

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

**Condensed Consolidated Interim Financial Information (Unaudited)
30 September 2022**

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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 of 30 September 2022 and the related condensed consolidated statements of profit or loss, profit or loss and other comprehensive income for the 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 interim financial information in accordance with International Accounting Standard 34 - Interim Financial Reporting. Our responsibility is to express a conclusion on this 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 for Qualified Conclusion

As disclosed in note 2 to the 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 interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 – Interim Financial Reporting.

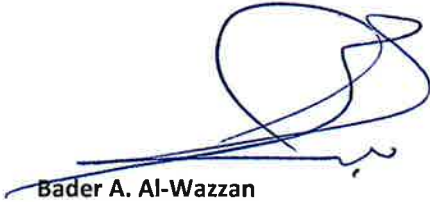
**Mobile Telecommunications Company K.S.C.P.
Kuwait**

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

Report on Other Legal and Regulatory Requirements

Furthermore, based on our review, the interim financial information is in agreement with the books of account of the Company. We further report that, nothing has come to our attention that causes us to believe that there is 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 2022 that might have had a material effect on the business of the Company or on its financial position.

We further report that, during the course of our review, nothing has come to our attention that causes us to believe that there is any violations of the provisions of Law No 7 of 2010, as amended, concerning the Capital Markets Authority and its related regulations during the nine-month period ended 30 September 2022 that might have had a material effect on the business of the Company or on its financial position.



Bader A. Al-Wazzan

Licence No. 62A

Deloitte & Touche - Al-Wazzan & Co.

Kuwait


08 November 2022

Condensed Consolidated Statement of Financial Position as at 30 September 2022 (Unaudited)

	Note	Unaudited 30 September 2022	Audited 31 December 2021	Unaudited 30 September 2021
KD '000				
Assets				
Current assets				
Cash and bank balances	3	217,337	231,884	304,185
Trade and other receivables		752,072	687,334	652,505
Contract assets		73,676	60,756	61,497
Inventories		49,823	59,218	49,412
Investment securities at FVTPL		34,557	28,423	9,548
Assets of disposal group classified as held for sale	4.1	264,232	4,906	38,225
		<u>1,391,697</u>	<u>1,072,521</u>	<u>1,115,372</u>
Non-current assets				
Contract assets		51,325	42,857	40,220
Investment securities at FVOCI		19,369	18,165	17,891
Investments in associates and joint venture	5	95,871	78,602	78,613
Other non-current assets		72,609	57,673	64,311
Right of use of assets		94,579	163,745	149,512
Property and equipment	6	1,016,386	1,217,268	1,157,449
Intangible assets and goodwill	7	2,156,597	2,147,811	2,164,902
		<u>3,506,736</u>	<u>3,726,121</u>	<u>3,672,898</u>
Total assets		<u>4,898,433</u>	<u>4,798,642</u>	<u>4,788,270</u>
Liabilities and equity				
Current liabilities				
Trade and other payables		934,402	938,352	897,706
Deferred revenue		75,667	90,853	86,992
Income tax payables	8	16,894	23,900	22,118
Due to banks	9	274,990	406,217	355,739
Lease liabilities		17,507	33,599	33,830
Liabilities of disposal group classified as held for sale	4.1	99,177	625	18,398
		<u>1,418,637</u>	<u>1,493,546</u>	<u>1,414,783</u>
Non-current liabilities				
Due to banks	9	1,139,756	899,343	996,376
Lease liabilities		79,411	148,708	136,335
Other non-current liabilities	10	392,972	445,029	439,106
		<u>1,612,139</u>	<u>1,493,080</u>	<u>1,571,817</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		216,354	216,354	216,354
Foreign currency translation reserve		(1,499,396)	(1,499,458)	(1,492,591)
Investment fair valuation reserve		(7,093)	(4,620)	(4,466)
Other reserves		4,088	(2,492)	(3,907)
Retained earnings		348,907	339,781	333,265
		<u>1,202,730</u>	<u>1,189,435</u>	<u>1,188,525</u>
Non-controlling interests		664,927	622,581	613,145
Total equity		<u>1,867,657</u>	<u>1,812,016</u>	<u>1,801,670</u>
Total liabilities and equity		<u>4,898,433</u>	<u>4,798,642</u>	<u>4,788,270</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 08 November 2022.


Ahmed Tahous Al Tahous
Chairman


Bader Nasser Al Kharafi
Vice Chairman & Chief Executive Officer

Condensed Consolidated Statement of Profit or Loss – 30 September 2022 (Unaudited)

	Note	Three months ended 30 September		Nine months ended 30 September	
		2022	2021	2022	2021
		KD'000		KD'000	
Continuing operations					
Revenue		441,118	385,243	1,269,784	1,135,634
Cost of sales		(142,033)	(114,594)	(419,714)	(335,897)
Operating and administrative expenses		(116,671)	(105,824)	(336,461)	(316,031)
Depreciation and amortization		(82,417)	(89,928)	(250,239)	(265,212)
Expected credit loss on financial assets (ECL)		(11,558)	2,726	(22,782)	(5,749)
Interest income		1,560	743	3,259	2,392
Investment income/ (loss)	12	3,273	(952)	5,911	(426)
Share of results of associates and joint venture	5	570	1,879	2,963	2,529
Other (expenses)/ income	13	(5,855)	(928)	(9,056)	9,015
Gain on sale and lease back transaction	4.1	402	-	402	629
Finance costs		(25,055)	(17,180)	(60,356)	(50,657)
Gain/ (loss) from currency revaluation		974	(3)	3,166	(7,532)
Net monetary loss	19	-	(737)	-	(1,367)
Profit before contribution to KFAS, NLST, ZAKAT, income taxes and Board of Directors' remuneration		64,308	60,445	186,877	167,328
Contribution to Kuwait foundation for Advancement of Sciences (KFAS)		(567)	(519)	(1,576)	(1,420)
National Labour Support Tax (NLST) and Zakat		(2,625)	(1,269)	(6,080)	(4,325)
Income tax expenses and other levies		(1,581)	(6,198)	(9,755)	(16,117)
Board of Directors' remuneration		(108)	(108)	(326)	(326)
Profit for the period from continuing operations		59,427	52,351	169,140	145,140
Discontinued operations					
Profit for the period from discontinued operations	4.2	-	270	-	270
Profit for the period		59,427	52,621	169,140	145,410
Attributable to:					
Shareholders of the Company		54,254	49,492	151,882	135,414
Non-controlling interests		5,173	3,129	17,258	9,996
		59,427	52,621	169,140	145,410
Earnings per share					
Basic and diluted – Fils	14				
From continuing and discontinued operations		13	11	35	31

