

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

**Condensed Consolidated Interim Financial Information (Unaudited)
31 March 2024**

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Independent auditor's report on review of condensed consolidated interim financial information

The Board of Directors
Mobile Telecommunication Company K.S.C.P.
State of Kuwait

Introduction

We have reviewed the accompanying 31 March 2024 condensed consolidated interim financial information of Mobile Telecommunication Company K.S.C.P. (the "Company") and its subsidiaries (together, the "Group"), which comprises the condensed consolidated interim statement of financial position as at 31 March 2024, the condensed consolidated interim statement of profit or loss, the condensed consolidated interim statement of other comprehensive income, changes in equity and cash flows for the three months period then ended, and notes to the condensed consolidated interim financial information. Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with IAS 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 the 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 of this condensed consolidated interim financial information, the Group has excluded the effects of application of IAS 29 *Financial Reporting in Hyperinflationary Economies* with respect of its subsidiaries in Republic of Sudan. It was impracticable for us to quantify the financial effects of the adjustments to the condensed consolidated interim financial information due to the non-application of IAS 29 *Financial Reporting in Hyperinflationary Economies* as the Group has not performed the required calculations.



Emphasis of matter – Political uncertainty in Republic of Sudan

We draw attention to note 2 of the condensed consolidated interim financial information, which describes the management's assessment of the ongoing impact of the political uncertainty in the Republic of Sudan on the Group's operations and financial performance and related uncertainties. Our review conclusion is not modified in respect of this matter.

Emphasis of matter – Comparative Information

We draw attention to Note 20 to the condensed consolidated interim financial information which indicates that the comparative information presented as at and for the period ended 31 March 2023 has been restated. Our conclusion is not modified in respect of this matter.

Other matters

The consolidated financial statements of the Group as at and for the year ended 31 December 2023 were audited by another auditor who expressed qualified opinion on those consolidated financial statements on 6 March 2024 due to the exclusion of the effect of applying IAS 29 Financial Reporting in Hyperinflationary Economies for one of the subsidiaries in the Republic of Sudan. The condensed consolidated interim financial information of the Group as at and for the three months ended 31 March 2023, excluding adjustment in note 20 to condensed consolidated interim financial information, were reviewed by the same auditor who expressed qualified conclusion on this condensed consolidated interim financial information on 9 May 2023 due to the exclusion of the effect of applying IAS 29 Financial Reporting in Hyperinflationary Economies for one of the subsidiaries in the Republic of Sudan and unavailability of complete information related to certain account balances.

As part of our review of the condensed consolidated interim financial information as at and for the three months ended 31 March 2024, we reviewed the adjustments described in Note 20 that were applied to restate the comparative information presented as at and for the three months ended 31 March 2023. We were not engaged to audit, review, or apply any procedures to the condensed consolidated interim financial information for the three months ended 31 March 2023 other than with respect to the adjustments described in Note 20 to the condensed consolidated interim financial information. Accordingly, we do not express a conclusion or any other form of assurance on the financial information taken as a whole. However, in our conclusion, the adjustments described in Note 20 are appropriate and have been properly applied.

Report on review of other legal and regulatory requirements

Furthermore, based on our review, except for the possible effect of the matters described in the "Basis of Qualified Conclusion" paragraph above, the condensed consolidated 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 were any other violations of the provisions of the Companies Law No. 1 of 2016, and its Executive Regulations, or of the Company's Memorandum and Articles of Association, as amended, during the three month period ended 31 March 2024 that might have had material effect on the business of the Company or on its financial position.

We further report that, based on our review, except for the possible effect of the matters described in the "Basis of Qualified Conclusion" paragraph above, nothing has come to our attention that causes us to believe that there were any other violations of the provisions of the Law No. 7 of 2010, as amended, concerning the Capital Markets Authority, and its related regulations, during the three month period ended 31 March 2024 that might have had material effect on the business of the Company or on its financial position.

Dr. Rasheed M. Al-Qenae
License No 130
of KPMG Al-Qenae & Partners
Member firm of KPMG International

Kuwait: 13 May 2024

Mobile Telecommunications Company K.S.C.P
Kuwait

Condensed Consolidated Interim Statement of Financial Position as at 31 March 2024 (Unaudited)

	Notes	Unaudited	Audited	Unaudited
		31 March 2024	31 December 2023	31 March 2023
		Restated		
		KD '000	KD '000	KD '000
ASSETS				
Current assets				
Cash and bank balances	3.1	211,488	313,547	351,607
Bank Balances held in customers' account	3.2	14,448	12,967	8,215
Trade and other receivables		935,337	893,252	831,861
Contract assets		77,662	76,094	70,117
Inventories		78,929	54,945	65,603
Investment securities at FVTPL		37,744	35,130	84,361
		1,355,608	1,385,935	1,411,764
Assets classified as held for sale	4	4,027	4,024	106,823
		1,359,635	1,389,959	1,518,587
Non-current assets				
Contract assets		55,264	54,017	49,213
Investment securities at FVOCI		12,685	11,698	18,571
Investments in associates and joint venture	5	206,072	206,472	110,797
Other non-current assets		58,951	59,685	50,094
Right of use of assets		136,199	128,191	124,535
Property and equipment	6	1,061,020	1,109,050	1,036,364
Intangible assets and goodwill	7	2,016,490	2,036,624	2,132,987
		3,546,681	3,605,737	3,522,561
Total Assets		4,906,316	4,995,696	5,041,148
LIABILITIES AND EQUITY				
Current liabilities				
Trade and other payables		1,093,409	1,089,330	1,011,012
Deferred revenue		63,166	63,383	67,478
Income tax payables	8	16,046	19,118	19,601
Bank borrowings	9	133,672	169,881	152,496
Lease liabilities		23,010	28,862	21,933
		1,329,303	1,370,574	1,272,520
Liabilities classified as held for sale	4	908	1,010	30,855
		1,330,211	1,371,584	1,303,375
Non-current liabilities				
Bank borrowings	9	1,099,960	1,141,657	1,153,196
Lease liabilities		154,732	147,039	150,197
Other non-current liabilities	10	357,662	375,181	403,615
		1,612,354	1,663,877	1,707,008
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		(1,587,764)	(1,556,226)	(1,515,977)
Investment fair valuation reserve		(14,001)	(14,070)	(9,101)
Other reserves		3,048	2,998	5,222
Retained earnings		486,249	457,025	464,597
		1,243,756	1,245,951	1,300,965
Non-controlling interests		719,995	714,284	729,800
Total equity		1,963,751	1,960,235	2,030,765
Total Liabilities and Equity		4,906,316	4,995,696	5,041,148

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 13 May 2024.


