

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

**Condensed Consolidated Interim Financial Information (Unaudited)
30 June 2023**

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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 Interim Financial Information

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of Mobile Telecommunications Company K.S.C.P. (the "Company") and its subsidiaries (together called "the Group") as at 30 June 2023 and the related condensed consolidated statements of profit or loss, profit or loss and other comprehensive income for the three-month and six-month periods then ended and the related condensed consolidated statements of changes in equity and cash flows for the six-month period then ended. Management is responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 Interim Financial Reporting ("IAS 34"). 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 of 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. Our audit opinion in the prior year and our review conclusion in the prior periods were also modified in respect of this matter.

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 IAS 34.

Emphasis of Matter

We draw attention to note 2 of the interim financial information, which describe that the Group's operations and the carrying amount of its telecommunication assets located in Sudan may be affected as a result of the military operations taking place in Sudan since 15 April 2023. Our conclusion is not modified in respect of this matter.

**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 six-month period ended 30 June 2023 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 six-month period ended 30 June 2023 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 August 2023

Mobile Telecommunications Company K.S.C.P
Kuwait

Condensed Consolidated Statement of Financial Position as at 30 June 2023 (Unaudited)

		Unaudited 30 June 2023	Audited 31 December 2022	Unaudited 30 June 2022
	Note			KD '000
ASSETS				
Current assets				
Cash and bank balances	3	289,420	240,409	205,037
Trade and other receivables		911,410	784,406	751,376
Contract assets		69,771	70,457	68,573
Inventories		69,736	48,144	48,624
Investment securities at FVTPL		84,716	34,129	31,203
		<u>1,425,053</u>	<u>1,177,545</u>	<u>1,104,813</u>
Assets of disposal group classified as held for sale	4	228,261	259,759	200,747
		<u>1,653,314</u>	<u>1,437,304</u>	<u>1,305,560</u>
Non-current assets				
Contract assets		49,386	49,155	52,796
Investment securities at FVOCI		19,617	17,600	21,597
Investments in associates and joint venture	5	112,172	96,533	81,111
Other non-current assets		52,743	42,328	40,180
Right of use of assets		79,836	106,461	93,908
Property and equipment	6	1,011,459	1,067,694	1,063,290
Intangible assets and goodwill	7	2,120,180	2,132,433	2,147,529
		<u>3,445,393</u>	<u>3,512,204</u>	<u>3,500,411</u>
Total Assets		<u>5,098,707</u>	<u>4,949,508</u>	<u>4,805,971</u>
LIABILITIES AND EQUITY				
Current liabilities				
Trade and other payables		1,166,300	983,262	915,397
Deferred revenue		62,548	64,270	87,570
Income tax payables	8	20,250	18,604	17,391
Due to banks	9	157,405	213,559	242,506
Lease liabilities		20,685	19,424	17,619
		<u>1,427,188</u>	<u>1,299,119</u>	<u>1,280,483</u>
Liabilities of disposal group classified as held for sale	4	84,696	88,281	84,843
		<u>1,511,884</u>	<u>1,387,400</u>	<u>1,365,326</u>
Non-current liabilities				
Due to banks	9	1,199,883	1,152,999	1,133,337
Lease liabilities		85,008	85,375	87,479
Other non-current liabilities	10	379,275	427,874	384,128
		<u>1,664,166</u>	<u>1,666,248</u>	<u>1,604,944</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		(1,510,935)	(1,513,879)	(1,504,302)
Investment fair valuation reserve		(8,908)	(9,353)	(4,608)
Other reserves		4,196	3,855	2,362
Retained earnings		396,510	392,999	337,924
		<u>1,237,087</u>	<u>1,229,846</u>	<u>1,187,600</u>
Non-controlling interests		685,570	666,014	648,101
Total equity		<u>1,922,657</u>	<u>1,895,860</u>	<u>1,835,701</u>
Total Liabilities and Equity		<u>5,098,707</u>	<u>4,949,508</u>	<u>4,805,971</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 August 2023.


Osamah Othman Alfuraih
Chairman


Bader Nasser Al Kharafi
Vice Chairman & Chief Executive Officer

Condensed Consolidated Statement of Profit or Loss – 30 June 2023 (Unaudited)

