

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

**Condensed Consolidated Interim Financial Information (Unaudited)
31 March 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 31 March 2019 and the related condensed consolidated statements of profit or loss, profit or loss and other comprehensive income, changes in equity and cash flows for the three-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 three-month period ended 31 March 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
02 May 2019


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

Condensed Consolidated Statement of Financial Position as at 31 March 2019 (Unaudited)

		Unaudited	Audited	Unaudited
	Note	31 March	31 December	31 March
		2019	2018	2018
		KD '000		
Assets				
Current assets				
Cash and bank balances	4	377,122	311,916	284,010
Trade and other receivables		551,959	572,783	404,937
Contract assets		69,453	66,062	42,785
Inventories		42,249	45,957	19,921
Investment securities at FVTPL		10,754	15,519	11,685
Assets of disposal group classified as held for sale	5	13,451	7,656	7,656
		<u>1,064,988</u>	<u>1,019,893</u>	<u>770,994</u>
Non-current assets				
Contract assets		20,552	16,940	12,995
Investment securities at FVOCI		7,320	7,040	6,333
Investments in associates and joint venture	6	71,429	69,851	189,054
Due from associates		-	-	421,939
Other assets		11,444	11,953	15,038
Property and equipment	7	1,178,864	1,198,775	688,321
Right of use of assets	3	184,304	-	-
Intangible assets and goodwill	8	2,189,979	2,163,267	864,938
		<u>3,663,892</u>	<u>3,467,826</u>	<u>2,198,618</u>
		<u>4,728,880</u>	<u>4,487,719</u>	<u>2,969,612</u>
Total Assets				
Liabilities and Equity				
Current liabilities				
Trade and other payables		1,064,506	956,272	625,571
Deferred revenue		100,856	105,308	47,121
Due to banks	9	430,834	412,971	158,809
Lease liabilities	3	46,935	-	-
Liabilities of disposal group classified as held for sale	5	4,975	-	-
		<u>1,648,106</u>	<u>1,474,551</u>	<u>831,501</u>
Non-current liabilities				
Due to banks	9	1,011,663	1,033,565	742,547
Lease liabilities	3	144,456	-	-
Other non-current liabilities	10	399,330	336,325	38,668
		<u>1,555,449</u>	<u>1,369,890</u>	<u>781,215</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		(1,367,350)	(1,367,018)	(1,286,552)
Investment fair valuation reserve		914	864	987
Other reserves		(2,019)	(4)	(240)
Retained earnings		183,135	287,143	132,228
		<u>1,170,903</u>	<u>1,277,208</u>	<u>1,202,646</u>
Non-controlling interests		354,422	366,070	154,250
		<u>1,525,325</u>	<u>1,643,278</u>	<u>1,356,896</u>
Total equity		<u>1,525,325</u>	<u>1,643,278</u>	<u>1,356,896</u>
Total Liabilities and Equity		<u>4,728,880</u>	<u>4,487,719</u>	<u>2,969,612</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 02 May 2019.



Ahmed Tahous Al Tahous
Chairman



Bader Nasser Al Kharafi
Vice Chairman & Chief Executive Officer

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

**Condensed Consolidated Statement of Profit or Loss – Three months ended 31 March 2019
(Unaudited)**

	Note	Three months ended 31 March	
		2019	2018
		KD'000	
Revenue		404,491	258,903
Cost of sales		(119,010)	(91,195)
Operating and administrative expenses		(102,225)	(79,757)
Depreciation and amortization		(90,248)	(38,539)
Expected credit loss on financial assets (ECL)		(5,609)	(3,697)
Interest income		2,754	7,224
Investment income	13	(190)	217
Share of results of associates and joint venture	6	1,578	(2,364)
Other expense		(2,616)	(16,516)
Finance costs		(28,230)	(9,260)
Provision for impairment loss on property and equipment	19	-	(9,648)
Loss from currency revaluation		(1,769)	(2,624)
Net monetary gain	19	3,240	34,206
Profit before contribution to KFAS, NLST, ZAKAT, income taxes and Board of Directors' remuneration		62,166	46,950
Contribution to Kuwait foundation for Advancement of Sciences (KFAS)		(459)	(174)
National Labour Support Tax (NLST) and Zakat		(1,630)	(747)
Income tax expenses		(4,214)	(3,992)
Board of Directors' remuneration		(105)	(69)
Profit for the period		55,758	41,968
Attributable to:			
Shareholders of the Company		47,086	40,897
Non-controlling interests		8,672	1,071
		55,758	41,968
Earnings per share	14		
Basic and diluted – Fils		11	9