Osamah Othman Alfuraih
Chairman


Bader Nasser Al Kharafi
Vice Chairman & Chief Executive Officer

Condensed Consolidated Interim Statement of Profit or Loss – 31 March 2024 (Unaudited)

	Notes	Three months ended 31 March	
		2024	2023
		KD'000	Restated KD'000
Revenue		466,139	468,354
Cost of sales		(154,249)	(155,836)
Operating and administrative expenses		(156,817)	(140,242)
Expected credit loss on financial assets (ECL)		(7,331)	(7,500)
Depreciation and amortization		(83,891)	(80,185)
Interest income		2,960	4,048
Investment income	12	3,025	693
Share of results of associates and joint venture	5	(398)	43
Other expenses		(1,291)	(8,916)
Gain on sale and lease back transaction	20	-	93,501
Finance costs		(31,707)	(29,986)
Gain / (loss) from currency revaluation		4,647	(719)
Profit before contribution to KFAS, NLST, ZAKAT, income taxes and Board of Directors' remuneration		41,087	143,255
Contribution to Kuwait foundation for Advancement of Sciences (KFAS)		(305)	(561)
National Labour Support Tax (NLST) and Zakat		(2,298)	(4,307)
Income tax expenses		(3,931)	(4,612)
Board of Directors' remuneration		(120)	(109)
Profit for the period		34,433	133,666
Attributable to:			
Shareholders of the Company		29,224	71,598
Non-controlling interests		5,209	62,068
		34,433	133,666
Earnings per share	13		
Basic and diluted – Fils		7	17

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

Condensed Consolidated Interim Statement of Comprehensive Income – 31 March 2024 (Unaudited)

	Three months ended	
	31 March	
	2024	2023
		Restated
	KD'000	KD'000
Profit for the period	34,433	133,666
Other comprehensive income		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Foreign exchange differences on translating foreign operations	(30,484)	(957)
Other reserves	120	3,674
	<u>(30,364)</u>	<u>2,717</u>
<i>Items that will not be reclassified subsequently to profit or loss:</i>		
Fair value gain on investments in equity instruments designated as at FVOCI	69	252
Other comprehensive (loss) / income for the period	<u>(30,295)</u>	<u>2,969</u>
Total comprehensive income for the period	<u>4,138</u>	<u>136,635</u>
Total comprehensive income attributable to:		
Shareholders of the Company	(2,195)	71,119
Non-controlling interests	6,333	65,516
	<u>4,138</u>	<u>136,635</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 Interim Statement of Changes in Equity – Three months ended 31 March 2024 (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	KD '000	KD '000	KD '000	KD '000	KD '000	KD '000		
Balance at 1 January 2024	432,706	1,707,164	216,354	(1,556,226)	(14,070)	2,998	457,025	714,284	1,960,235
Profit for the period	-	-	-	-	-	-	29,224	5,209	34,433
Other comprehensive (loss) income for the period	-	-	-	(31,538)	69	50	-	1,124	(30,295)
Total comprehensive income for the period	-	-	-	(31,538)	69	50	29,224	6,333	4,138
<i>Transactions with shareholders of the Company, recognized directly in equity:</i>									
Non-controlling interest arising on the acquisition (note 2)	-	-	-	-	-	-	-	310	310
Cash dividends to non-controlling interest of subsidiaries (2023)	-	-	-	-	-	-	-	(932)	(932)
Balance at 31 March 2024	<u>432,706</u>	<u>1,707,164</u>	<u>216,354</u>	<u>(1,587,764)</u>	<u>(14,001)</u>	<u>3,048</u>	<u>486,249</u>	<u>719,995</u>	<u>1,963,751</u>
Balance at 1 January 2023	432,706	1,707,164	216,354	(1,513,879)	(9,353)	3,855	392,999	666,014	1,895,860
Profit for the period (restated)	-	-	-	-	-	-	71,598	62,068	133,666
Other comprehensive income for the period	-	-	-	(2,098)	252	1,367	-	3,448	2,969
Total comprehensive income for the period (restated)	-	-	-	(2,098)	252	1,367	71,598	65,516	136,635
<i>Transactions with shareholders of the Company, recognized directly in equity:</i>									
Cash dividends to non-controlling interest of subsidiaries (2022)	-	-	-	-	-	-	-	(1,730)	(1,730)
Balance at 31 March 2023 (restated)	<u>432,706</u>	<u>1,707,164</u>	<u>216,354</u>	<u>(1,515,977)</u>	<u>(9,101)</u>	<u>5,222</u>	<u>464,597</u>	<u>729,800</u>	<u>2,030,765</u>

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

Condensed Consolidated Interim Statement of Cash Flows – Three months ended 31 March 2024 (Unaudited)

	Note	Three months ended 31 March	
		2024	2023
		KD'000	Restated KD'000
Cash flows from operating activities			
Profit for the period before income tax, KFAS, NLST and Zakat		40,967	143,146
Adjustments for:			
Depreciation and amortization		83,891	80,185
ECL on financial assets		7,331	7,500
Interest income		(2,960)	(4,048)
Investment income	12	(3,025)	(693)
Share of results of associates and joint venture		398	(43)
Finance costs		31,707	29,986
Gain on sale and lease back transaction	20	-	(93,501)
(Gain) / loss from currency revaluation		(4,647)	719
Loss on sale of property and equipment		-	3
Operating cashflow before working capital changes		153,662	163,254
Decrease / (increase) bank balances held in customers' account		577	(33)
Increase in trade and other receivables and contract assets		(55,001)	(14,161)
Increase in inventories		(22,931)	(17,847)
Increase / (decrease) in trade and other payables		22,305	(24,200)
Cash generated from operations		98,612	107,013
Income tax paid		(1,594)	(1,125)
<i>Net cash from operating activities</i>		97,018	105,888
Cash flows from investing activities			
Deposits maturing after three months and cash at bank under lien	3	(5,651)	(87,687)
Investments in securities		(1,220)	-
Proceeds from sale of investment securities		754	17
Acquisition of subsidiaries, net of cash acquired	2	(3,095)	(10,029)
Investment in associates and joint control entity		-	(180)
Acquisition of property and equipment (net)		(53,016)	(46,848)
Acquisition of intangible assets (net)		(10,056)	(26,840)
Proceeds from sale of telecom assets (sale and lease back)		-	197,892
Interest received		1,120	1,811
<i>Net cash (used) / from in investing activities</i>		(71,164)	28,136
Cash flows from financing activities			
Proceeds from bank borrowings	9	2,189	4,912
Repayment of bank borrowings	9	(85,168)	(69,326)
Repayment of lease liabilities		(11,829)	(19,294)
Dividend paid to Company's shareholders		(502)	(379)
Finance costs paid		(22,577)	(17,694)
<i>Net cash used in financing activities</i>		(117,887)	(101,781)
Net (decrease) / increase in cash and cash equivalents		(92,033)	32,243
Effect of foreign currency translation		(15,677)	(550)
Cash and cash equivalents at beginning of period		312,449	226,181
Cash and cash equivalents at end of period	3	<u>204,739</u>	<u>257,874</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 2023 - Kuwait and 7 other countries; 31 March 2023 - 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 (the “Parent Company”).