	Note	Three months ended 30 June		Six months ended 30 June	
		2023	2022	2023	2022
		KD'000		KD'000	
Revenue		461,359	421,063	929,713	828,666
Cost of sales		(140,040)	(142,136)	(295,876)	(277,681)
Operating and administrative expenses	13	(129,262)	(107,918)	(268,924)	(219,790)
Expected credit loss on financial assets (ECL)		(9,841)	(4,610)	(17,341)	(11,224)
Depreciation and amortization		(84,055)	(84,981)	(164,003)	(167,822)
Interest income		2,979	885	7,027	1,699
Investment income	12	285	1,292	978	2,638
Share of results of associates and joint venture	5	213	815	256	2,393
Other expenses		1,636	(2,029)	(8,432)	(3,201)
Gain on sale and lease back transaction	4	-	-	46,272	-
Finance costs		(29,488)	(19,217)	(58,880)	(35,301)
Gain / (loss) from currency revaluation		285	(542)	(434)	2,192
Profit before contribution to KFAS, NLST, ZAKAT, income taxes and Board of Directors' remuneration		74,071	62,622	170,356	122,569
Contribution to Kuwait foundation for Advancement of Sciences (KFAS)		(591)	(519)	(1,152)	(1,009)
National Labour Support Tax (NLST) and Zakat		(3,129)	(1,524)	(7,436)	(3,455)
Income tax expenses		(4,762)	(2,686)	(9,374)	(8,174)
Board of Directors' remuneration		(109)	(109)	(218)	(218)
Profit for the period		65,480	57,784	152,176	109,713
Attributable to:					
Shareholders of the Company		57,489	50,407	111,687	97,628
Non-controlling interests		7,991	7,377	40,489	12,085
		65,480	57,784	152,176	109,713
Earnings per share	14				
Basic and diluted – Fils		13	12	26	23

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

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income – 30 June 2023 (Unaudited)

	Three months ended		Six months ended	
	30 June		30 June	
	2023	2022	2023	2022
	KD'000		KD'000	
Profit for the period	65,480	57,784	152,176	109,713
Other comprehensive income				
<i>Items that will be reclassified to profit or loss:</i>				
Exchange differences on translating foreign operations	7,278	9,392	6,321	2,545
Other reserves	(2,769)	3,576	905	13,103
	<u>4,509</u>	<u>12,968</u>	<u>7,226</u>	<u>15,648</u>
<i>Items that will not be reclassified to profit or loss:</i>				
Changes in the fair value of equity investments at FVOCI	193	(897)	445	49
Total comprehensive income for the period	<u>70,182</u>	<u>69,855</u>	<u>159,847</u>	<u>125,410</u>
Total comprehensive income attributable to:				
Shareholders of the Company	61,698	55,071	115,417	97,687
Non-controlling interests	8,484	14,784	44,430	27,723
	<u>70,182</u>	<u>69,855</u>	<u>159,847</u>	<u>125,410</u>

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

Condensed Consolidated Statement of Changes in Equity – Six months ended 30 June 2023 (Unaudited)

	Equity attributable to Company's shareholders								Total
	Share capital	Share premium	Legal reserve	Foreign currency translation reserve	Investment fair valuation reserve	Other reserves	Retained earnings	Non - controlling interests	
									KD '000
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	-	-	-	-	-	-	111,687	40,489	152,176
Other comprehensive income for the period	-	-	-	2,944	445	341	-	3,941	7,671
Total comprehensive income for the period	-	-	-	2,944	445	341	111,687	44,430	159,847
<i>Transactions with shareholders of the Company, recognized directly in equity:</i>									
Non-controlling interest arising on the acquisition (Note 2)	-	-	-	-	-	-	-	(29)	(29)
Cash dividends (2022) (Note 11)	-	-	-	-	-	-	(108,176)	-	(108,176)
Cash dividends to non-controlling interest of subsidiary (2022)	-	-	-	-	-	-	-	(24,845)	(24,845)
Balance at 30 June 2023	432,706	1,707,164	216,354	(1,510,935)	(8,908)	4,196	396,510	685,570	1,922,657
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	-	-	-	-	-	-	97,628	12,085	109,713
Transfer of investment revaluation reserve upon disposal of FVOCI investments	-	-	-	-	(37)	-	37	-	-
Other comprehensive income for the period	-	-	-	(4,844)	49	4,854	-	15,638	15,697
Total comprehensive income for the period	-	-	-	(4,844)	12	4,854	97,665	27,723	125,410
<i>Transactions with shareholders of the Company, recognized directly in equity:</i>									
Cash dividends (2021) (Note 11)	-	-	-	-	-	-	(99,522)	(2,203)	(101,725)
Balance at 30 June 2022	432,706	1,707,164	216,354	(1,504,302)	(4,608)	2,362	337,924	648,101	1,835,701

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

Condensed Consolidated Statement of Cash Flows – Six months ended 30 June 2023 (Unaudited)