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 –
30 September 2022 (Unaudited)**

	Three months ended 30 September		Nine months ended 30 September	
	2022	2021	2022	2021
	KD'000		KD'000	
Profit for the period	59,427	52,621	169,140	145,410
Other comprehensive income				
<i>Items that will be reclassified to profit or loss:</i>				
Exchange differences on translating foreign operations	13,760	1,615	16,305	(106,243)
Other reserves	4,533	2,339	17,636	3,903
	<u>18,293</u>	<u>3,954</u>	<u>33,941</u>	<u>(102,340)</u>
<i>Items that will not be reclassified to profit or loss:</i>				
Changes in the fair value of equity investments at FVOCI	(2,485)	(670)	(2,436)	(500)
Total comprehensive income for the period	<u>75,235</u>	<u>55,905</u>	<u>200,645</u>	<u>42,570</u>
Total comprehensive income attributable to:				
Shareholders of the Company				
From continuing operations	58,401	50,693	156,088	34,157
From discontinued operations	-	261	-	261
	<u>58,401</u>	<u>50,954</u>	<u>156,088</u>	<u>34,418</u>
Non-controlling interests				
From continuing operations	16,834	4,942	44,557	8,143
From discontinued operations	-	9	-	9
	<u>16,834</u>	<u>4,951</u>	<u>44,557</u>	<u>8,152</u>

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 Changes in Equity – Nine months ended 30 September 2022 (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 2022	432,706	1,707,164	216,354	(1,499,458)	(4,620)	(2,492)	339,781	622,581	1,812,016
Profit for the period	-	-	-	-	-	-	151,882	17,258	169,140
Other comprehensive income for the period	-	-	-	62	(2,436)	6,580	-	27,299	31,505
Total comprehensive income for the period	-	-	-	62	(2,436)	6,580	151,882	44,557	200,645
<i>Transactions with shareholders of the Company, recognized directly in equity</i>									
Cash dividends (Note 11)	-	-	-	-	-	-	(142,793)	(2,211)	(145,004)
Transfer to retained earnings	-	-	-	-	(37)	-	37	-	-
Balance at 30 September 2022	<u>432,706</u>	<u>1,707,164</u>	<u>216,354</u>	<u>(1,499,396)</u>	<u>(7,093)</u>	<u>4,088</u>	<u>348,907</u>	<u>664,927</u>	<u>1,867,657</u>
Balance at 1 January 2021	432,706	1,707,164	216,354	(1,390,619)	(3,966)	(5,383)	359,180	619,108	1,934,544
Profit for the period	-	-	-	-	-	-	135,414	9,996	145,410
Other comprehensive income for the period	-	-	-	(101,972)	(500)	1,476	-	(1,844)	(102,840)
Total comprehensive income for the period	-	-	-	(101,972)	(500)	1,476	135,414	8,152	42,570
<i>Transactions with shareholders of the Company, recognized directly in equity</i>									
<i>Effect of change in ownership percentage of Subsidiaries</i>	-	-	-	-	-	-	(18,536)	(10,425)	(28,961)
Cash dividends (Note 11)	-	-	-	-	-	-	(142,793)	(3,690)	(146,483)
Balance at 30 September 2021	<u>432,706</u>	<u>1,707,164</u>	<u>216,354</u>	<u>(1,492,591)</u>	<u>(4,466)</u>	<u>(3,907)</u>	<u>333,265</u>	<u>613,145</u>	<u>1,801,670</u>

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 2022 (Unaudited)

	Note	Nine months ended 30 September	
		2022	2021
		KD'000	
Cash flows from operating activities			
Profit for the period before income tax, KFAS, NLST and Zakat		186,551	167,272
Adjustments for:			
Depreciation and amortization		250,239	265,212
ECL on financial assets		22,782	5,749
Interest income		(3,259)	(2,392)
Investment (income)/ loss	12	(5,911)	426
Share of results of associates and joint venture		(2,963)	(2,529)
Finance costs		60,356	50,657
Gain on sale and lease back transaction	4.1	(402)	(629)
Gain/ (loss) from currency revaluation		(3,166)	7,532
Net monetary loss		-	1,367
Loss on sale of property and equipment		(75)	(158)
Operating cash flows before working capital changes		504,152	492,507
Increase in trade and other receivables and contract assets		(106,281)	(98,322)
(Increase)/ decrease in inventories		9,973	(195)
Decrease in trade and other payables		(66,330)	(96,551)
Cash generated from operations		341,514	297,439
Paid to KFAS		(6,816)	(4,062)
NLST and Zakat paid		(2,503)	(5,908)
Income tax paid		(10,957)	(17,243)
<i>Net cash from operating activities</i>		<u>321,238</u>	<u>270,226</u>
Cash flows from investing activities			
Deposits maturing after three months and cash at bank under lien	3	(3,454)	27,617
Investments in securities		(3,568)	(602)
Proceeds from sale of investments		442	420
Investment in subsidiaries		-	(8,456)
Investment in joint venture		(115)	-
Acquisition of property and equipment (net)		(123,352)	(152,010)
Acquisition of intangible assets (net)		(56,097)	(122,307)
Proceeds from sale of telecom assets (sale and lease back)		-	1,088
Interest received		1,727	1,627
Dividend received		331	83
<i>Net cash used in investing activities</i>		<u>(184,086)</u>	<u>(252,540)</u>
Cash flows from financing activities			
Proceeds from bank borrowings	9	386,947	425,869
Repayment of bank borrowings	9	(314,888)	(263,159)
Repayment of lease liabilities		(44,120)	(39,156)
Dividend paid to Company's shareholders		(141,872)	(142,270)
Dividend paid to minority shareholders of subsidiaries		(2,215)	(1,465)
Finance costs paid – due to banks		(36,423)	(35,161)
<i>Net cash used in financing activities</i>		<u>(152,571)</u>	<u>(55,342)</u>
Net decrease in cash and cash equivalents		(15,419)	(37,656)
Effect of foreign currency translation		(2,582)	(23,602)
Cash and cash equivalents at beginning of period		229,716	363,566
Cash and cash equivalents at end of period	3	<u>211,715</u>	<u>302,308</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 7 other countries (31 December 2021 - Kuwait and 7 other countries; 30 September 2021 - Kuwait and 7 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 as of 30 September 2022.