2. Basis of preparation

These condensed consolidated interim financial information for three months ended 31 March 2024 have been prepared in with IAS 34: Interim Financial Reporting and should be read in conjunction with the Group’s last annual consolidated financial statements as at and for the year ended 31 December 2023 (“last annual financial statements”). They do not include all of the information required for a complete set of financial statements prepared in accordance with IFRS Accounting Standards. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group’s financial position and performance since the last annual financial statements.

The Group has prepared the condensed consolidated interim financial information on the basis that it will continue to operate as a going concern. The Directors consider that there are no material uncertainties that may cast significant doubt over this assumption. They have formed a judgement that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, and not less than 12 months from the end of the reporting period.

The economy of Republic of South Sudan became hyperinflationary in 2016. Accordingly, the results, cash flows and financial position of the Group’s subsidiary in South Sudan have been expressed in terms of the measuring unit current at the reporting date in accordance with IAS 29: Financial Reporting in Hyperinflationary Economies.

In 2015, the Group noted that the economy of the Republic of Sudan, where the Group has subsidiaries, may be hyperinflationary from the beginning of 2015. This was based on the general price index showing the cumulative three-year rate of inflation exceeding 100% at that time. However, International Accounting Standard, IAS 29: Financial Reporting in Hyperinflationary Economies, does not establish an absolute rate at which hyperinflation is deemed to arise and states that it is a matter of judgment when restatement of financial statements in accordance with this Standard becomes necessary. In addition, the Group noted that in the 2014 International Monetary Fund (IMF) Sudan country report, the cumulative projected three-year inflation rate outlook for Sudan in 2016 to be around 57% and thus, applying IAS 29 in 2015, could have entailed going in and out of hyperinflation within a short period which was confirmed when the Republic of Sudan went out of hyperinflation in 2016. The Republic of Sudan has been again declared as hyperinflationary in 2018. Based on the above matters, the Group believes that there is no definitive basis to apply IAS 29 at this stage. However, the Group will review it on an ongoing basis, accordingly it has not quantified the impact of applying IAS 29 in previous years and as of 31 March 2024.

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 2024, 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 2023.

Changes in accounting policy and disclosures

The accounting policies adopted in the preparation of the condensed consolidated interim financial information are consistent with those followed in the preparation of the Group's annual consolidated financial information for the year ended 31 December 2023, except for the adoption of new standards effective as of 1 January 2024. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

Several amendments apply for the first time in 2024, but do not have an impact on the condensed consolidated interim financial information of the Group as follows;

Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7

In May 2023, the IASB issued amendments to IAS 7 *Statement of Cash Flows* and IFRS 7 *Financial Instruments: Disclosures* to clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. The transition rules clarify that an entity is not required to provide the disclosures in any interim periods in the year of initial application of the amendments. Thus, the amendments had no impact on the Group's condensed consolidated interim financial information.

Amendments to IAS 1: Classification of Liabilities as Current or Non-current

In January 2020 and October 2022, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement;
- That a right to defer must exist at the end of the reporting period;
- That classification is unaffected by the likelihood that an entity will exercise its deferral right; and
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

In addition, a requirement has been introduced whereby an entity must disclose when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months. The amendments had no impact on the Group's condensed consolidated interim financial statements.

Amendments to IFRS 16: Lease Liability in a Sale and Leaseback

In September 2022, the IASB issued amendments to IFRS 16 to specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognize any amount of the gain or loss that relates to the right of use it retains.

These amendments had no impact on the Group's condensed consolidated interim 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 2023, except following;

Functional and presentation currency – Atheer Telecom Iraq Limited (“Atheer”)

The Government of Iraq passed a resolution in April 2023 that all monetary transactions within the country will be denominated and settled in Iraqi Dinar, with no effective date of implementation. The Central Bank of Iraq announced in October 2023 banning all cash withdrawals and transactions in US Dollars with effect from 1 January 2024. Accordingly, Atheer has started the process of revising its contracts with suppliers in line with this change and believes that the functional currency of Atheer has changed from US Dollar to Iraqi Dinar with effect from 1 January 2024. This is because the currency of the primary economic environment in which Atheer operates has changed

from US Dollar to Iraqi Dinar. Therefore, from 1 January 2024 onwards, the functional currency of Atheer is Iraqi Dinar. In accordance with IAS 21 this change has been accounted for prospectively from this date.

Political uncertainty in Sudan

A violent power struggle erupted on 15 April 2023, in Khartoum, the capital of Sudan, involving the two primary factions of the ruling military regime. This conflict has directly affected the Group's operations and its telecommunication assets, as certain areas in Sudan continue to experience high levels of hostility or temporary control by opposing forces. Given the Group's extensive presence and service provision across Sudan, these events have had an adverse impact on the country's economy and consequently, on the Group's business and operational outcomes.

As of the issuance date of these condensed consolidated interim financial information, the Group has not incurred any significant damage to crucial assets that would hinder its ability to sustain operations.

Since 15 April 2023, continuous monitoring of network and base station equipment has been in place, particularly in areas experiencing significant downtime. Various actions, such as reallocation of network traffic, capacity expansion, and other measures aimed at restoring network coverage and ensuring satisfactory network performance, are being implemented. Zain Sudan is actively involved in performing essential network maintenance, repairs, and optimizations utilizing both its current equipment and external resources. Zain Sudan currently holds agreements with suppliers of network equipment, and transportation routes for its delivery are accessible in all regions of Sudan, except for North Darfur, North Kordofan, Wad-Madani and Khartoum, which are facing the most significant impact from the ongoing hostilities.

Sudan experienced a network blackout starting from 7 February 2024 as all the three main internet operators in Sudan were either partially or completely offline and discussions to resolve this issue are in progress. Subsequently, in the first week of March 2024, Zain Sudan restored its services in Port Sudan and other neighboring states by setting up a new switch and data center in Port Sudan.

The Group has taken appropriate actions to ensure the continuity of communication services and operations. The management has prepared and reviewed the updated financial forecasts for the year, taking into consideration most likely and possible downside scenarios for the ongoing business impacts of the war. These forecasts were based on the following key assumptions:

- there will be no substantial increase in the intensity of hostilities, thereby not adversely impacting the number of active sites, significantly.
- Zain Sudan will have the capability to conduct maintenance and repair tasks in the affected territories of Sudan, ensuring a satisfactory level of network performance in regions where it is feasible while considering the physical security of technical specialists;
- there will be no significant fluctuations in the fuel rate, foreign exchange rates and other major costs during the course of the conflict;
- Zain Sudan will be able to ensure the uninterrupted functioning of its crucial IT infrastructure, aligning with management's implemented measures and incident response and disaster recovery plans;
- the generated revenue from service and product sales will be sufficient for Zain Sudan to meet both operating expenses and essential capital investments.

Based on these forecasts, considering possible adverse scenarios, management reasonably expects that the Group possesses adequate resources to effectively handle its operations in Sudan. Management will maintain ongoing monitoring of the potential repercussions and will proactively implement all available measures to minimize any adverse consequences.