	Note	Six months ended 30 June	
		2023	2022
		KD'000	
Cash flows from operating activities			
Profit for the period before income tax, KFAS, NLST and Zakat		170,138	122,351
Adjustments for:			
Depreciation and amortization		164,003	167,822
ECL on financial assets		17,341	11,224
Interest income		(7,027)	(1,699)
Investment income	12	(978)	(2,638)
Share of results of associates and joint venture		(256)	(2,393)
Finance costs		58,880	35,301
Gain on sale and lease back transaction	4	(46,272)	-
Loss / (gain) from currency revaluation		434	(2,192)
Loss / (gain) on sale of property and equipment		225	(198)
Operating cashflow before working capital changes		356,488	327,578
Increase in trade and other receivables and contract assets		(77,661)	(80,850)
(Increase) / decrease in inventories		(21,971)	10,874
Decrease in trade and other payables		(74,435)	(59,821)
Cash generated from operations		182,421	197,781
Income tax paid		(3,713)	(8,104)
Paid to KFAS		(2,027)	(4,902)
National Labour Support Tax and Zakat paid		(4,169)	(2,503)
<i>Net cash from operating activities</i>		172,512	182,272
Cash flows from investing activities			
Deposits maturing after three months and cash at bank under lien	3	4,164	(3,381)
Investments in securities		(938)	(3,459)
Proceeds from sale of investment securities		17	407
Acquisition of subsidiaries, net of cash acquired	2	(10,737)	-
Investment in associates		(783)	(115)
Acquisition of property and equipment (net)		(83,829)	(73,299)
Acquisition of intangible assets (net)		(31,664)	(28,172)
Proceeds from sale of telecom assets (sale and lease back)	4	197,892	-
Interest received		2,331	989
Dividend received		35	231
<i>Net cash from / (used) in investing activities</i>		76,488	(106,799)
Cash flows from financing activities			
Proceeds from bank borrowings	9	106,633	316,663
Repayment of bank borrowings	9	(121,782)	(265,543)
Repayment of lease liabilities		(23,367)	(28,442)
Dividend paid to Company's shareholders		(107,760)	(98,982)
Dividend paid to minority shareholders of subsidiaries		(928)	(2,215)
Finance costs paid		(54,854)	(23,483)
<i>Net cash used in financing activities</i>		(202,058)	(102,002)
Net increase / (decrease) in cash and cash equivalents		46,942	(26,529)
Effect of foreign currency translation		6,233	(3,699)
Cash and cash equivalents at beginning of period		234,363	229,716
Cash and cash equivalents at end of period	3	287,538	199,488

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 2022 - Kuwait and 7 other countries; 30 June 2022 - 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, Group believes that there is no definitive basis to apply IAS 29 at this stage. However, Group will review it on an ongoing basis, accordingly it has not quantified the impact of applying IAS 29 as of 30 June 2023.

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 2023, 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 2022.

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 2022.

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 2022.

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. These events have had an adverse impact on the country's economy and consequently, on the Group's operations in Sudan.

As of the issuance date of these interim condensed consolidated financial statements, 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, and Khartoum, which are facing the most significant impact from the ongoing hostilities.

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 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 the 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 throughout the year. Based on these forecasts, the management has concluded that there are no impairment indicators since the Group's operations in Sudan are expected to be profitable even in the possible adverse scenario. 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 the Zain Sudan's capability to operate as a going concern at the time of releasing this interim condensed consolidated financial information. As a result, it has determined that there are no significant 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, the Zain Sudan is expected to be able to realize its assets and fulfill its obligations in the ordinary course of business.

Notes to the Condensed Consolidated Interim Financial Information - 30 June 2023 (Unaudited)

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. However, the management of the Zain Sudan does not expect any significant damage to the Zain Sudan's network sites in the Sudanese regions of North Darfur, North Kordofan, and Khartoum and has concluded that the affected sites 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 provisional claim with the insurer. In the opinion of the 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 interim condensed consolidated financial information.

Acquisition of Subsidiaries

In January 2023, the Group acquired the entire equity interest of Business Integrated Operating Systems (BIOS) for a purchase consideration of AED 157.57 million (KD 13.171 million) of which an amount of AED 126.056 million (KD 10.029 million) was paid during the period. The net cash outflow (net of cash and cash equivalents acquired) on acquisition amounts to AED 120.167 million (KD 10.002 million). The recognized amounts of net assets of BIOS as at the date of acquisition was AED 6.851 million (KD 0.574 million), resulting in a goodwill of AED 150.719 million (KD 12.597 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). BIOS is a company incorporated in UAE having multiple subsidiaries engaged in business of IT related activities and cloud services.

In May 2023, the Group acquired 65% equity interest of Adfolks Software Trading L.L.C (Adfolks) for a purchase consideration of AED 15.823 million (KD 1.326 million) of which an amount of AED 10.554 million (KD 0.883 million) was paid during the period. The net cash outflow (net of cash and cash equivalents acquired) on acquisition amounts to AED 8.782 million (KD 0.735 million). The recognized amounts of net assets of Adfolks as at the date of acquisition was negative AED 0.986 million (negative KD 0.083 million), resulting in a goodwill of AED 16.463 million (KD 1.379 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). Adfolks is a company incorporated in UAE engaged in cloud and related services.