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 2022, 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 2021.

2.1. 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 2021.

New and amended IFRS Standards that are effective for the current year

The Group has applied the certain new and revised IFRS Standards that have been issued and effective during the current period. The application of these amendments did not have a significant impact on the Group’s interim condensed consolidated financial information.

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 2021.

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 (Pella) and Al Khatem (Atheer) whose working capitals are in deficit. Based on business plans, the Group does not expect these conditions will have a material adverse impact on the operations of these Group companies.

3. Cash and bank balances

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

	Unaudited 30 September 2022	Audited 31 December 2021	Unaudited 30 September 2021
	KD '000		
Cash on hand and at banks	217,202	200,401	229,611
Short-term deposits with banks	23,392	47,919	91,070
Government certificates of deposits held by subsidiaries	8	11	11
	<u>240,602</u>	<u>248,331</u>	<u>320,692</u>
Expected credit loss	(23,265)	(16,447)	(16,507)
	<u>217,337</u>	<u>231,884</u>	<u>304,185</u>
Cash at bank under lien	(5,614)	(2,157)	(1,866)
Government certificates of deposits with maturities exceeding three months held by subsidiaries	(8)	(11)	(11)
Cash and cash equivalent in the condensed consolidated statements of cash flows	<u>211,715</u>	<u>229,716</u>	<u>302,308</u>

4. Assets and liabilities of disposal group classified as held for sale and discontinued operations

4.1. Assets and liabilities of disposal group classified as held for sale – Kuwait, KSA and Iraq

Assets and liabilities of disposal group classified as held for sale represents telecom tower assets in Kuwait, KSA and Iraq classified as held for sale, on the basis of a plan to sale and lease back those assets.

KSA

During the period, SMTC has received board of directors' approval on the final offers (the "Final Offers") from the Public Investment Fund (PIF), HRH Prince Saud bin Fahd Bin Abdulaziz, and Sultan Holding Company after completing the due diligence and internal approvals of all parties. The approved final offers were to acquire stakes in Zain KSA's towers infrastructure comprising of 8,069 towers, valuing these assets at USD 807 million (KD 250.089 million). Pursuant to the Final Offers SMTC will own 20% stake in newly formed Tower Company. PIF's Final Offer also includes a call option that will grant PIF the right to buy the remaining 20% stake from Zain KSA for a certain amount. Under the terms of the offers, Zain KSA will sell its passive, physical towers infrastructure and retain all other wireless communication antennas, software, technology, and intellectual property (IPs).

Notes to the Condensed Consolidated Interim Financial Information - 30 September 2022 (Unaudited)

On 28 May 2022, Zain KSA received a letter from the Communications and Information Technology Commission (“CITC”), which included the CITC’s Board of Directors approval for “Zain Business Limited” Company (a subsidiary of Zain KSA) to acquire aforementioned telecom tower sites owned by Zain KSA.

In September 2022, PIF acquired Zain Business Limited and changed the name to Golden Lattice Investment Company (GLI).

In October 2022, Zain KSA entered into a Shareholders’ Agreement “SHA” with the shareholders of GLI. Simultaneously in October 2022, Zain KSA also entered into an Asset Purchase Agreement (“APA”) with GLI to transfer aforementioned sites for an aggregate value as mentioned above. Under the APA, upon “Financial Completion” Zain KSA will receive a cash proceed of SR 2,421 million along with a 20% equity stake in GLI.

Iraq

During July 2022, Atheer Telecom Iraq Limited has received Board of Directors’ approval for an offer from TTI Holding Limited to acquire Atheer’s towers infrastructure. The decision to approve the offer by the Board of Directors was unanimous. The approved offer was to acquire Atheer’s towers infrastructure comprising of 4,604 towers. Under the terms of the offer, Atheer will sell its passive physical towers infrastructure and retain all other wireless communication antennas, software, technology, and intellectual property (IPs).

Based on above, the management has classified the assets and the liabilities directly associated to these assets as held for sale and stopped depreciating the assets from the date of classifying them as held for sale as the sale is expected to qualify for recognition as a sale within one year of the date of its classification.

Kuwait

During the year 2020 and 2021 the Company completed the sale and lease back of 1,355 telecom towers in Kuwait.

In September 2022, the Company completed the sale and lease back of additional 43 telecom towers in Kuwait for a total sale consideration of US\$ 2.729 million (KD 0.845 million). Total gain from this transaction was KD 0.402 million which is recognized in the statement of profit or loss during the period ended 30 September 2022.

The sale and leaseback facilitates transfer of residual value risk and also provides flexibility in managing the asset ageing and Group’s liquidity.

The carrying value of disposal group held for sale comprises of remaining telecom tower assets and remaining right of use of assets and its related lease liabilities classified as held for sale in Kuwait, KSA and Iraq as follows.