If a worst-case scenario unfolds with widespread hostilities across Sudan, it can be anticipated that the Group's operations may encounter disruptions for an indeterminate duration. This represents an uncertainty that is beyond the control of the Group. After evaluating the revised forecasts, management has examined Zain Sudan's capability to operate as a going concern at the time of releasing these condensed consolidated interim financial statements.

Notes to the Condensed Consolidated Interim Financial Information - 31 March 2024 (Unaudited)

As a result, it has determined that there are no significant specific uncertainties that could impede the Zain Sudan's infrastructure and operations, thereby casting significant doubt on its ability to continue as a going concern. Consequently, Zain Sudan is expected to be able to realize its assets and fulfill its obligations in the ordinary course of business.

The management of Zain Sudan has concluded that it is appropriate to prepare the condensed consolidated interim financial information on a going concern basis.

Because of the ongoing conflict in Sudan as described above, there have been some damages to network equipment, spares and inventories. Unfortunately, the current situation is not viable for the management of the Zain Sudan to access these areas and take stock of the actual damages and losses due to continuing hostilities in these regions. Based on an initial assessment of the damages mainly in the main warehouse in Khartoum, Zain Sudan has recorded an impairment loss of SDG 25.51 billion (KD 13.476 million) on its property and equipment and a provision for damage to its inventories amounting to SDG 2.31 billion (KD 1.222 million) respectively during the previous year.

Due to this unrest, Zain Sudan is having no physical access over some of its property and equipment with a net book value of SDG 12.28 billion (KD 3.373 million) representing 1,914 network sites as of 31 March 2024 due to security concerns in certain locations in Sudan. The management of Zain Sudan does not expect any significant damage to the Zain Sudan's network sites in the Sudanese regions of North Darfur, North Kordofan, Wad-Madani and Khartoum and has concluded that the sites located in these affected areas have the ability to generate future economic benefits.

The Zain Sudan's management estimate such losses are fully covered under the Political Violence Insurance Policy and has submitted a claim of USD 47.980 million (KD 14.759 million) with the insurer mainly relating to the equipment, spares and commercial items in the main warehouse which was partially set on fire during the conflict. According to the Political Violence Insurance Policy, Zain Sudan also have a claim for Business Interruption loss over a twelve-month period. In the opinion of Zain Sudan's management, losses, if any, will be fully recovered from the insurance company and based on the current assessment per available information, no significant financial impact is anticipated on the condensed consolidated interim financial information as the Group management consider this unrest to be temporary and expects it to be resolved on a priority basis.

Acquisition of Subsidiaries

Specialized Technical Services Company BVI

In March 2024, the Group acquired 100% equity interest of Specialized Technical Services Company BVI ("STS") for a purchase consideration of USD 27.852 million (KD 8.573 million) of which an amount of USD 16.697 million (KD 5.139 million) was paid during the period. The net cash outflow (net of cash and cash equivalents acquired) on acquisition amounts to USD 10.067 million (KD 3.095 million). The recognized amounts of net assets of STS as at the date of acquisition was USD 12.264 million (KD 3.775 million), resulting in a provisional goodwill of USD 15.588 million (KD 4.798 million). The provisional values assigned to the identifiable assets and liabilities as at the date of acquisition, are subject to review within one year of acquisition on finalization of the Purchase Price Allocation (PPA). STS is a company incorporated in British Virgin Islands engaged in providing digital transformation solutions in Jordan, KSA and other countries.

Xenon Electronic Payment Company W.L.L

During 2023, the Group acquired 83.39% equity interest of Xenon Electronic Payment Company W.L.L ("Bookeey") for a purchase consideration of KD 2.437 million. The provisional values of recognized amounts of net assets of Bookeey as at the date of acquisition was KD 0.675 million, resulting in a goodwill of KD 1.874 million. During the period, the Group finalized the Purchase Price Allocation ("PPA") exercise of Bookeey, and accordingly the consolidated interim financial information have been adjusted to reflect the PPA adjustment to the provisional amounts. The adjustments resulted in an increase in 'License' by KD 1.866 million, increase in 'non-controlling interest' by KD 0.310 million and decrease in Goodwill by KD 1.556 million in the Group's consolidated interim financial information as at the acquisition date. The cumulative impact of these PPA related adjustments was passed in Q1 2024.

Notes to the Condensed Consolidated Interim Financial Information - 31 March 2024 (Unaudited)

3. Cash, bank and other balances

3.1 Cash and bank balances

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

	Unaudited 31 March 2024 KD '000	Audited 31 December 2023 KD '000	Unaudited 31 March 2023 KD '000
Cash on hand and at banks	190,895	190,339	219,707
Short-term deposits with banks	47,463	150,365	161,672
Government certificates of deposits held by subsidiaries	4	6	8
	238,362	340,710	381,387
Expected credit loss	(26,874)	(27,163)	(29,780)
Cash and bank balances as per condensed consolidated interim statement of financial position	211,488	313,547	351,607
Cash at bank under lien and deposits with original maturity over 3 months	(6,745)	(1,092)	(93,725)
Government certificates of deposits with maturities exceeding three months held by subsidiaries	(4)	(6)	(8)
Cash and cash equivalent in the condensed consolidated interim statements of cash flows	204,739	312,449	257,874

3.2 Bank balances held in customers' account

Bank balances held in customers' Account as part of electronic payment services provided by the Group are presented separately from cash and cash equivalents in the condensed consolidated interim statement of financial position of the Group. The regulations in respective locations require that these balances with banks are held in a manner to ensure that these balances are not co-mingled with the Group's cash and cash equivalents.

During the year 2022 Group management decided to present these Bank balances held in customers account separately from the other bank balances in order to achieve better presentation. The comparative amounts for 31 March 2023 have been reclassified from cash and cash equivalent to Bank balances held in customers' account (KD 8.215 million) in line with the current condensed consolidated interim financial information.

4. Assets and liabilities classified as held for sale.

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 (31 December 2023 – Kuwait, 31 March 2023 – Kuwait, KSA and Iraq) as follows.

	Unaudited 31 March 2024 KD '000	Audited 31 December 2023 KD '000	Unaudited 31 March 2023 Restated KD '000
Telecom tower assets	855	855	43,106
Right of use of assets	3,172	3,169	63,717
	4,027	4,024	106,823
Lease liabilities	908	1,010	30,855

These are expected to be sold within one year.

5. Investments in associates and joint venture

Investments in associates

This includes the Group's:

- KD 0.992 million (31 December 2023 – KD 1.055 million; 31 March 2023- KD 0.954 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 116.594 million (31 December 2023 – 117.912 million; 31 March 2023- KD 26.555 million) interest in TASC Towers Holding Limited which represents 92.87% (31 December 2023 – 92.87%; 31 March 2023 – 83.50%) of the equity shares of the associate.

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.

- KD 0.604 million (31 December 2023 – KD 0.554 million; 31 March 2023 - KD Nil) interest in Entertainment Content Trading Company WLL (referred to as "Playhera MENA") which represents 30% (31 December 2023 – 30%; 31 March 2023 – Nil) of the equity shares of the associate.

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.