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 June 2023	Audited 31 December 2022	Unaudited 30 June 2022
	KD '000		
Cash on hand and at banks	234,560	213,681	192,358
Short-term deposits with banks	84,115	56,336	29,198
Government certificates of deposits held by subsidiaries	8	8	8
	318,683	270,025	221,564
Expected credit loss	(29,263)	(29,616)	(16,527)
	289,420	240,409	205,037
Cash at bank under lien	(1,874)	(6,038)	(5,541)
Government certificates of deposits with maturities exceeding three months held by subsidiaries	(8)	(8)	(8)
Cash and cash equivalent in the condensed consolidated statements of cash flows	287,538	234,363	199,488

Notes to the Condensed Consolidated Interim Financial Information - 30 June 2023 (Unaudited)

4. Assets and liabilities of disposal group 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, KSA and Iraq as follows.

	KD'000					
				Total		
	Kuwait	KSA	Iraq	30 June 2023	31 December 2022	30 June 2022
Telecom tower assets	1,631	67,772	41,475	110,878	150,547	113,093
Right of use of assets	6,769	73,675	36,939	117,383	109,212	87,654
	<u>8,400</u>	<u>141,447</u>	<u>78,414</u>	<u>228,261</u>	<u>259,759</u>	<u>200,747</u>
Lease liabilities	2,463	45,296	36,937	84,696	88,281	84,843

These are expected to be sold within one year.

KSA

In 2022, SMTC 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 SMTC'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 SMTC for a certain amount. Under the terms of the offers, SMTC will sell its passive, physical towers infrastructure and retain all other wireless communication antennas, software, technology, and intellectual property (IPs).

On 28 May 2022, SMTC received a letter from the Communications, Space and Technology Commission ("CST"), which included the CST's Board of Directors approval for "Zain Business Limited" Company (a subsidiary of Zain KSA) to acquire aforementioned telecom tower sites owned by SMTC.

In September 2022, PIF acquired Zain Business Limited and changed the name to Golden Lattice Investment Company (GLI). In October 2022, SMTC entered into an Asset Purchase Agreement ("APA") with GLI to transfer 8,069 towers for an aggregate value of USD 807 million (KD 250.089 million). Under the APA, as part of "Financial Completion" SMTC was to receive cash proceed of SAR 2,421 million (KD 197.892 million) along with a 20% equity stake in GLI.

During the period, pursuant to the financial completion under the APA the Group:-

- received cash from GLI amounting to SAR 2,421 million (KD 197.892 million)
- derecognized 3,600 towers for a cash consideration of SAR 745 million (KD 60.904 million) which was
 - partially adjusted against the advances received from GLI and;
 - partially adjusted against 20% stake in GLI valued at SAR 605 million (KD 49.459 million) as in-kind consideration.

Total gain from this transaction was SAR 566.022 million (KD 46.272 million) which is recognized in the statement of profit or loss during period.

Iraq

During 2022, Atheer Telecom Iraq Limited received approval from its board of directors for the sale of its passive tower infrastructure. Under the terms of the offer received, Atheer was to sell and leaseback its passive physical towers infrastructure comprising of 4,604 towers.

In January 2023, Atheer sold and leased back from TTI Holding Limited (TTI, a subsidiary of the Group) 4,604 towers, for an aggregate value of US\$ 180 million (KD 55.224 million). This intercompany transaction was eliminated at the Group level.

Notes to the Condensed Consolidated Interim Financial Information - 30 June 2023 (Unaudited)

Kuwait

Between 2020 and 2022 the Company completed the sale and lease back of 1,398 telecom towers in Kuwait.

5. Investments in associates and joint venture

Investments in associates

This includes the Group's:

- KD 0.834 million (31 December 2022 – KD 1.083 million; 30 June 2022- KD 1.298 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 25.964 million (31 December 2022 – KD 13.360; 30 June 2022- KD Nil) interest in TASC Towers Holding Limited ("TASC") which represents 83.5% (31 December 2022 – 69.1%) 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 0.693 million (31 December 2022 – KD Nil; 30 June 2022- KD Nil)) interest in Entertainment Content Trading Company WLL (referred to as "Playhera MENA") which represents 30% (31 December 2022 – Nil) of the equity shares of the associate acquired during 2023.

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 83.950 million (31 December 2022 - KD 81.925 million; 30 June 2022: KD 79.699 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 year are determined by Group management using equity method based on management information provided by Wana Corporate.