	KD’000					
				Total		
	Kuwait	KSA	Iraq	30 Sept 2022	31 December 2021	30 Sept 2021
Telecom tower assets	1,631	112,995	38,161	152,787	1,631	8,891
Right of use of assets	5,069	83,734	22,642	111,445	3,275	22,096
Cash and bank balances	-	-	-	-	-	6,594
Other current assets	-	-	-	-	-	644
	<u>6,700</u>	<u>196,729</u>	<u>60,803</u>	<u>264,232</u>	<u>4,906</u>	<u>38,225</u>
Lease liabilities	<u>1,616</u>	<u>76,191</u>	<u>21,370</u>	<u>99,177</u>	<u>625</u>	<u>18,398</u>

These are expected to be sold during the year 2022 and 2023.

4.2 Discontinued operations – Jordan

On 13 December 2021, the Group through Pella entered into a sale agreement to dispose of Al Masar Al Momtaz Leanzamet Al Itesalat (Al Masar) which carried out the majority of the Group’s towers and related leased space operations in Jordan. The disposal was completed on 13 December 2021, on which date control of Al Masar passed to the acquirer (an associate of the Group).

5. Investments in associates and joint venture

Investments in associates

This includes the Group's :

- KD 1.001 million (31 December 2021 – KD 0.650 million; 30 September 2021- KD 0.064 million) interest in IHS Kuwait Limited which represents 30% of the equity shares and voting rights of the associate. The associate became operational in February 2020 pursuant to the sale and lease back of telecommunication towers transaction with the Company.
- KD 13.772 million (31 December 2021 – KD Nil; 30 September 2021- KD 1.594 million) interest in TASC Towers Holding Limited ("TASC") which represents 69.1% (31 December 2021 - 25%; 30 September 2021 - 25% of the equity shares of the associate. During the quarter, the Group acquired the additional shares of TASC Towers Holding Limited and increased its shareholding to 69.1%. The purchase consideration amounting to KD 14.2 million was settled against the amount that was due to the Group from TASC.

However, the Group determines that it does not have the control over TASC on the basis that the Group does not have majority representation in the Board under the terms agreed in the agreement between TASC shareholders.

The carrying value of the associates and its results for the period are determined by Group management using the equity method based on management information provided by the associates.

Investments in joint venture

This includes Group's KD 80.968 million (31 December 2021 - KD 77.866 million; 30 September 2021: KD 76.849 million) interest in the joint venture, Zain Al Ajjal 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).

6. Property and equipment

	<u>Unaudited</u> <u>30 September</u> <u>2022</u>	<u>Audited</u> <u>31 December</u> <u>2021</u>	<u>Unaudited</u> <u>30 September</u> <u>2021</u>
	<u>KD '000</u>		
Net fixed assets	922,891	1,076,933	1,048,512
Capital work in progress	93,495	140,335	108,937
	<u>1,016,386</u>	<u>1,217,268</u>	<u>1,157,449</u>

During the nine-months period ended 30 September 2022, the Group acquired property and equipment amounting to KD 81.953 million (30 September 2021: KD 89.354 million). Depreciation charged for the period amounted to KD 148.663 million (30 September 2021: KD 149.147 million).

7. Intangible assets and goodwill

	<u>Unaudited</u> <u>30 September</u> <u>2022</u>	<u>Audited</u> <u>31 December</u> <u>2021</u>	<u>Unaudited</u> <u>30 September</u> <u>2021</u>
	<u>KD '000</u>		
Intangible assets	1,559,684	1,563,244	1,581,684
Goodwill	596,913	584,567	583,218
	<u>2,156,597</u>	<u>2,147,811</u>	<u>2,164,902</u>

Notes to the Condensed Consolidated Interim Financial Information - 30 September 2022 (Unaudited)

During the nine-months period ended 30 September 2022, the Group acquired intangible assets amounting to KD 14.995 million (30 September 2021: KD 111.251 million). Amortization charged for the period amounted to KD 101.576 million (30 Sep 2021: KD 72.553 million).

8. Income tax payables

Income tax payables mainly includes current tax payables by Group's subsidiaries in Iraq, Jordan and Sudan.

Atheer - Iraq

At Atheer Iraq, income tax assessment orders for the years 2004 – 2010 are final and fully paid (refer note 17).

Income tax assessment for 2011 is contested and is currently under the consideration of Iraq General Commission for Taxes (IGCT). Income tax assessment for the years 2012, 2013 and from 2014 to 2018 is paid and settled.

Atheer has booked the income tax expenses for the year from 2019 to date, based on self-assessment, considering most likely outcome. No assessment order has yet been received.

During current period, Atheer revised the income tax computation for the nine months ended 30 September 2022 based on their correspondence with Ministry of Finance - General Commission for Tax and reversed income tax amounting to US\$ 6.324 million (KD 1.959 million) during the three months ended 30 September 2022. This was offset by charge of income tax amounting to US\$ 1.413 million (KD 0.437 million) for the three months ended 30 September 2022 resulting in net reversal of US\$ 4.912 million (KD 1.522 million).

Management believes that they have adequate provisions for liabilities in respect of the assessments contested.

Zain Sudan

Starting from financial year ended 31 December 2021, Zain Sudan filed its corporate income tax declaration claiming a 50% tax relief under the Double Taxation Avoidance Agreement (DTAA) signed between Republic of Sudan and the State of Kuwait. Accordingly, the Corporate Income Tax paid by the Zain Sudan for the financial year ended 31 December 2021 was @ 3.5%. This resulted in a reversal of SDG 3,754 Mn (KD 2.028 Mn) during the period, being the excess provision carried in the books for the year ended 31 December 2021.