In December 2023, the Group signed definitive agreements with Ooredoo Group Q.P.S.C ("Ooredoo") for a merger transaction to combine both company's passive infrastructures (towers) via a cash and share deal. The Group and Ooredoo will contribute assets and cash to the newly formed tower company to retain a 49.3% stake each in the newly formed tower company. The transaction (initial market closings) is in progress and is expected to be completed during the year.

Investments in joint venture

This includes Group's KD 87.372 million (31 December 2023 - KD 86.390 million; 31 March 2023: KD 82.941 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). The carrying value of this joint venture and its results for the period are determined by Group management using equity method based on management information provided by Wana Corporate.

Notes to the Condensed Consolidated Interim Financial Information - 31 March 2024 (Unaudited)

6. Property and equipment

	Unaudited	Audited	Unaudited
	31 March	31 December	31 March
	2024	2023	2023
			Restated
	KD '000	KD '000	KD '000
Net fixed assets	889,333	889,290	916,839
Capital work in progress	171,687	219,760	119,525
	<u>1,061,020</u>	<u>1,109,050</u>	<u>1,036,364</u>

During the three-months period ended 31 March 2024, the Group acquired property and equipment amounting to KD 10.277 million (31 March 2023: KD 22.854 million). Depreciation charged for the period amounted to KD 47.681 million (31 March 2023: KD 48.185 million).

7. Intangible assets and goodwill

	Unaudited	Audited	Unaudited
	31 March	31 December	31 March
	2024	2023	2023
			Restated
	KD '000	KD '000	KD '000
Intangible assets	1,469,813	1,492,790	1,543,679
Goodwill	536,638	533,808	582,999
Capital work in progress	10,039	10,026	6,309
	<u>2,016,490</u>	<u>2,036,624</u>	<u>2,132,987</u>

During the three-months period ended 31 March 2024, the Group acquired intangible assets amounting to KD 1.743 million (31 March 2023: KD 11.446 million). Amortization charged for the period amounted to KD 26.850 million (31 March 2023: KD 25.550 million).

During the period the Group recognized additional goodwill of KD 4.798 million as a result of acquisition of STS (Note 2). This is provisional goodwill and subject to PPA.

8. Income tax payables

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

Atheer - Iraq

Income tax assessment for 2011 is contested and is currently under the consideration of Iraq General Commission for Taxes (IGCT) (Note 16).

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. Income tax assessment for all other years are paid and settled.

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

Notes to the Condensed Consolidated Interim Financial Information - 31 March 2024 (Unaudited)

9. Bank borrowings

	Unaudited 31 March 2024 KD '000	Audited 31 December 2023 KD '000	Unaudited 31 March 2023 KD '000
<i>Company</i>			
Short term loans	-	24,576	-
Long term loans	517,909	562,363	537,956
	<u>517,909</u>	<u>586,939</u>	<u>537,956</u>
<i>Mobile Telecommunications Company Saudi Arabia ("SMTC")</i>			
Long term loans	430,140	428,019	449,893
	<u>430,140</u>	<u>428,019</u>	<u>449,893</u>
<i>Pella Investment Company ("Pella")</i>			
Long term loans	79,985	79,875	79,764
	<u>79,985</u>	<u>79,875</u>	<u>79,764</u>
<i>Atheer Telecom Iraq Limited ("Atheer")</i>			
Bank overdrafts	2,139	514	4,913
Long term loans	201,478	216,191	233,166
	<u>203,617</u>	<u>216,705</u>	<u>238,079</u>
<i>Others</i>			
Short term loans	1,124	-	-
Long term loans	857	-	-
	<u>1,981</u>	<u>-</u>	<u>-</u>
	<u>1,233,632</u>	<u>1,311,538</u>	<u>1,305,692</u>

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

	Unaudited 31 March 2024 KD '000	Audited 31 December 2023 KD '000	Unaudited 31 March 2023 KD '000
Opening balance	1,311,538	1,366,558	1,366,558
Proceeds from bank borrowings	2,189	142,860	4,912
Repayment of bank borrowings	(85,168)	(207,361)	(69,326)
On acquisition of a subsidiary	2,314	-	-
Effect of change in foreign exchange rates	2,759	9,481	3,548
	<u>1,233,632</u>	<u>1,311,538</u>	<u>1,305,692</u>

The current and non-current amounts are as follows:

	Unaudited 31 March 2024 KD '000	Audited 31 December 2023 KD '000	Unaudited 31 March 2023 KD '000
Current liabilities	133,672	169,881	152,496
Non-current liabilities	1,099,960	1,141,657	1,153,196
	<u>1,233,632</u>	<u>1,311,538</u>	<u>1,305,692</u>

Notes to the Condensed Consolidated Interim Financial Information - 31 March 2024 (Unaudited)

The carrying amounts of the Group's bank borrowings are denominated in the following currencies equivalent to Kuwaiti Dinar:

	Unaudited	Audited	Unaudited
	31 March	31 December	31 March
	2024	2023	2023
	KD '000	KD '000	KD '000
US dollar	471,605	550,097	643,281
Kuwaiti dinar	412,154	413,294	296,322
Saudi Riyals	349,873	348,147	366,089
	1,233,632	1,311,538	1,305,692

The average effective interest rate as at 31 March 2024 was 7.03% (31 December 2023 – 6.52%; 31 March 2023 – 5.94%) 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:

- 1) drawn down loans amounting to KD Nil from the loan facilities (31 December 2023 - KD 150.607 million, 31 March 2023: KD Nil)
- 2) repaid loans amounting to KD 69.284 million (31 December 2023 – KD 125.484 million, 31 March 2023: KD 23.152 million). This includes:
 - US\$ 80 million (KD 24.608 million) of a revolving credit facility amounting to US\$ 130 million
 - US\$ 145 million (KD 44.602 million) of a term loan facility amounting to US\$ 200 million

The above facilities carry a fixed margin over three-month CME term Secured Overnight Financing Rate (CME term SOFR) or over Central Bank Discount rate.

SMTC

Long-term loans include:

- 1) SAR 5,248 million (KD 430.140 million) (31 December 2023: SAR 5,233 million equivalent to KD 428.059 million, 31 March 2023: SAR 5,503 million equivalent to KD 449.893 million) syndicated murabaha 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.

Notes to the Condensed Consolidated Interim Financial Information - 31 March 2024 (Unaudited)

The Agreement:

- a. Includes a Total Term Murabaha Facility of SAR 6,000 million (KD 491.820 million), consisting of SAR 4,880 million (KD 400 million) and US\$ portion of SAR 1,120 million (KD 92 million) for refinancing of the existing Term Murabaha Facility amounting to SAR 3,480 million (KD 285 million) and balance for future specified business purposes. SAR 2,560 million (KD 209.843 million) of the syndicated loan has been hedged through a profit rate swap contract.
- b. Includes a revolving working capital facility of SAR 1,000 million (KD 81.970 million) consisting of SAR 813.393 million (KD 66.674 million) and a US\$ portion totaling to SAR 186.607 million (KD 15.296 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.