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

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

**Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income –
Three months ended 31 March 2019 (Unaudited)**

	Three months ended 31 March	
	2019	2018
	KD'000	
Profit for the period	55,758	41,968
Other comprehensive income		
<i>Items that will be reclassified to profit or loss:</i>		
Exchange differences on translating foreign operations	881	(98,954)
Cash flow hedges	(5,440)	86
	<u>(4,559)</u>	<u>(98,868)</u>
<i>Items that will not be reclassified to profit or loss:</i>		
Changes in the fair value of equity investments at FVOCI	50	(46)
Total comprehensive income/(expense) for the period	<u>51,249</u>	<u>(56,946)</u>
Total comprehensive income/(expense) attributable to:		
Shareholders of the Company	44,789	(56,146)
Non-controlling interests	6,460	(800)
	<u>51,249</u>	<u>(56,946)</u>

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

Condensed Consolidated Statement of Changes in Equity – Three months ended 31 March 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)
	432,706	1,707,164	216,353	(1,367,018)	864	(4)	265,861	348,614	1,604,540
Total comprehensive income for the period <i>Transactions with shareholders of the Company, recognized directly in equity</i>	-	-	-	(332)	50	(2,015)	47,086	6,460	51,249
Cash dividends (2018)	-	-	-	-	-	-	(129,812)	(652)	(130,464)
Balance at 31 March 2019	432,706	1,707,164	216,353	(1,367,350)	914	(2,019)	183,135	354,422	1,525,325
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)
	432,706	1,707,164	216,353	(1,189,469)	1,033	(326)	242,778	156,649	1,566,888
Total comprehensive income for the period <i>Transactions with shareholders of the Company, recognized directly in equity</i>	-	-	-	(97,083)	(46)	86	40,897	(800)	(56,946)
Cash dividends (2017)	-	-	-	-	-	-	(151,447)	(1,599)	(153,046)
Balance at 31 March 2018	432,706	1,707,164	216,353	(1,286,552)	987	(240)	132,228	154,250	1,356,896

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

Condensed Consolidated Statement of Cash Flows – Three months ended 31 March 2019 (Unaudited)

	Three months ended 31 March	
	2019	2018
	KD'000	
Cash flows from operating activities		
Profit for the period before income tax	59,972	45,960
Adjustments for:		
Depreciation and amortization	90,248	38,539
ECL on financial assets	5,609	3,697
Interest income	(2,754)	(7,224)
Investment income	190	(217)
Share of results of associates and joint venture	(1,578)	2,364
Provision for impairment loss on property and equipment	-	9,648
Finance costs	28,230	9,260
Loss from currency revaluation	1,769	2,624
Net monetary gain	(3,240)	(34,206)
Loss/(gain) on sale of property and equipment	1,411	(24)
Operating profit before working capital changes	179,857	70,421
Increase in trade and other receivables and contract assets	(1,424)	(64,684)
Decrease in inventories	3,778	14,133
Increase in trade and other payables	4,145	30,382
Cash generated from operations	186,356	50,252
Paid to KFAS	(771)	(319)
Income tax paid	(1,788)	(2,066)
<i>Net cash from operating activities</i>	183,797	47,867
Cash flows from investing activities		
Deposits maturing after three months and cash at bank under lien (note 4)	(28)	384
Investments in securities	(203)	(1,260)
Proceeds from sale of investments	4,396	173
Increase in due from associates	-	(5,348)
Acquisition of property and equipment (net)	(39,105)	(19,172)
Acquisition of intangible assets (net)	(11,522)	(275)
Interest received	1,712	1,666
Dividend received	173	-
<i>Net cash used in investing activities</i>	(44,577)	(23,832)
Cash flows from financing activities		
Proceeds from bank borrowings	6,050	110,316
Repayment of bank borrowings	(15,698)	(72,122)
Repayment of lease liabilities	(12,319)	-
Dividends paid to Company's shareholders	(264)	(318)
Dividends paid to minority shareholders of subsidiaries	(307)	-
Finance costs paid – due to banks	(52,212)	(8,846)
<i>Net cash (used in)/from financing activities</i>	(74,750)	29,030
Net increase in cash and cash equivalents	64,470	53,065
Effect of foreign currency translation	708	(6,572)
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)	369,414	246,428