6. Property and equipment

	<u>Unaudited</u> 30 June 2023	<u>Audited</u> 31 December 2022	<u>Unaudited</u> 30 June 2022
	KD '000		
Net fixed assets	899,152	941,950	968,880
Capital work in progress	112,307	125,744	94,410
	<u>1,011,459</u>	<u>1,067,694</u>	<u>1,063,290</u>

During the six-months period ended 30 June 2023, the Group acquired property and equipment amounting to KD 41.941 million (30 June 2022: KD 43.087 million). Depreciation charged for the period amounted to KD 95.976 million (30 June 2022: KD 100.179 million).

7. Intangible assets and goodwill

	<u>Unaudited</u> 30 June 2023	<u>Audited</u> 31 December 2022	<u>Unaudited</u> 30 June 2022
	KD '000		
Intangible assets	1,528,352	1,557,230	1,556,295
Goodwill	585,505	568,916	591,234
Capital work in progress	6,323	6,287	-
	<u>2,120,180</u>	<u>2,132,433</u>	<u>2,147,529</u>

Notes to the Condensed Consolidated Interim Financial Information - 30 June 2023 (Unaudited)

During the six-months period ended 30 June 2023, the Group acquired intangible assets amounting to KD 12.751 million (30 June 2022: KD 12.518 million). Amortization charged for the period amounted to KD 51.696 million (30 June 2022: KD 51.091 million).

During the period the Group recognized additional goodwill of KD 12.597 million and KD 1.379 million as a result of acquisition of BIOS and Adfolks respectively (Note 2).

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 17).

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.

9. Due to banks

	Unaudited 30 June 2023	Audited 31 December 2022	Unaudited 30 June 2022
	KD '000		
<i>Company</i>			
Short term loans	15,375	21,406	39,845
Long term loans	577,861	538,854	532,195
	<u>593,236</u>	<u>560,260</u>	<u>572,040</u>
<i>SMTC</i>			
Long term loans	451,393	490,723	505,879
	<u>451,393</u>	<u>490,723</u>	<u>505,879</u>
<i>Zain Jordan</i>			
Long term loans	79,948	79,506	49,051
	<u>79,948</u>	<u>79,506</u>	<u>49,051</u>
<i>Atheer – Iraq</i>			
Bank overdrafts	-	2,516	6,355
Long term loans	232,545	233,553	242,518
	<u>232,545</u>	<u>236,069</u>	<u>248,873</u>
<i>Others</i>			
Long term loans	166	-	-
	<u>166</u>	<u>-</u>	<u>-</u>
	<u>1,357,288</u>	<u>1,366,558</u>	<u>1,375,843</u>

Notes to the Condensed Consolidated Interim Financial Information - 30 June 2023 (Unaudited)

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

	Unaudited 30 June 2023	Audited 31 December 2022	Unaudited 30 June 2022
	KD '000		
Opening balance	1,366,558	1,305,560	1,305,560
Proceeds from bank borrowings	106,633	458,543	316,663
Repayment of bank borrowings	(121,782)	(420,518)	(265,543)
Effect of change in foreign exchange rates	5,879	22,973	19,163
	<u>1,357,288</u>	<u>1,366,558</u>	<u>1,375,843</u>

The current and non-current amounts are as follows:

	Unaudited 30 June 2023	Audited 31 December 2022	Unaudited 30 June 2022
	KD '000		
Current liabilities	157,405	213,559	242,506
Non-current liabilities	1,199,883	1,152,999	1,133,337
	<u>1,357,288</u>	<u>1,366,558</u>	<u>1,375,843</u>

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

	Unaudited 30 June 2023	Audited 31 December 2022	Unaudited 30 June 2022
	KD '000		
US dollar	630,591	670,902	939,263
Kuwaiti dinar	397,284	296,343	25,000
Saudi Riyals	329,413	399,313	411,580
	<u>1,357,288</u>	<u>1,366,558</u>	<u>1,375,843</u>

The effective interest rate as at 30 June 2023 was 6.07% (31 December 2022 - 4.06%; 30 June 2022 – 3.11%) 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 amount of KD 116.374 million from existing and new facilities (31 December 2022 - KD 143.489 million). This includes:
 - US\$ 50 million (KD 15.374 million) of a revolving credit facility amounting to US\$ 50 million.
 - KD 101 million of a revolving credit facility amounting to KD 200 million.

2) repaid loans amounting to KD 118.280 million (31 December 2022 – KD 127.457 million). This includes:

- US\$ 70 million (KD 21.476 million) of a revolving credit facility amounting to US\$ 70 million.
- US\$ 159.383 million (KD 48.856 million) of export credit agency financing amounting to US\$ 159.383 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 5,518 million (KD 451.393 million) (31 December 2022: SAR 5,488 million equivalent to KD 448.259 million) syndicated murabaha facility. The working capital facility amounting to SAR 520 million (KD 42.469 million) as at 31 December 2022 was repaid during the period.