Pella

Long term loans include:

- 1) US\$ 160 million (KD 49.216 million) (31 December 2023 – US\$ 160 million equivalent to KD 49.152 million, 31 March 2023 – US\$ 160 million equivalent to KD 49.088 million) term loan from a commercial bank which is repayable by 11 October 2025.
- 2) US\$ 100 million (KD 30.760 million) (31 December 2023 – US\$ 100 million equivalent to KD 30.720 million, 31 March 2023 – US\$ 100 million equivalent to KD 30.680 million) term loan from a commercial bank which is repayable by 30 April 2027.

Atheer

Long term loans include:

- 1) US\$ 50 million (KD 15.380 million) (31 December 2023 – US\$ 50 million equivalent to KD 15.360 million, 31 March 2023 – US\$ 70 million equivalent to KD 27.476 million) term loan from a commercial bank which is repayable by 17 December 2024.
- 2) US\$ 105 million (KD 32.298 million) (31 December 2023 – US\$ 105 million equivalent to KD 32.256 million, 31 March 2023 – US\$ 105 million equivalent to KD 32.214 million) term loan from a commercial bank which is repayable by 30 June 2026.
- 3) US\$ 125 million (KD 38.450 million) (31 December 2023 – US\$ 125 million equivalent to KD 38.400 million, 31 March 2023 – US\$ 150 million equivalent to KD 46.020 million) revolving credit facilities from a commercial bank which is repayable by 17 December 2025.
- 4) US\$ 100 million (KD 30.760 million) (31 December 2023 – US\$ 100 million equivalent to KD 30.720 million, 31 March 2023 – US\$ 100 million equivalent to KD 30.680 million) term loan from a commercial bank which is repayable by 30 July 2026.
- 5) US\$ 50 million (KD 15.380 million) (31 December 2023 – US\$ 50 million equivalent to KD 15.360 million, 31 March 2023 – US\$ 50 million equivalent to KD 15.340 million) term loan from a commercial bank which is repayable by 14 April 2024.
- 6) US\$ 125 million (KD 38.450 million) (31 December 2023 – US\$ 125 million equivalent to KD 38.400 million, 31 March 2023 – US\$ 125 million equivalent to KD 38.350 million) term loan from a commercial bank which is repayable by 03 May 2025.
- 7) US\$ 100 million (KD 30.760 million) (31 December 2023 – US\$ 100 million equivalent to KD 30.720 million, 31 March 2023 – US\$ 100 million equivalent to KD 30.680 million) term loan from a commercial bank which is repayable by 25 May 2024.

These facilities are guaranteed by MTC and carry a floating interest rate of a fixed margin over three-month SOFR.

Notes to the Condensed Consolidated Interim Financial Information - 31 March 2024 (Unaudited)

10. Other non-current liabilities

	Unaudited	Audited	Unaudited
	31 March	31 December	31 March
	2024	2023	2023
	KD '000	KD '000	KD '000
Payable to Ministry of Finance – Saudi Arabia (refer below)	158,536	158,207	203,326
Due on acquisition of spectrum	140,359	157,206	144,011
Customer deposits	4,300	4,519	3,193
Post-employment benefits	54,024	51,466	48,034
Others	443	3,783	5,051
	<u>357,662</u>	<u>375,181</u>	<u>403,615</u>

During 2013, SMTC signed an agreement with the Ministry of Finance – KSA to defer payments that were due until 2021. The amounts are repayable in seven years starting from June 2021.

In February 2023, SMTC signed a revised agreement with the Ministry of Finance (“MOF”), Kingdom of Saudi Arabia under which the existing deferral of payment to MOF along with commercial commission payable was converted into a Murabaha facility with MOF and Al Rajhi Banking & Investment Corporation has been appointed as the Murabaha Facility Agent.

The current portion of these payables, including finance cost, SAR 701.674 million (KD 57.516 million) is recorded under trade and other payables (31 December 2023 – SAR 657.328 million (KD 53.769 million), 31 March 2023 – SAR 690.816 million (KD 56.474 million)).

11. Share capital

The authorized, issued and fully paid up (in cash and bonus shares) share capital as of 31 March 2024 is 4,327,058,909 shares (31 December 2023 – 4,327,058,909; 31 March 2023 - 4,327,058,909) of 100 fils each.

Dividend

The annual general meeting of shareholders for the year ended 31 December 2023 held on 6 May 2024 approved distribution of a cash dividend of 25 fils per share to the registered shareholders, for the second half of the year 2023, after obtaining necessary regulatory approvals. This is in addition to the interim dividend of 10 fils distributed earlier in 2023 totaling 35 fils per share for the year 2023 (31 December 2022 – 35 fils per share).

12. Investment income

	Three months ended	
	31 March (Unaudited)	
	2024	2023
	KD'000	KD'000
Gain from investment securities at fair value through profit or loss (FVTPL)	3,025	693
	<u>3,025</u>	<u>693</u>

Notes to the Condensed Consolidated Interim Financial Information - 31 March 2024 (Unaudited)

13. 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)	
	2024	2023
		Restated
	KD'000	KD'000
Profit for the period attributable to shareholders of the Company	29,224	71,598
	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	7	17

14. 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 - 31 March 2024 (Unaudited)

	31 March 2024							Total KD '000
	Kuwait	Jordan	Sudan	Iraq	Bahrain	KSA	Others	
	KD '000	KD '000	KD '000	KD '000	KD '000	KD '000	KD '000	
Segment revenues – airtime, data, subscriptions and other services (Point over time)	62,731	38,743	15,140	77,259	12,394	184,799	15,335	406,401
Segment revenues - trading income (Point in time)	30,323	1,917	383	536	3,524	23,034	21	59,738
Net profit before interest and tax	16,822	10,363	7,322	12,181	1,044	19,404	(3,056)	64,080
Interest income	1,001	80	465	227	67	995	56	2,891
Finance costs	(238)	(3,480)	(316)	(6,358)	(239)	(14,948)	(133)	(25,712)
Income tax expenses	-	(1,762)	(637)	(1,393)	-	-	(33)	(3,825)
	17,585	5,201	6,834	4,657	872	5,451	(3,166)	37,434
<i>Unallocated items:</i>								
Investment income								3,025
Share of results of associates and joint venture								(385)
Others (including unallocated interest income, income tax and finance costs net of eliminations)								(5,641)
Profit for the period								34,433
Segment assets including allocated goodwill	439,072	417,513	112,783	986,388	96,357	2,169,345	171,371	4,392,829
ROU assets	15,551	9,941	1,670	20,357	14,469	72,102	2,109	136,199
<i>Unallocated items:</i>								
Investment securities at FVTPL								37,744
Investment securities at FVOCI								11,767
Investment in associates and joint venture								204,282
Others (net of eliminations)								123,495
Consolidated assets								4,906,316
Segment liabilities	221,200	156,594	27,881	144,510	28,245	803,538	180,610	1,562,578
Lease liabilities (current and non-current)	21,062	12,162	1,344	28,392	14,540	98,165	2,077	177,742
Due to banks	-	79,985	-	203,617	-	430,140	1,981	715,723
	242,262	248,741	29,225	376,519	42,785	1,331,843	184,668	2,456,043
<i>Unallocated items:</i>								
Due to banks								517,909
Others (net of eliminations)								(31,387)
Consolidated liabilities								2,942,565
Net consolidated assets								1,963,751
Capital expenditure incurred during the period	3,277	218	424	1,198	719	4,235	1,805	11,876
Unallocated (net of eliminations)								144
Total capital expenditure								12,020
Depreciation of property and equipment and amortization of intangible assets	11,014	6,134	756	14,657	2,799	37,633	1,550	74,543
Amortization of ROU assets	1,872	350	115	795	906	5,215	107	9,360
Unallocated (net of elimination)								(12)
Total depreciation and amortization								83,891