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; 31 March 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, Group believes that there is no definitive basis to apply IAS 29 at this stage. However, Group will review it on an ongoing basis, accordingly it has not quantified the impact of applying IAS 29 in 2018 and as of 31 March 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 associate and Group companies

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

Notes to the Condensed Consolidated Interim Financial Information - 31 March 2019 (Unaudited)

3. Impact of changes in accounting policies due to adoption of IFRS 16 - Leases

The key changes to the Group's accounting policies resulting from its adoption of IFRS 16 is 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 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 3.27 million for the period ended 31 March 2019.

Notes to the Condensed Consolidated Interim Financial Information - 31 March 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	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 31 March 2019:

	KD'000		
	As reported	IFRS 16	Amounts without adoption of IFRS 16
Current assets			
Cash and bank balances	377,122	-	377,122
Trade and other receivables	551,959	30,263	582,222
Contract assets	69,453	-	69,453
Inventories	42,249	-	42,249
Investment securities at FVTPL	10,754	-	10,754
Assets of disposal group classified as held for sale	13,451	(5,795)	7,656
	<u>1,064,988</u>	<u>24,468</u>	<u>1,089,456</u>
Non-current assets			
Contract assets	20,552	-	20,552
Investment securities at FVOCI	7,320	-	7,320
Investments in associates and joint venture	71,429	-	71,429
Other assets	11,444	-	11,444
Property and equipment	1,178,864	-	1,178,864
Right of use of assets	184,304	(184,304)	-
Intangible assets and goodwill	2,189,979	-	2,189,979
	<u>3,663,892</u>	<u>(184,304)</u>	<u>3,479,588</u>
Total assets	<u>4,728,880</u>	<u>(159,836)</u>	<u>4,569,044</u>
Current liabilities			
Trade and other payables	1,064,506	156	1,064,662
Deferred revenue	100,856	-	100,856
Due to banks	430,834	-	430,834
Lease liabilities	46,935	(46,935)	-
Liabilities of disposal group classified as held for sale	4,975	(4,975)	-
	<u>1,648,106</u>	<u>(51,754)</u>	<u>1,596,352</u>
Non-current liabilities			
Due to banks	1,011,663	-	1,011,663
Lease liabilities	144,456	(144,456)	-
Other non-current liabilities	399,330	-	399,330
	<u>1,555,449</u>	<u>(144,456)</u>	<u>1,410,993</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	(1,367,350)	-	(1,367,350)
Investment fair valuation reserve	914	-	914
Share of reserves of associates	(2,019)	-	(2,019)
Retained earnings	183,135	19,531	202,666
	<u>1,170,903</u>	<u>19,531</u>	<u>1,190,434</u>
Non-controlling interests	354,422	16,843	371,265
Total equity	<u>1,525,325</u>	<u>36,374</u>	<u>1,561,699</u>
Total Liabilities and Equity	<u>4,728,880</u>	<u>(159,836)</u>	<u>4,569,044</u>

Notes to the Condensed Consolidated Interim Financial Information - 31 March 2019 (Unaudited)

(b) The following table summarizes the impact on the condensed consolidated statement of profit or loss for the three months period ended 31 March 2019:

	KD'000		
	As reported	IFRS 16	Amounts without adoption of IFRS 16
Revenue	404,491	-	404,491
Cost of sales	(119,010)	-	(119,010)
Operating and administrative expenses	(102,225)	(18,572)	(120,797)
Depreciation and amortization	(90,248)	13,033	(77,215)
Expected credit loss on financial assets	(5,609)	-	(5,609)
Interest income	2,754	-	2,754
Investment income	(190)	-	(190)
Share of results of associates and joint venture	1,578	-	1,578
Other expense	(2,616)	(106)	(2,722)
Finance costs	(28,230)	3,271	(24,959)
Loss from currency revaluation	(1,769)	-	(1,769)
Net monetary gain	3,240	-	3,240
Profit before contribution to KFAS, NLST, ZAKAT, income taxes and Board of Directors' remuneration	62,166	(2,374)	59,792
Contribution to Kuwait foundation for Advancement of Sciences	(459)	-	(459)
National Labour Support Tax and Zakat	(1,630)	-	(1,630)
Income tax expenses	(4,214)	10	(4,204)
Board of Directors' remuneration	(105)	-	(105)
Profit for the period	55,758	(2,364)	53,394
Attributable to:			
Shareholders of the Company	47,086	(1,751)	45,335
Non-controlling interests	8,672	(613)	8,059
	55,758	(2,364)	53,394

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	185,253	8,523
Add: Additions	3,739	-
Less: Amortisation	(10,755)	(2,310)
Less: Retirement	(146)	-
Closing balance as at 31 March 2019 (excluding assets of disposal group classified as held for sale)	178,091	6,213

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.

Notes to the Condensed Consolidated Interim Financial Information - 31 March 2019 (Unaudited)

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 extension and 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>31 March</u> <u>2019</u>	<u>Audited</u> <u>31 December</u> <u>2018</u>	<u>Unaudited</u> <u>31 March</u> <u>2018</u>
	<u>KD '000</u>		
Cash on hand and at banks	147,739	141,699	118,830
Short-term deposits with banks	232,647	174,014	171,693
Government certificates of deposits held by subsidiaries	103	102	169
	<u>380,489</u>	<u>315,815</u>	<u>290,692</u>
Expected credit loss	<u>(3,367)</u>	<u>(3,899)</u>	<u>(6,682)</u>
	377,122	311,916	284,010
Cash at bank under lien	(7,605)	(7,578)	(7,483)
Deposits with maturity exceeding three months	-	-	(29,930)
Government certificates of deposits with maturities exceeding three months held by subsidiaries	<u>(103)</u>	<u>(102)</u>	<u>(169)</u>
Cash and cash equivalent in the condensed consolidated statements of cash flows	<u>369,414</u>	<u>304,236</u>	<u>246,428</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; 31 March 2018 – KD 7.656 million) and right of use of assets amounting to KD 5.795 million (31 December 2018 – Nil; 31 March 2018 – Nil) in Kuwait and its related lease liabilities amounting to KD 4.975 million (31 December 2018 – Nil; 31 March 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

6.1 Investments in associates

This represented Group's interest in SMTC (31 December 2018 – KD Nil; 31 March 2018 – KD 119.277 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.

Notes to the Condensed Consolidated Interim Financial Information - 31 March 2019 (Unaudited)

6.2 Interest in a joint venture

This represents Group's KD 71.409 million (31 December 2018 - KD 69.831 million; 31 March 2018: KD 69.754 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> 31 March 2019	<u>Audited</u> 31 December 2018	<u>Unaudited</u> 31 March 2018
	KD `000		
Net fixed assets	1,056,255	1,059,851	599,199
Capital work in progress	122,609	138,924	89,122
	<u>1,178,864</u>	<u>1,198,775</u>	<u>688,321</u>

During the three-months period ended 31 March 2019, the Group acquired property and equipment amounting to KD 27.669 million (31 March 2018: KD 18.210 million). Depreciation charged for the period amounted to KD 49.566 million (31 March 2018: KD 25.577 million).

8. Intangible assets and goodwill

	<u>Unaudited</u> 31 March 2019	<u>Audited</u> 31 December 2018	<u>Unaudited</u> 31 March 2018
	KD `000		
Intangible assets	1,578,969	1,554,146	283,639
Goodwill	611,010	609,121	581,299
	<u>2,189,979</u>	<u>2,163,267</u>	<u>864,938</u>

During the three-months period ended 31 March 2019, the Group acquired intangible assets amounting to KD 50.275 million (31 March 2018: KD 0.264 million).