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 490.800 million), consisting of SAR 4.880 billion (KD 0.399 billion) and US\$ portion of SAR 1.120 billion (KD 0.092 billion) for refinancing of the existing Term Murabaha Facility amounting to SAR 3.480 billion (KD 0.284 billion) and balance for future specified business purposes.
- b. Includes a revolving working capital facility of SAR 1,000 million (KD 81.800 million) consisting of SAR 813.393 million (KD 66.536 million) and a US\$ portion totaling to SAR 186.607 million (KD 15.264 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.

Zain Jordan

Long term loans include:

- 1) US\$ 160 million (KD 49.199 million) (31 December 2022 – US\$ 160 million equivalent to KD 48.928 million; 30 June 2022 – US\$ 160 million equivalent to KD 49.040 million) term loan from a commercial bank that is repayable by 2025.
- 2) US\$ 100 million (KD 30.749 million) (31 December 2022 – US\$ 100 million equivalent to KD 30.580 million; 30 June 2022 – US\$ Nil) term loan from a commercial bank which is repayable by 30 April 2027.

Atheer

Long term loans include:

- 1) US\$ 70 million (KD 21.525 million) (31 December 2022 – US\$ 70 million equivalent to KD 21.406 million; 30 June 2022 - US\$ 90 million equivalents to KD 27.585 million) term loan from a commercial bank that is repayable by 17 December 2024.

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- 2) US\$ 105 million (KD 32.288 million) (31 December 2022 – US\$ 105 million equivalent to KD 32.109 million; 30 June 2022 -US\$ 105 million equivalents to KD 32.214 million) term loan from a commercial bank which is repayable by 30 June 2026.
- 3) US\$ 150 million (KD 46.125 million) (31 December 2022 – US\$ 150 million equivalent to KD 45.870 million; 30 June 2022 - US\$ 150 million equivalents to KD 45.975 million) revolving credit facilities from a commercial bank repayable by 17 December 2025.
- 4) US\$ 100 million (KD 30.750 million) (31 December 2022 – US\$ 100 million equivalent to KD 30.580 million; 30 June 2022 - US\$ 100 million equivalents to KD 30.650 million) term loan from a commercial bank repayable by 31 July 2023.
- 5) US\$ 50 million (KD 15.375 million) (31 December 2022 – US\$ 50 million equivalent to KD 15.290 million; 30 June 2022 -US\$ 50 million equivalents to KD 15.325 million) term loan from a commercial bank repayable by 14 April 2024.
- 6) US\$ 60 million (KD 17.297 million) (31 December 2022 – US\$ 63.750 million equivalent to KD 19.495 million; 30 June 2022 -US\$ 71.250 million equivalents to KD 21.838 million) term loan from a commercial bank repayable by 28 April 2025.
- 7) US\$ 125 million (KD 38.438 million) (31 December 2022 – US\$ 125 million equivalent to KD 38.225 million; 30 June 2022 -US\$ 125 million equivalents to KD 38.313 million) term loan from a commercial bank repayable by 03 May 2025.
- 8) US\$ 100 million (KD 30.750 million) (31 December 2022 – US\$ 100 million equivalent to KD 30.580 million; 30 June 2022 -US\$ 100 million equivalents to KD 30.650 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 and term SOFR.

10. Other non-current liabilities

	Unaudited	Audited	Unaudited
	30 June	31 December	30 June
	2023	2022	2022
	KD '000		
Payable to Ministry of Finance – Saudi Arabia (refer below)	158,207	203,152	203,152
Due on acquisition of spectrum	163,644	167,239	127,612
Customer deposits	4,477	3,190	3,431
Post-employment benefits	49,246	46,648	42,953
Others	3,701	7,645	6,980
	379,275	427,874	384,128

During 2013, SMTC signed an agreement with the Ministry of Finance – KSA to defer payments that are due to the government until 2021. Based on the agreement, the amounts are to be repaid in seven annual instalments starting from June 2021. On 20 February 2023, the Group signed a revised agreement with MOF in which the existing deferral of payment to MOF was converted into a Murabaha facility with MOF with the repayment terms being the same as mentioned above.

11. Share capital

The authorized, issued and fully paid up (in cash and bonus shares) share capital as of 30 June 2023 is 4,327,058,909 shares (31 December 2022 – 4,327,058,909; 30 June 2022 - 4,327,058,909) of 100 fils each.

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Dividend

The annual general meeting of shareholders for the year ended 31 December 2022 held on 11 April 2023 approved distribution of a cash dividend of 25 fils per share to the registered shareholders, for the second half of the year 2022, after obtaining necessary regulatory approvals. This is in addition to the interim dividend of 10 fils distributed earlier in 2022 totaling 35 fils per share for the year 2022 (31 December 2021 – 33 fils per share).

Interim dividend

The Board of Directors in their meeting held on 08 August 2023, declared distribution of 10 fils per share of interim dividend in cash.