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

Notes to the Condensed Consolidated Interim Financial Information - 31 March 2024 (Unaudited)

	31 March 2023 (Restated)							Total KD '000
	Kuwait KD '000	Jordan KD '000	Sudan KD '000	Iraq KD '000	Bahrain KD '000	KSA KD '000	Others KD '000	
Segment revenues – airtime, data, subscriptions and other services (Point over time)	64,055	37,444	50,244	67,675	11,532	170,088	11,907	412,945
Segment revenues - trading income (Point in time)	23,100	2,027	829	518	3,218	25,251	466	55,409
Net profit before interest and tax	18,617	10,064	24,825	5,925	1,289	16,281	(3,154)	73,847
Interest income	674	202	924	109	67	1,907	56	3,939
Gain on sale and lease back transaction	-	-	-	9,905*	-	93,501	-	103,406
Finance costs	(185)	(3,075)	(248)	(6,418)	(192)	(14,330)	(47)	(24,495)
Income tax expenses	-	(1,800)	(2,012)	(467)	-	-	(26)	(4,305)
	19,106	5,391	23,489	9,054	1,164	97,359	(3,171)	152,392
<i>Unallocated items:</i>								
Investment income								693
Share of results of associates and joint venture								166
Others (including unallocated interest income, income tax and finance costs, net of elimination)								(19,585)
Profit for the period								133,666
Segment assets including allocated goodwill	415,259	391,733	151,244	1,066,618	98,290	2,283,146	128,860	4,535,150
ROU assets	10,883	9,473	3,184	19,757	12,840	66,730	1,668	124,535
<i>Unallocated items:</i>								
Investment securities at FVTPL								84,361
Investment securities at FVOCI								18,571
Investment in associates and joint venture								110,797
Others (net of eliminations)								167,734
Consolidated assets								5,041,148
Segment liabilities	190,994	154,330	77,295	155,437	32,091	863,192	127,823	1,601,162
Lease liabilities (current and non-current)	16,775	11,587	1,693	27,057	12,852	100,682	1,484	172,130
Due to banks	-	79,764	-	238,081	-	449,893	-	767,738
	207,769	245,681	78,988	420,575	44,943	1,413,767	129,307	2,541,030
<i>Unallocated items:</i>								
Due to banks								537,954
Others (net of eliminations)								(68,601)
Consolidated liabilities								3,010,383
Net consolidated assets								2,030,765
Capital expenditure incurred during the period	3,070	189	16,262	6,653	278	3,093	4,334	33,879
Unallocated (net of eliminations)								421
Total capital expenditure								34,300
Depreciation of property and equipment and amortization of intangible assets	10,813	5,360	988	15,368	2,380	38,169	1,361	74,439
Amortization of ROU assets	1,586	355	200	112	832	3,314	52	6,451
Unallocated (net of eliminations)								(705)
Total depreciation and amortization								80,185

*Eliminated at Group level.

Notes to the Condensed Consolidated Interim Financial Information – 31 March 2024 (Unaudited)

15. 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)	
	2024	2023
	KD'000	KD'000
Revenue	299	2,911
Cost of sales	1,317	4,277

Key management compensation

	Three months ended 31 March (Unaudited)	
	2024	2023
	KD'000	KD'000
Salaries and other short term employee benefits	709	663
Post-employment benefits	443	158

Balances

	Unaudited	Audited	Unaudited
	31 March	31 December	31 March
	2024	2023	2023
	KD '000	KD '000	KD '000
Trade receivables (from parent)	946	8,791	2,973
Trade payables (to parent)	1,461	12,172	4,507

16. Commitments and contingencies

	Unaudited	Audited	Unaudited
	31 March	31 December	31 March
	2024	2023	2023
	KD '000	KD '000	KD '000
Capital commitments	182,288	87,371	67,646
Uncalled share capital of investee companies	848	366	644
Letters of guarantee and credit	59,258	58,015	60,153

Atheer - Iraq

Atheer received additional income tax claim of US\$ 19.3 million (KD 5.937 million) from IGCT for the year 2011 on 9 March 2020. On 12 March 2020, Atheer paid the claim and 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 (note 8).

On 10 September 2023, the Communication and Media Commission of Iraq ("CMC") imposed a fine of US\$ 75 million (KD 23.070 million) on Atheer for failing to meet 4G QoS ('Quality of Service') KPIs for the year 2022. Atheer's position is that the penalties are not assessed in line with license agreement with CMC and did not comply with existing regulations. On 9 October 2023, Atheer challenged the decision before the Appeals Board.

Notes to the Condensed Consolidated Interim Financial Information – 31 March 2024 (Unaudited)

Pella - Jordan

Pella is a defendant in multiple lawsuits amounting to KD 22.414 million (31 December 2023 – KD 22.613 million). Based on the report of its attorneys, the Group is of the view that the outcome of these proceedings will be favorable for Pella.

SMTC

- a. SMTC received withholding tax assessments from Zakat, Tax and Customs Authority (“ZATCA”) for an additional amount of SAR 252 million (KD 20.656 million) for certain withholding tax items for the years from 2012 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 SMTC has sufficient provisions to cover these amounts.
- b. In accordance with the Net Telecommunications Revenue Base Regulations for Licensed Service Providers (the regulation) as issued by Communications, Space and Technology Commission in KSA (CST), SMTC is required to submit quarterly Net Telecom Revenue forms (NTR forms) including NTR base.

Due to absence of reasonable assurance report on the submitted NTR forms for the period ended 31 March 2023, during 3rd quarter of 2023, SMTC has received an invoice from CST amounting to SAR 266 million (KD 21.804 million) which was calculated based on the revenue as reported in the condensed consolidated interim financial information for the period ended 31 March 2023 instead of NTR base for the respective period which resulted in SAR 97 million (KD 7.951 million) being additional amount. The reasonable assurance report was subsequently submitted. Till the quarter ended 31 March 2024 the Group has adjusted SAR 89.2 million (KD 7.312 million) amount against above advance payments to CST.

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.