9. Due to banks

	<u>Unaudited</u> 31 March 2019	<u>Audited</u> 31 December 2018	<u>Unaudited</u> 31 March 2018
	KD `000		
<i>Company</i>			
Short term loans	111,260	110,930	109,790
Long term loans	606,953	610,117	646,325
	<u>718,213</u>	<u>721,047</u>	<u>756,115</u>
<i>SMTC</i>			
Long term loans	570,644	568,126	-
	<u>570,644</u>	<u>568,126</u>	<u>-</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	-	-	744
	<u>-</u>	<u>-</u>	<u>744</u>
<i>Others</i>			
Long term loans	19	22	-
	<u>19</u>	<u>22</u>	<u>-</u>
<i>Atheer - Iraq</i>			
Bank overdraft	-	-	14,302
Long term loans	153,621	153,066	130,195
	<u>153,621</u>	<u>153,066</u>	<u>144,497</u>
	<u>1,442,497</u>	<u>1,446,536</u>	<u>901,356</u>

Notes to the Condensed Consolidated Interim Financial Information - 31 March 2019 (Unaudited)

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

	<u>Unaudited</u> <u>31 March</u> <u>2019</u>	<u>Audited</u> <u>31 December</u> <u>2018</u>	<u>Unaudited</u> <u>31 March</u> <u>2018</u> <u>KD '000</u>
Opening balance	1,446,536	870,201	870,201
On acquisition of a subsidiary	-	657,143	-
Proceeds from bank borrowings	6,050	203,019	110,316
Repayment of bank borrowings	(15,698)	(288,901)	(72,122)
Effect of change in foreign exchange rates	5,609	5,074	(7,039)
	<u>1,442,497</u>	<u>1,446,536</u>	<u>901,356</u>

The current and non-current amounts are as follows:

	<u>Unaudited</u> <u>31 March</u> <u>2019</u>	<u>Audited</u> <u>31 December</u> <u>2018</u>	<u>Unaudited</u> <u>31 March</u> <u>2018</u> <u>KD '000</u>
Current liabilities	430,834	412,971	158,809
Non-current liabilities	1,011,663	1,033,565	742,547
	<u>1,442,497</u>	<u>1,446,536</u>	<u>901,356</u>

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

	<u>Unaudited</u> <u>31 March</u> <u>2019</u>	<u>Audited</u> <u>31 December</u> <u>2018</u>	<u>Unaudited</u> <u>31 March</u> <u>2018</u> <u>KD '000</u>
US dollar	1,148,663	1,149,914	880,612
Kuwaiti dinar	20,000	20,000	20,000
Saudi Riyals	273,815	272,325	-
Others	19	4,297	744
	<u>1,442,497</u>	<u>1,446,536</u>	<u>901,356</u>

The effective interest rate as at 31 March 2019 was 3.00% to 6.00% (31 December 2018 - 2.42% to 6.16%; 31 March 2018 - 2.13% 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 US\$ 20 million (KD 6.050 million) from a long-term loan facility amounting to US\$ 100 million.
- repaid loans amounting to KD 11.428 million. This includes:
 - US\$ 8 million (KD 2.434 million) from a long-term loan facility amounting to US\$ 400 million.
 - US\$ 7.022 million (KD 2.136 million) from a long-term loan facility amounting to US\$ 200 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.

Notes to the Condensed Consolidated Interim Financial Information - 31 March 2019 (Unaudited)

SMTC

Long-term loans include:

- SAR 4,755 million (KD 386.251 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 479.257 million) facility maturing in June 2023 which includes a working capital facility of SAR 647.3 million (KD 52.580 million) for two years. During the third and fourth quarters of the previous year, SMTC made early voluntary payments amounting to SAR 1,125 million (KD 91.114 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 2,270 million (KD 184.393 million) long-term loan repayable by August 2019 availed from a commercial bank. This facility is guaranteed by the Company.