9. Due to banks

	Unaudited	Audited	Unaudited
	30 September	31 December	30 September
	2022	2021	2021
	KD '000		
<i>Company</i>			
Short term loans	40,287	39,273	39,169
Long term loans	556,449	498,060	544,591
	<u>596,736</u>	<u>537,333</u>	<u>583,760</u>
<i>SMTC</i>			
Long term loans	493,348	472,631	470,665
	<u>493,348</u>	<u>472,631</u>	<u>470,665</u>
<i>Zain Jordan</i>			
Long term loans	80,575	48,337	48,212
	<u>80,575</u>	<u>48,337</u>	<u>48,212</u>
<i>Atheer – Iraq</i>			
Bank overdraft	40	7,089	8,438
Long term loans	244,047	240,170	241,040
	<u>244,087</u>	<u>247,259</u>	<u>249,478</u>
	<u><u>1,414,746</u></u>	<u><u>1,305,560</u></u>	<u><u>1,352,115</u></u>

Notes to the Condensed Consolidated Interim Financial Information - 30 September 2022 (Unaudited)

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

	Unaudited	Audited	Unaudited
	30 September	31 December	30 September
	2022	2021	2021
	KD '000		
Opening balance	1,305,560	1,196,376	1,196,376
Proceeds from bank borrowings	386,947	452,366	425,869
Repayment of bank borrowings	(314,888)	(338,584)	(263,159)
Effect of change in foreign exchange rates	37,127	(4,598)	(6,971)
	<u>1,414,746</u>	<u>1,305,560</u>	<u>1,352,115</u>

The current and non-current amounts are as follows:

	Unaudited	Audited	Unaudited
	30 September	31 December	30 September
	2022	2021	2021
	KD '000		
Current liabilities	274,990	406,217	355,739
Non-current liabilities	1,139,756	899,343	996,376
	<u>1,414,746</u>	<u>1,305,560</u>	<u>1,352,115</u>

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

	Unaudited	Audited	Unaudited
	30 September	31 December	30 September
	2022	2021	2021
	KD '000		
US dollar	888,967	862,260	910,568
Kuwaiti dinar	124,359	25,000	25,000
Saudi Riyals	401,420	418,300	416,547
	<u>1,414,746</u>	<u>1,305,560</u>	<u>1,352,115</u>

The effective interest rate as at 30 September 2022 was 2.14% to 5.74% (31 December 2021 - 0.76% to 2.52%; 30 September 2021 – 0.810% to 2.52%) 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 Amortization (EBITDA);
- adjusted consolidated EBITDA to adjusted consolidated net interest payable;
- consolidated net borrowings to consolidated net worth (equity).

Company

During the period, the Company has:

- drawn down loans amounting to KD 77.282 million from the existing facilities (31 December 2021 - KD 164.139 million).
 - US\$ 85 million (KD 26.053 million) and KD 30.397 million from a US\$ 330 million/ KD 100 million revolving credit facility.
 - US\$ 35.29 million (KD 10.816 million) from a US\$ 226.850 million long- term loan facility.
 - US\$ 32.68 million (KD 10.016 million) from a US\$ 129.718 million long- term loan facility.

Notes to the Condensed Consolidated Interim Financial Information - 30 September 2022 (Unaudited)

- repaid loans amounting to KD 30.921 million (31 December 2021 – KD 275.53 million). This includes:
 - US\$ 30 million (KD 9.297 million) of a revolving credit facility amounting to US\$ 250 million.
 - US\$ 15.385 million (KD 4.716 million) of a long- term loan facility amounting to US\$ 200 million.
 - US\$ 12.132 million (KD 3.718 million) of a long- term loan facility amounting to US\$ 200 million.
 - US\$ 10.80 million (KD 3.278 million) of a long- term loan facility amounting to US\$ 200 million

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

SMTC

Term loans include:

- 1) SAR 5,472 million (KD 453.519 million) (31 December 2021: SAR 2,955 million equivalent to KD 238.675 million) syndicated murabaha facility and SAR 480 million (KD 39.782 million) (31 December 2021: SAR 650 million equivalent to KD 52.5 million) working capital facility availed from a consortium of banks.

In September 2020, SMTC signed an Amendment Agreement (the Agreement) with the consortium of lenders to refinance the Murabaha facilities that existed as of that date and to secure additional funding for future capital investment.

The Agreement:

- a. Includes a Total Term Murabaha Facility of SAR 6,000 million (KD 497.28 million), consisting of SAR 4.880 billion (KD 0.404 billion) and US\$ portion of SAR 1.120 billion (KD 0.092 billion) for refinancing of the existing Term Murabaha Facility amounting to SAR 3.48 billion (KD 0.288 billion) and balance for future specified business purposes.
- b. Includes a revolving working capital facility of SAR 1,000 million (KD 82.88 million) consisting of SAR 813.393 million (KD 67.414 million) and a US\$ portion totaling to SAR 186.607 million (KD 15.465 million).

The Murabaha Facility continues to be 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.

A portion of above syndicated loan has been hedged through a profit rate swap contract.

- 2) During 2019, SMTC signed syndicated junior murabaha facility amounting to SAR 2,250 million (KD 186.48 million) (31 December 2021: SAR 2,247 million equivalent to KD 186.231 million) from a consortium of banks with a two- year tenure with an option to extend for one more year. During April 2022, SMTC has voluntary settled the outstanding principal as per the Murabaha Financing agreement.

During the period SMTC has:

- drawn down SAR 2,800 million (KD 232.064 million) from Syndicated Murabaha facility and SAR 480 million (KD 39.782 million) from working capital facility availed from a consortium of banks.
- repaid SAR 650 million (KD 53.872 million) of working capital facility availed from a consortium of banks.
- repaid SAR 2,250 million (KD 186.48 million) of syndicated junior murabaha facility

Notes to the Condensed Consolidated Interim Financial Information - 30 September 2022 (Unaudited)

Zain Jordan

Long term loans include:

- 1) US\$ 160 million (KD 49.584 million) (31 December 2021 – US\$ 160 million equivalent to KD 48.336 million) term loan from a commercial bank that is repayable by 2025.
- 2) US\$ 100 million (KD 30.99 million) (31 December 2021 – US\$ Nil) term loan from a commercial bank which is repayable by 30 April 2027.