12. Investment income

	Three months ended 30 June (Unaudited)		Six months ended 30 June (Unaudited)	
	2023	2022	2023	2022
	KD'000		KD'000	
Gain from investment securities at fair value through profit or loss (FVTPL)	250	1,061	943	2,407
Dividend income	35	231	35	231
	<u>285</u>	<u>1,292</u>	<u>978</u>	<u>2,638</u>

13. Operating and administrative expenses

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's claim amounted to KD 24.680 million.

- In June 2022 and in February 2023 the Courts of First Instance and the Court of Appeal respectively, issued judgements in favor of the Group.
- In April 2023 the Ministry appealed to the Court of Cassation against the above ruling and to suspend its execution. The request to suspend the execution of order of Court of Appeal was rejected on 30 May 2023. The final order of the Court of Cassation on the appeal against the ruling is pending.

Based on the above, the Group has determined that the recoverability of the claim is virtually certain and has recognized an amount of KD 24.680 million in the condensed consolidated statement of profit or loss and other comprehensive income for the period ended 30 June 2023.

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 June (Unaudited)		Six months ended 30 June (Unaudited)	
	2023	2022	2023	2022
	KD'000		KD'000	
Profit for the period attributable to shareholders of the Company	57,489	50,407	111,687	97,628
	<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	13	12	26	23

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.

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	30 June 2023						Total KD '000	
	Kuwait	Jordan	Sudan	Iraq	Bahrain	KSA		Others
Segment revenues – airtime, data & subscriptions (Point over time)	127,632	75,881	91,438	138,323	23,337	348,255	22,674	827,540
Segment revenues - trading income (Point in time)	44,980	3,983	1,377	1,052	6,839	43,384	558	102,173
Net profit before interest and tax	62,228	21,511	44,202	17,184	2,471	37,706	(5,313)	179,989
Interest income	1,310	338	1,768	191	139	3,097	98	6,941
Gain on sale and lease back transaction	-	-	-	9,905*	-	46,272	-	56,177
Finance costs	(391)	(6,268)	(625)	(13,156)	(385)	(26,719)	(111)	(47,655)
Income tax expenses	-	(3,919)	(3,700)	(1,029)	-	-	(79)	(8,727)
	63,147	11,662	41,645	13,095	2,225	60,356	(5,405)	186,725
<i>Unallocated items:</i>								
Investment income								978
Share of results of associates and joint venture								576
Others (including unallocated interest income, income tax and finance costs net of eliminations)								(36,103)
Profit for the period								152,176
Segment assets including allocated goodwill	457,540	386,742	173,366	1,068,530	96,993	2,327,750	136,605	4,647,526
ROU assets	11,183	9,265	3,112	5,882	13,026	35,677	1,691	79,836
<i>Unallocated items:</i>								
Investment securities at FVTPL								35,207
Investment securities at FVOCI								7,978
Investment in associates and joint venture								110,298
Others (net of eliminations)								217,862
Consolidated assets								5,098,707
Segment liabilities	189,166	142,730	81,142	157,132	29,517	997,312	138,834	1,735,833
Lease liabilities (current and non-current)	17,143	11,442	1,855	5,436	13,102	55,146	1,569	105,693
Due to banks	-	79,948	-	232,547	-	451,393	165	764,053
	206,309	234,120	82,997	395,115	42,619	1,503,851	140,568	2,605,579
<i>Unallocated items:</i>								
Due to banks								593,235
Others (net of eliminations)								(22,764)
Consolidated liabilities								3,176,050
Net consolidated assets								1,922,657
Capital expenditure incurred during the period	9,518	639	17,253	7,472	691	8,244	10,812	54,629
Unallocated (net of eliminations)								63
Total capital expenditure								54,692
Depreciation of property and equipment and amortization of intangible assets	21,588	10,883	2,082	29,814	4,815	75,962	3,070	148,214
Amortization of ROU assets	3,544	716	393	1,298	1,662	9,363	188	17,164
Unallocated (net of elimination)								(1,375)
Total depreciation and amortization								164,003
*Eliminated at Group level (Refer Note 4)								