Zain – Bahrain

This represented balance on the long term Bahraini Dinar denominated facilities, availed in 2013, at a fixed margin over Bahrain Inter Bank Overnight rate (BIBOR). These were four-year amortising facilities with maturities in September 2018.

Atheer

Long-term loans include:

- Term loan from a commercial bank amounting to US\$ 250 million (KD 76.05 million) (31 December 2018: KD 75.775 million; 31 March 2018: KD 89.79 million) that is repayable by 17 December 2019.
- Term loan from a commercial bank amounting to US\$ 55 million (KD 16.731 million) (31 December 2018: KD 16.671 million; 31 March 2018: KD 16.462 million) which is repayable by 31 March 2020.
- Term loan from a commercial bank amounting to US\$ 50 million (KD 15.21 million) (31 December 2018: KD 15.155 million; 31 March 2018: KD 14.965 million) which is repayable by 30 April 2020.
- Term loan from a commercial bank amounting to US\$ 50 million (KD 15.21 million) (31 December 2018: KD 15.155 million; 31 March 2018: Nil) which is repayable by 09 April 2021.
- Term loan from a financial institution amounting to US\$ 100 million (KD 30.42 million) (31 December 2018: KD 30.31 million; 31 March 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> <u>31 March</u> <u>2019</u>	<u>Audited</u> <u>31 December</u> <u>2018</u>	<u>Unaudited</u> <u>31 March</u> <u>2018</u>
	<u>KD '000</u>		
Payable to Ministry of Finance – Saudi Arabia (refer below)	249,120	234,749	-
Due to CITC for acquisition of spectrum	74,950	33,719	-
Customer deposits	5,261	5,238	5,451
Post-employment benefits	33,806	32,468	22,017
Others	36,193	30,151	11,200
	<u>399,330</u>	<u>336,325</u>	<u>38,668</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.

Notes to the Condensed Consolidated Interim Financial Information - 31 March 2019 (Unaudited)

11. Share capital

The authorized, issued and fully paid up share capital as of 31 March 2019 is 4,327,058,909 shares (31 December 2018 – 4,327,058,909; 31 March 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 31 March (Unaudited)	
	2019	2018
	KD'000	
Profit from investment securities at FVTPL	(362)	217
Dividend income	172	-
	<u>(190)</u>	<u>217</u>

14. Earnings per share

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

	Three months ended 31 March (Unaudited)	
	2019	2018
	KD'000	
Profit for the period attributable to shareholders	47,086	40,897
	Shares	Shares
Weighted average number of shares in issue outstanding during the period	4,327,058,909	4,327,058,909
	Fils	Fils
Earnings per share – basic and diluted	11	9

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.

Notes to the Condensed Consolidated Interim Financial Information - 31 March 2019 (Unaudited)

	31 March 2019					Total		
	Kuwait	Jordan	Sudan	Iraq	Bahrain	KSA	Others	KD '000
Segment revenues – airtime & data (Point over time)	64,807	34,050	19,858	78,812	9,922	144,843	5,525	357,817
Segment revenues - trading income (Point in time)	17,276	1,367	121	520	2,637	24,744	9	46,674
Net profit before interest and tax	21,239	8,815	4,308	9,937	1,501	31,421	3,601	80,822
Interest income	41	133	228	146	44	578	88	1,258
Finance costs	(108)	(1,855)	(54)	(4,404)	(159)	(21,516)	(35)	(28,131)
Income tax expenses	-	(1,616)	(1,235)	(1,091)	-	-	(132)	(4,074)
Unallocated items:	21,172	5,477	3,247	4,588	1,386	10,483	3,522	49,875
Investment income								(190)
Share of results of associates and joint venture								1,578
Others (including unallocated interest income, income tax and finance costs)								4,495
Profit for the period								55,758
Segment assets including allocated goodwill	350,469	309,207	124,287	1,030,872	78,495	2,177,750	87,564	4,158,644
ROU assets	6,519	13,470	1,138	32,900	8,282	121,180	815	184,304
Unallocated items:								10,754
Investment securities at FVTPL								7,320
Investment securities at FVOCI								71,429
Investment in associates and joint venture								296,429
Others								4,728,880
Consolidated assets								1,807,987
Segment liabilities	102,100	134,103	43,311	159,019	19,978	1,268,716	80,760	1,807,987
Lease liabilities (current and non-current)	6,399	13,833	1,189	35,195	8,762	125,152	861	191,391
Due to banks	-	-	-	153,621	-	570,644	19	724,284
Unallocated items:	108,499	147,936	44,500	347,835	28,740	1,964,512	81,640	2,723,662
Due to banks								718,213
Others								(238,320)
Consolidated liabilities								3,203,555
Net consolidated assets								1,525,325
Capital expenditure incurred during the period	1,894	1,026	1,176	4,325	93	68,902	82	77,498
Unallocated								446
Total capital expenditure								77,944
Depreciation of property and equipment and amortization of intangible assets	8,243	6,034	1,922	19,437	2,067	37,981	916	76,600
Amortization of ROU assets	1,043	788	41	1,701	852	8,405	235	13,065
Unallocated								583
Total depreciation and amortization								90,248