Atheer

- 1) US\$ 90 million (KD 27.891 million) (31 December 2021 – US\$ 90 million equivalent to KD 27.189 million; 30 September 2021 -US\$ 95 million equivalents to KD 28.624 million) term loan from a commercial bank that is repayable by 17 December 2024.
- 2) US\$ 105 million (KD 32.539 million) (31 December 2021 – US\$ 105 million equivalent to KD 31.721 million; 30 September 2021 -US\$ 105 million equivalents to KD 31.637 million) term loan from a commercial bank which is repayable by 30 June 2023.
- 3) US\$ 150 million (KD 46.485 million) (31 December 2021 – US\$ 150 million equivalent to KD 45.315 million; 30 September 2021 -US\$ 150 million equivalents to KD 45.195 million) revolving credit facilities from a commercial bank repayable by 17 December 2022.
- 4) US\$ 100 million (KD 30.99 million) (31 December 2021 – US\$ 100 million equivalent to KD 30.21 million; 30 September 2021 -US\$ 100 million equivalents to KD 30.13 million) term loan from a commercial bank repayable by 31 July 2023.
- 5) US\$ 50 million (KD 15.495 million) (31 December 2021 – US\$ 50 million equivalent to KD 15.105 million; 30 September 2021 -US\$ 50 million equivalents to KD 15.065 million) term loan from a commercial bank repayable by 14 April 2024.
- 6) US\$ 67.5 million (KD 20.918 million) (31 December 2021 – US\$ 75 million equivalent to KD 22.658 million; 30 September 2021 -US\$ 75 million equivalents to KD 22.598 million) term loan from a commercial bank repayable by 28 April 2025.
- 7) US\$ 125 million (KD 38.737 million) (31 December 2021 – US\$ 125 million equivalent to KD 37.763 million; 30 September 2021 -US\$ 125 million equivalents to KD 37.663 million) term loan from a commercial bank repayable by 03 May 2025.
- 8) US\$ 100 million (KD 30.99 million) (31 December 2021 – US\$ 100 million equivalent to KD 30.21 million; 30 September 2021 -US\$ 100 million equivalents to KD 30.13 million) term loan from a commercial bank repayable by 25 May 2024.

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 2022	Audited 31 December 2021	Unaudited 30 September 2021
	KD '000		
Payable to Ministry of Finance-Saudi Arabia (refer below)	206,136	247,131	239,686
Due on acquisition of spectrum payable	131,347	137,466	135,109
Customer deposits	3,533	3,193	3,109
Post-employment benefits	44,605	40,908	39,254
Others	7,351	16,331	21,948
	392,972	445,029	439,106

Notes to the Condensed Consolidated Interim Financial Information - 30 September 2022 (Unaudited)

During 2013, SMTC signed an agreement with the Ministry of Finance – KSA to defer payments that are due until 2021. These amounts are being repaid in seven installments starting June 2021. The current portion of these payables is recorded under trade and other payables.

11. Share capital

The authorized, issued and fully paid up (in cash and bonus shares) share capital as of 30 September 2022 is 4,327,058,909 shares (31 December 2021 – 4,327,058,909; 30 September 2021 - 4,327,058,909) of 100 fils each.

Dividend

The annual general meeting of shareholders for the year ended 31 December 2021 held on 22 March 2022 (31 December 2020 - 17 March 2021) approved distribution of a cash dividend of 23 fils per share (amounting to KD 99,522,355) to the registered shareholders, for the second half of the year 2021, after obtaining necessary regulatory approvals. This is in addition to the interim dividend of 10 fils distributed earlier in 2021 totaling 33 fils per share for the year 2021 (31 December 2020 – 33 fils per share).

Interim dividend

The Board of Directors in their meeting held on 17 July 2022, declared distribution of 10 fils per share of interim dividend in cash.

12. Investment income/ (loss)

	Three months ended 30 September (Unaudited)		Nine months ended 30 September (Unaudited)	
	2022	2021	2022	2021
	KD'000		KD'000	
Gain/ (loss) from investment securities at fair value through profit or loss (FVTPL)	3,173	(1,035)	5,580	(509)
Dividend income	100	83	331	83
	<u>3,273</u>	<u>(952)</u>	<u>5,911</u>	<u>(426)</u>

13. Other (expenses)/ income

This includes an amount of KD 5.098 million (JD 11.70 million) as additional provision recognized by Pella relating to litigation/ settlement agreement with Telecommunications Regulatory Authority (TRC) in Jordan.

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 30 September (Unaudited)		Nine months ended 30 September (Unaudited)	
	2022	2021	2022	2021
	KD'000		KD'000	
Profit for the period attributable to shareholders of the Company - from continuing and discontinued operations	54,254	49,492	151,882	135,414
	<u>Shares</u>	<u>Shares</u>	<u>Shares</u>	<u>Shares</u>
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
	<u>Fils</u>	<u>Fils</u>	<u>Fils</u>	<u>Fils</u>
Earnings per share – Basic and diluted From continuing and discontinued operations	13	11	35	31

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
Kuwait

Notes to the Condensed Consolidated Interim Financial Information - 30 September 2022 (Unaudited)