17. Financial instruments

17.1 Categories of financial assets and liabilities

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

	Unaudited	Audited	Unaudited
	31 March	31 December	31 March
	2024	2023	2023
		KD’000	KD’000
Amortised costs:			
Cash and bank balances	211,488	313,547	351,607
Trade and other receivables	794,932	778,585	705,251
Other assets	14,449	14,326	21,105
Investment securities at FVTPL	37,744	35,130	84,361
Investment securities at FVOCI	12,685	11,698	18,571

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 2024 (Unaudited)

17.2 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 interim 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 2024

	Level 1	Level 2	Level 3	Total
	KD'000	KD'000	KD'000	KD'000
Financial assets at fair value:				
Investment securities at FVTPL	-	9,907	27,837	37,744
Investment securities at FVOCI	2,265	2,906	7,514	12,685
Total assets	2,265	12,813	35,351	50,429

31 December 2023

	Level 1	Level 2	Level 3	Total
	KD '000	KD '000	KD '000	KD '000
Financial assets at fair value:				
Investment securities at FVTPL	-	11,054	24,076	35,130
Investment securities at FVOCI	2,204	2,911	6,583	11,698
Total assets	2,204	13,965	30,659	46,828

31 March 2023

	Level 1	Level 2	Level 3	Total
	KD'000	KD'000	KD'000	KD'000
Financial assets at fair value:				
Investment securities at FVTPL	-	11,695	72,666	84,361
Investment securities at FVOCI	1,929	2,604	14,038	18,571
Total assets	1,929	14,299	86,704	102,932

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

Fair values of financial assets and liabilities are not materially different from their carrying values. For financial assets and financial liabilities that are liquid or having a short-term maturity (less than 12-months), it is assumed that the carrying amounts approximate to their fair value.

Measurement at fair value

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

Notes to the Condensed Consolidated Interim Financial Information – 31 March 2024 (Unaudited)

18. **Hyperinflation – Zain South Sudan**

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 had been expressed in terms of the measuring unit current at the reporting date in accordance with IAS 29 Financial Reporting.

19. **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.

	Notional amounts by term to maturity		
	Positive	Negative	Notional
	fair value	fair value	amount
	KD '000	KD '000	KD '000
<i>Derivatives held for hedging:</i>			
<i>Cash flow hedges - Receive 3-month SIBOR,</i>			
<i>Pay fixed profit rate</i>			
Profit rate swaps (maturing after one year)	6,319	-	209,843

	Notional amounts by term to maturity		
	Positive	Negative	Notional
	fair value	fair value	amount
	KD '000	KD '000	KD '000
<i>Derivatives held for hedging:</i>			
<i>Cash flow hedges – Receive 3-month SIBOR,</i>			
<i>Pay fixed profit rate</i>			
Profit rate swaps (maturing after one year)	6,187	-	209,408

	Notional amounts by term to maturity		
	Positive	Negative	Notional
	fair value	fair value	amount
	KD '000	KD '000	KD '000
<i>Derivatives held for hedging:</i>			
<i>Cash flow hedges - Receive 3-month LIBOR/SIBOR,</i>			
<i>Pay fixed profit rate</i>			
Profit rate swaps (maturing after one year)	12,744	-	237,075

20. **Effect of prior period restatement**

Pursuant to reassessment the Groups' management concluded that on 8 January 2023, i.e. on first batch transfer, Financial Completion date was triggered and all respective conditions as set out in APA and MTSA were completed for all asset transfer. Consequently, the Group derecognized passive infrastructure of all the sites with corresponding realization of gain on condensed consolidated interim statement of profit or loss and condensed consolidated interim statement of comprehensive income for the period ended 31 March 2023. Additionally, and in accordance with the terms and conditions of the MTSA with GLI, the Group leased back the right to use specified spaces on each site recognizing the right of use assets and lease liability on the same. with a corresponding gain on consolidated interim statement of profit or loss and condensed consolidated interim statement of comprehensive income. Accordingly, the previously reported amounts on condensed consolidated interim statement of profit or loss and condensed consolidated interim statement of comprehensive income for the period ended 31 March 2023 has been adjusted to reflect changes of reassessment.

Notes to the Condensed Consolidated Interim Financial Information – 31 March 2024 (Unaudited)

The ground leases for all sites, whether transferred or yet to be transferred but landlord consent is available, have been accounted in such a manner that the related right of use assets and lease liability have been derecognized with any resulting gain or loss on termination recognized in the condensed consolidated interim statement of profit or loss and condensed consolidated interim statement of comprehensive income. For all other cases, the related carrying amounts of right of use assets and lease liability have been retained but reassessed for their lease term with any resulting gain or loss on modification recognized in the condensed consolidated interim statement of profit or loss and condensed consolidated interim statement of comprehensive income.

A summary of the effect of the above restatements on the condensed consolidated interim financial information is as follows:

Condensed Consolidated Interim Statement of Profit or Loss and Condensed Consolidated Interim Statement of Comprehensive Income

For the three months ended 31 March 2023	As previously reported	Restatement	As restated
	KD '000	KD '000	KD '000
Operating and administrative expenses	(139,662)	(580)	(140,242)
Depreciation and amortization	(79,948)	(237)	(80,185)
Other expenses	(10,068)	1,152	(8,916)
Gain on sale and lease back transaction	46,272	47,229	93,501
Finance costs	(29,392)	(594)	(29,986)
Profit before contribution to KFAS, NLST, ZAKAT, income taxes and Board of Directors' remuneration	96,285	46,970	143,255
Profit for the period	86,696	46,970	133,666
Profit attributable to:			
Shareholders of the Company	54,198	17,400	71,598
Non-controlling interests	32,498	29,570	62,068
Earnings per share			
Basic and diluted – Fils	13	4	17
Total comprehensive income attributable to:			
Shareholders of the Company	53,719	17,400	71,119
Non-controlling interests	35,946	29,570	65,516

Notes to the Condensed Consolidated Interim Financial Information – 31 March 2024 (Unaudited)

Condensed Consolidated Interim Statement of Financial Position

As at 31 March 2023	As previously reported	Restatement	As restated
	KD '000	KD '000	KD '000
Assets of disposal group classified as held for sale	176,957	(70,134)	106,823
Right of use of assets	124,412	123	124,535
Property and equipment	1,036,518	(154)	1,036,364
Trade and other payables	1,137,536	(126,524)	1,011,012
Liabilities of disposal group classified as held for sale	29,302	1,553	30,855
Lease liabilities (non-current)	142,361	7,836	150,197
Retained earnings	447,197	17,400	464,597
Non-controlling interests	700,230	29,570	729,800

Condensed Consolidated Interim Statement of Cash Flows

As at 31 March 2023	As previously reported	Restatement	As restated
	KD '000	KD '000	KD '000
Profit for the period before income tax, KFAS, NLST and Zakat	96,176	46,970	143,146
Depreciation and amortization	79,948	237	80,185
Finance costs	29,392	594	29,986
Gain on sale and lease back transaction	(46,272)	(47,229)	(93,501)
Operating cashflow before working capital changes	162,682	572	163,254
Increase / (decrease) in trade and other payables	(23,628)	(572)	(24,200)