Notes to the Condensed Consolidated Interim Financial Information - 31 March 2019 (Unaudited)

	31 March 2018						Total KD '000
	Kuwait	Jordan	Sudan	Iraq	Bahrain	Others	
Segment revenues - airtime, data and subscription (Point over time)	74,324	34,737	25,461	82,157	10,205	4,473	231,357
Segment revenues - trading income (Point in time)	22,698	1,088	133	419	3,198	10	27,546
Net profit before interest and tax	19,003	8,221	5,145	6,321	889	24,587	64,166
Interest income	-	110	122	31	11	48	322
Finance costs	-	(1,392)	-	(2,918)	(18)	(22)	(4,350)
Income tax expense	-	(1,566)	(1,126)	(1,022)	-	(123)	(3,837)
	19,003	5,373	4,141	2,412	882	24,490	56,301
<i>Unallocated items:</i>							
Investment income							217
Share of results of associates and joint venture							(2,364)
Others (including unallocated interest income and finance costs)							(12,186)
Profit for the period							41,968
Segment assets including goodwill	308,554	313,931	158,813	996,693	78,631	87,272	1,943,894
<i>Unallocated items:</i>							
Investment securities at FVTPL							11,685
Investment securities at FVOCI							6,333
Investment in associates and joint venture							189,054
Dues from associates							421,939
Others							396,707
Consolidated assets							2,969,612
Segment liabilities	83,844	160,613	36,139	154,290	25,373	212,878	673,137
Due to banks	-	-	-	144,497	744	-	145,241
	83,844	160,613	36,139	298,787	26,117	212,878	818,378
<i>Unallocated items:</i>							
Due to banks							756,115
Others							38,223
Consolidated liabilities							1,612,716
Net consolidated assets							1,356,896
Capital expenditure incurred during the period	7,755	525	2,381	6,598	20	3,635	20,914
Unallocated							921
Total capital expenditure							21,835
Depreciation and amortization	6,313	6,156	2,987	19,219	2,060	1,262	37,997
Unallocated							542
Total depreciation and amortization							38,539

Notes to the Condensed Consolidated Interim Financial Information - 31 March 2019 (Unaudited)

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 31 March (Unaudited)	
	2019	2018
	KD'000	
Revenue	19	573
Cost of sales	152	399
Management fee (included in other income)	-	967
Interest income on loans to an associate	-	5,692

Key management compensation

	Three months ended 31 March (Unaudited)	
	2019	2018
	KD'000	
Salaries and other short term employee benefits	976	877
Post-employment benefits	459	112

Balances

	Unaudited	Audited	Unaudited
	31 March 2019	31 December 2018	31 March 2018
	KD '000		
Trade receivables	33	-	16,868
Trade payables	248	193	10,563

17. Commitments and contingencies

	Unaudited	Audited	Unaudited
	31 March 2019	31 December 2018	31 March 2018
	KD '000		
Capital expenditure	99,761	127,757	32,205
Capital expenditure - share of an associate	-	-	61,260
Uncalled share capital of investee companies	510	963	4,415
Letters of guarantee and credit	83,222	81,809	444,324

The above include guarantees amounting to KD Nil (31 December 2018 - KD Nil; 31 March 2018 - KD 390.141 million) relating to loans and other vendor financing availed by SMTC.