	30 September 2022							Total KD'000
	Kuwait	Jordan	Sudan	Iraq	Bahrain	KSA	Others	
Segment revenues – airtime, data & subscriptions (Point over time)	192,431	111,890	102,341	182,032	33,801	471,267	23,154	1,116,916
Segment revenues - trading income (Point in time)	65,342	4,858	1,373	1,596	7,148	72,494	57	152,868
Net profit before interest and tax	60,142	25,000	54,611	18,821	4,096	57,373	2,384	222,427
Interest income	1,231	1,018	1,012	5	79	571	47	3,963
Gain on sale and lease back transaction	402	-	-	-	-	-	-	402
Finance costs	(568)	(5,616)	(177)	(13,480)	(582)	(33,515)	(24)	(53,962)
Income tax expenses	-	(4,794)	(2,204)	(2,326)	-	-	(63)	(9,387)
	<u>61,207</u>	<u>15,608</u>	<u>53,242</u>	<u>3,020</u>	<u>3,593</u>	<u>24,429</u>	<u>2,344</u>	<u>163,443</u>
<i>Unallocated items:</i>								
Investment income								5,911
Share of results of associates and joint venture								2,656
Others (including unallocated interest income, income tax and finance costs, net of elimination)								(2,870)
Profit for the period								<u>169,140</u>
Segment assets including allocated goodwill	395,492	364,695	96,749	1,100,178	94,299	2,311,425	86,656	4,449,494
ROU assets	10,567	9,737	1,886	4,593	12,107	55,626	63	94,579
<i>Unallocated items:</i>								
Investment securities at FVTPL								34,557
Investment securities at FVOCI								19,369
Investment in associates and joint venture								95,871
Others (net of eliminations)								204,563
Consolidated assets								<u>4,898,433</u>
Segment liabilities	128,379	113,763	27,353	173,292	26,906	990,542	72,004	1,532,239
Lease liabilities (current and non-current)	17,347	11,628	812	2,910	12,184	51,999	38	96,918
Due to banks	-	80,575	-	244,086	-	493,348	-	818,009
	<u>145,726</u>	<u>205,966</u>	<u>28,165</u>	<u>420,288</u>	<u>39,090</u>	<u>1,535,889</u>	<u>72,042</u>	<u>2,447,166</u>
<i>Unallocated items:</i>								
Due to banks								596,737
Others (net of eliminations)								(13,127)
Consolidated liabilities								<u>3,030,776</u>
Net consolidated assets								<u>1,867,657</u>
Capital expenditure incurred during the period	10,443	7,023	14,922	13,428	936	34,316	13,651	94,719
Unallocated								2,229
Total capital expenditure								<u>96,948</u>
Depreciation of property and equipment and amortization of intangible assets	31,069	21,383	1,948	48,820	7,151	113,090	3,520	226,981
Amortization of ROU assets	4,690	1,073	265	3,669	2,309	11,541	19	23,566
Unallocated (net of eliminations)								(308)
Total depreciation and amortization								<u>250,239</u>

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

Notes to the Condensed Consolidated Interim Financial Information - 30 September 2022 (Unaudited)

	30 September 2021							Total KD '000
	Kuwait	Jordan *	Sudan	Iraq	Bahrain	KSA	Others	
Segment revenues – airtime, data & subscriptions (Point over time)	182,761	110,846	72,190	171,786	31,344	422,062	36,220	1,027,209
Segment revenues - trading income (Point in time)	51,844	4,216	582	1,054	7,046	46,232	102	111,076
Net profit before interest and tax	56,637	32,947	26,008	25,536	4,089	41,072	9,099	195,388
Interest income	1,276	605	568	46	55	79	7	2,636
Gain on sale and lease back transaction	629	-	-	-	-	-	-	629
Gain on modification of financial liabilities								
Finance costs	(509)	(5,652)	(899)	(11,104)	(637)	(29,661)	(39)	(48,501)
Income tax expenses	-	(6,995)	(3,834)	(5,275)	-	-	(6)	(16,110)
	<u>58,033</u>	<u>20,905</u>	<u>21,843</u>	<u>9,203</u>	<u>3,507</u>	<u>11,490</u>	<u>9,061</u>	<u>134,042</u>
<i>Unallocated items:</i>								
Investment income								(426)
Share of results of associates and joint venture								2,589
Others (including unallocated interest income, income tax and finance costs, net of elimination)								9,205
Profit for the period								<u>145,410</u>
Segment assets including allocated goodwill	414,947	368,678	57,122	1,084,356	91,190	2,137,815	92,043	4,246,151
ROU assets	9,496	2,918	539	25,952	10,847	99,670	90	149,512
<i>Unallocated items:</i>								
Investment securities at FVTPL								9,548
Investment securities at FVOCI								17,891
Investment in associates and joint venture								78,613
Others (net of eliminations)								286,555
Consolidated assets								<u>4,788,270</u>
Segment liabilities	145,018	149,342	30,682	177,321	29,022	892,161	76,386	1,499,932
Lease liabilities (current and non-current)	15,869	3,343	377	24,377	10,929	115,214	56	170,165
Due to banks	-	48,212	-	249,478	-	470,665	-	768,355
	<u>160,887</u>	<u>200,897</u>	<u>31,059</u>	<u>451,176</u>	<u>39,951</u>	<u>1,478,040</u>	<u>76,442</u>	<u>2,438,452</u>
<i>Unallocated items:</i>								
Due to banks								583,760
Others (net of eliminations)								(35,612)
Consolidated liabilities								<u>2,986,600</u>
Net consolidated assets								<u>1,801,670</u>
Capital expenditure incurred during the period	16,741	62,661	8,100	63,373	6,906	26,505	14,157	198,443
Unallocated								2,162
Total capital expenditure								<u>200,605</u>
Depreciation of property and equipment and amortization of intangible assets	27,060	20,703	2,469	45,319	6,923	116,392	3,210	222,076
Amortization of ROU assets	4,816	4,205	101	5,057	2,165	28,559	55	44,958
Unallocated (net of eliminations)								(376)
Total depreciation and amortization								<u>266,658</u>

* Figures disclosed under Jordan includes assets and liabilities of disposal group classified as held for sale and discontinued operations as disclosed in note 4.

Notes to the Condensed Consolidated Interim Financial Information - 30 September 2022 (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 30 September (Unaudited)		Nine months ended 30 September (Unaudited)	
	2022	2021	2022	2021
	KD'000		KD'000	
Revenue	998	59	1,124	733
Cost of sales	2,378	2,310	5,863	5,049

Key management compensation

	Three months ended 30 September (Unaudited)		Nine months ended 30 September (Unaudited)	
	2022	2021	2022	2021
	KD'000		KD'000	
Salaries and other short-term employee benefits	598	563	1,795	1,618
Post-employment benefits	76	62	360	288

Balances

	Unaudited	Audited	Unaudited
	30 September 2022	31 December 2021	30 September 2021
	KD '000		
Trade receivables	1,300	700	655
Trade payables	5,985	6,872	5,205

17. Commitments and contingencies

	Unaudited	Audited	Unaudited
	30 September 2022	31 December 2021	30 September 2021
	KD '000		
Capital commitments	116,925	80,091	111,038
Uncalled share capital of investee companies	917	1,303	2,213
Letters of guarantee and credit	64,612	80,982	73,446

Income taxes in Iraq

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 US\$ 196 million (KD 60.74 million) and submitted its objections against the tax claim.

