 1	Level 2	Level 3	Total
				KD'000
Financial assets at fair value:				
Investments securities at FVTPL	540	8,082	-	8,622
Investments securities at FVOCI	1,185	923	3,040	5,148
Total assets	1,725	9,005	3,040	13,770

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	4,841	12,565	5,153	22,559

30 September 2018

	Level 1	Level 2	Level 3	Total
				KD'000
Financial assets at fair value:				
Investments securities at FVTPL	3,825	9,356	-	13,181
Investments securities at FVOCI	1,079	395	5,556	7,030
Total assets	4,904	9,751	5,556	20,211

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'.

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 September 2019	11,087	1
31 December 2018	6,306	1.76
31 December 2017	4,502	2.46
31 December 2016	2,068	5.36
31 December 2015	357	31.06
31 December 2014	170	65.22
31 December 2013	155	71.52

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 September 2019:

	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	-	12,346	241,824

At 31 December 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	-	1,749	241,350

At 30 September 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	-	271	96,473

21. Comparative figures

During the period, the Group reclassified advances paid for acquisition of non-current assets from Trade and other receivables to Property and equipment amounting to KD 34.784 million as at 31 December 2018 (30 September 2018 KD 11.219 million). This reclassification did not have any impact on the consolidated net profit or equity of the Group.