The Company is a guarantor for credit facilities amounting to KD 7.301 million (31 December 2018 - KD 7.274 million; 31 March 2018 - KD 7.183 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 74.225 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 52.63 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 74.225 million) tax claim in November 2016 objecting to the full amount of the claim, and commenced payment of the amount agreed. As of 31 March 2019, Atheer has an obligation to pay a balance of US\$ 75 million (KD 22.815 million) (31 December 2018: US\$ 86 million equivalent to KD 26.067 million; 31 March 2018: US\$ 117 million equivalent to KD 35.019 million), net of previous payments in twenty-two remaining instalments.

Notes to the Condensed Consolidated Interim Financial Information - 31 March 2019 (Unaudited)

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 favor 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 is a defendant in lawsuits amounting to KD 33.923 million (31 December 2018 – KD 12.371 million; 31 March 2018 – KD 12.354 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 9.567 million (31 December 2018 - KD 9.533 million; 31 March 2018 - 9.412 million) for the years 2002 - 2005 on the grounds that it has already paid the amount that it was obligated to pay for those years. Pella has also initiated legal proceedings against the regulatory authorities claiming refund of excess license fee paid amounting to KD 9.682 million (31 December 2018 - KD 11.671 million; 31 March 2018 – KD 11.523 million) of earlier years. Based on the report of its attorneys, the Group expects the outcome to be favorable to Pella.

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

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 31 March 2019	Audited 31 December 2018	Unaudited 31 March 2018
	KD'000		
Amortised costs/Loans and receivables:			
Cash and bank balances	377,122	311,916	284,010
Trade and other receivables	393,185	374,094	310,740
Contract assets (current and non-current)	90,005	83,002	55,780
Due from associates	-	-	421,939
Other assets	1,010	1,039	11,972
Investment securities -FVTPL	10,754	15,519	11,685
Investment securities - FVOCI	7,320	7,040	6,333

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

Notes to the Condensed Consolidated Interim Financial Information - 31 March 2019 (Unaudited)

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.

31 March 2019

	Level 1	Level 2	Level 3	Total
				KD'000
Financial assets at fair value:				
Investments securities at FVTPL	3,233	7,521	-	10,754
Investments securities at FVOCI	1,043	1,106	5,171	7,320
Total assets	<u>4,276</u>	<u>8,627</u>	<u>5,171</u>	<u>18,074</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>

31 March 2018

	Level 1	Level 2	Level 3	Total
				KD'000
Financial assets at fair value:				
Investments securities at FVTPL	3,718	7,967	-	11,685
Investments securities at FVOCI	1,097	394	4,842	6,333
Total assets	<u>4,815</u>	<u>8,361</u>	<u>4,842</u>	<u>18,018</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 - 31 March 2019 (Unaudited)

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

	<u>Index</u>	<u>Conversion factor</u>
31 March 2019	9,181	1.00
31 December 2018	6,306	1.46
31 December 2017	4,502	2.04
31 December 2016	2,068	4.44
31 December 2015	357	25.72
31 December 2014	170	54.01
31 December 2013	155	59.23

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 31 March 2019:

	<u>Notional amounts by term to maturity</u>		
	<u>Positive fair value</u>	<u>Negative fair value</u>	<u>Notional amount</u> KD `000
<i>Derivatives held for hedging:</i>			
<i>Cash flow hedges</i>			
Profit rate swaps	-	7,193	241,954

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> KD `000
<i>Derivatives held for hedging:</i>			
<i>Cash flow hedges</i>			
Profit rate swaps	-	1,749	241,350

At 31 March 2018:

	<u>Notional amounts by term to maturity</u>		
	<u>Positive fair value</u>	<u>Negative fair value</u>	<u>Notional amount</u> KD `000
<i>Derivatives held for hedging:</i>			
<i>Cash flow hedges</i>			
Profit rate swaps - share of an associate	6	-	101,420