On 15 October 2019, the Appeals Committee of IGCT issued its decision to reduce the amount of claim to US\$ 88.8 million (KD 27.519 million). IGCT had the option to challenge this decision before the Court of Cassation within 15 days of Appeals Committee decision. The challenge period has elapsed and Atheer did not receive any notification from the Cassation Court or the IGCT about challenging the decision. Atheer petitioned the Cassation Court to direct IGCT to issue the final settlement order and is awaiting a response. On 29 June 2022, the Cassation Court decided in Atheer's favor which is considered final.

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Atheer received additional income tax claim of US\$ 19.3 million (KD 5.981 million) from IGCT for the year 2011 on 9 March 2020. On 12 March 2020, Atheer submitted its objection to this additional income tax claim which was rejected by the IGCT on 15 March 2020. This additional tax claim is now under appeal procedures before the Appeals Committee of IGCT. Atheer believes that it has adequate provisions to meet this liability, if it arises.

Pella - Jordan

- a) During Q1 2022, a letter was issued by the Telecommunications Regulatory Commission (TRC) that included an extract from a decision that was issued by the cabinet of the Hashemite Kingdom of Jordan aiming to reform the telecom sector and boost the operators' appetite to introduce 5G technology in Jordan. In September 2022, a settlement agreement was entered into with the government which put an end to the disputes related to revenue sharing, extended the useful lives of existing licenses, and resulted in awarding of 5G license among other things. On 04 October 2022, the TRC approved the pre-conditions to the settlement agreement and as of that date the agreement has become effective. The details of agreement are as follows:
- To settle all the disputed amount between the TRC and operators for the years 2000 to 2020 regarding the revenue share calculation and dismiss all the related legal cases from the court.
 - To extend spectrum and individual licenses validities for additional 10 years and become a neutral band, therefore, the total license validity shall become 25 years with a possibility to extend for further 5 years based on a specific criterion which will be evaluated after 3 years from the date of settlement agreement signature.
 - Grant the operator's spectrum licenses in the 3500MHZ band (5G), with 100MHZ per each operator, for 25 years, with operators' commitment to start launching within 18 months, and to cover 50% of population within a period not exceeding 4 years from the spectrum grant date.
 - The agreement envisages a total payment of JD 85 million (KD 37.153 million) as full and final settlement for all of the above component. The management is in the process of allocating the total settlement amount on the basis of their relative fair values of each of the above component. As of 30 September 2022, the management has assessed that adequate provision is recorded for settlement of disputed amount (refer note 13).
- b) Pella is a defendant in lawsuits amounting to KD 22.872 million (31 December 2021 – KD 22.292 million). Based on the report of its attorneys, the Group expects the outcome of these proceedings to be favorable to Pella.

MTC Kuwait

A part of the regulatory tariff levied on mobile telecommunication operators in Kuwait by the Ministry of Communication since 26 July 2011 was invalidated by the Kuwait Court of Cassation in April 2017. Accordingly, the Group has contingent assets in the form of recovery of excess regulatory tariff paid. In June 2022, the first degree judgement was issued in favour of the Group.

SMTC

SMTC received withholding tax assessments from Zakat, Tax and Customs Authority ("ZATCA") for an additional amount of SAR 221.9 million (KD 18.391 million) for certain withholding tax items for the years from 2015 to 2021. SMTC has appealed these assessments against the relevant committees. The SMTC believes that the outcome of those appeals will be in its favor with no material financial impact as the SMTC has sufficient provisions to cover these amounts.

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.

Notes to the Condensed Consolidated Interim Financial Information - 30 September 2022 (Unaudited)

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 2022	Audited 31 December 2021	Unaudited 30 September 2021
	KD'000		
Amortised costs			
Cash and bank balances	217,337	231,884	304,185
Trade and other receivables	631,065	542,923	489,448
Investment securities –FVTPL	34,557	28,423	9,548
Investment securities – FVOCI	19,369	18,165	17,891

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

18.2. Fair value hierarchy for financial instruments measured at fair value

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

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

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

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

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

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

30 September 2022

	Level 1	Level 2	Level 3	Total
	KD'000			
Financial assets at fair value:				
Investments securities at FVTPL	-	12,197	22,360	34,557
Investments securities at FVOCI	2,075	2,881	14,413	19,369
Total assets	<u>2,075</u>	<u>15,078</u>	<u>36,773</u>	<u>53,926</u>

31 December 2021

	Level 1	Level 2	Level 3	Total
	KD'000			
Financial assets at fair value:				
Investments securities at FVTPL	234	9,440	18,749	28,423
Investments securities at FVOCI	1,412	2,703	14,050	18,165
Total assets	<u>1,646</u>	<u>12,143</u>	<u>32,799</u>	<u>46,588</u>

Notes to the Condensed Consolidated Interim Financial Information - 30 September 2022 (Unaudited)

30 September 2021

	Level 1	Level 2	Level 3	Total
				KD'000
Financial assets at fair value:				
Investments securities at FVTPL	995	8,553	-	9,548
Investments securities at FVOCI	2,019	2,643	13,229	17,891
Total assets	3,014	11,196	13,229	27,439

During the period, there were no transfers between any of the fair value hierarchy levels.

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 loss

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 impact of Net monetary loss for the period is not material to the interim financial information.

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 2022:

	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	8,808	-	240,352

At 31 December 2021:

	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	-	8,895	258,464

At 30 September 2021:

	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	-	12,706	257,760

21. Impact of COVID-19

The Group's operating environment has rebound and signs of economic recovery is visible across the region and globally. The key assumptions about the future and other key sources of estimation that may have a significant risk of causing material adjustments to the consolidated financial statements is disclosed in the Group's annual consolidated financial statements for the year ended 31 December 2021.