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	30 June 2022						Total KD '000	
	Kuwait	Jordan	Sudan	Iraq	Bahrain	KSA		Others
Segment revenues – airtime, data & subscriptions (Point over time)	128,571	73,097	62,649	117,555	22,254	309,792	14,866	728,784
Segment revenues - trading income (Point in time)	43,974	3,066	638	1,025	4,849	46,294	36	99,882
Net profit before interest and tax	40,656	19,114	33,741	13,317	2,634	37,188	1,415	148,065
Interest income	756	570	612	1	45	150	4	2,138
Finance costs	(374)	(3,336)	(95)	(8,266)	(377)	(19,902)	(15)	(32,365)
Income tax expenses	-	(3,903)	(566)	(3,536)	-	-	(1)	(8,006)
	41,038	12,445	33,692	1,516	2,302	17,436	1,403	109,832
<i>Unallocated items:</i>								
Investment income								2,638
Share of results of associates and joint venture								1,718
Others (including unallocated interest income, income tax and finance costs net of eliminations)								(4,475)
Profit for the period								109,713
Segment assets including allocated goodwill	392,867	373,046	82,451	1,068,673	93,455	2,296,252	87,651	4,394,395
ROU assets	11,059	8,807	1,403	25,900	11,759	34,965	15	93,908
<i>Unallocated items:</i>								
Investment securities at FVTPL								31,203
Investment securities at FVOCI								21,597
Investment in associates and joint venture								81,111
Others (net of eliminations)								183,757
Consolidated assets								4,805,971
Segment liabilities	146,167	157,837	32,071	145,806	28,076	976,842	71,241	1,558,040
Lease liabilities (current and non-current)	17,594	10,620	704	24,390	11,837	39,944	9	105,098
Due to banks	-	49,051	-	248,873	-	505,879	-	803,803
	163,761	217,508	32,775	419,069	39,913	1,522,665	71,250	2,466,941
<i>Unallocated items:</i>								
Due to banks								572,040
Others (net of eliminations)								(68,711)
Consolidated liabilities								2,970,270
Net consolidated assets								1,835,701
Capital expenditure incurred during the period								54,394
Unallocated (net of eliminations)								1,211
Total capital expenditure	3,776	1,929	4,992	6,431	402	23,895	12,969	55,605
Depreciation of property and equipment and amortization of intangible assets								151,313
Amortization of ROU assets	20,024	14,426	1,204	33,248	4,745	75,487	2,179	16,552
Unallocated (net of elimination)	3,083	716	104	3,248	1,518	7,866	17	(43)
Total depreciation and amortization								167,822

Notes to the Condensed Consolidated Interim Financial Information – 30 June 2023 (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 June (Unaudited)		Six months ended 30 June (Unaudited)	
	2023	2022	2023	2022
	KD'000		KD'000	
Revenue	2,121	58	5,032	126
Cost of sales	3,227	1,437	7,504	3,485

Key management compensation

	Three months ended 30 June (Unaudited)		Six months ended 30 June (Unaudited)	
	2023	2022	2023	2022
	KD'000		KD'000	
Salaries and other short term employee benefits	656	582	1,319	1,197
Post-employment benefits	93	76	251	284

Balances

	Unaudited	Audited	Unaudited
	30 June	31 December	30 June
	2023	2022	2022
	KD '000		
Trade receivables	5,085	2,649	303
Trade payables	7,696	8,355	3,820

17. Commitments and contingencies

	Unaudited	Audited	Unaudited
	30 June	31 December	30 June
	2023	2022	2022
	KD '000		
Capital commitments	148,046	63,803	88,037
Uncalled share capital of investee companies	373	634	907
Letters of guarantee and credit	52,026	64,461	72,213

Income taxes in Iraq

Atheer received an income tax claim of US\$ 19.3 million (KD 5.935 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

Pella is a defendant in lawsuits amounting to KD 22.639 million (31 December 2022 – KD 22.573 million). Based on the report of its attorneys, the Group expects the outcome of these proceedings to be favorable to Pella.

SMTC

SMTC received withholding tax assessments from Zakat, Tax and Customs Authority (“ZATCA”) for an additional amount of SAR 269.3 million (KD 22.029 million) for certain withholding tax items for the years from 2015 to 2021. SMTC has appealed these assessments against the relevant committees.

On 2 January 2023, the Tax Committees for Resolution of Tax Violations and Disputes passed resolution in favor of the SMTC in relation to ZATCA’s assessment related to 2012 and 2013 for the withholding tax on international traffic and related penalties. On 28 March 2023, ZATCA has filed an appeal for the aforementioned decision to The Appeal Committee for Tax Violations and Disputes.

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.

18. Financial instruments

18.1 Categories of financial assets and liabilities

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

	Unaudited 30 June 2023	Audited 31 December 2022	Unaudited 30 June 2022
	KD’000		
Amortised costs:			
Cash and bank balances	289,420	240,409	205,037
Trade and other receivables	782,762	668,998	634,160
Other assets	17,160	15,967	-
Investment securities - FVTPL	84,716	34,129	31,203
Investment securities - FVOCI	19,617	17,600	21,597

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

18.2 Fair value hierarchy for financial instruments measured at fair value

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

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

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

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

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

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

Notes to the Condensed Consolidated Interim Financial Information – 30 June 2023 (Unaudited)

30 June 2023

	Level 1	Level 2	Level 3	Total
				KD'000
Financial assets at fair value:				
Investments securities at FVTPL	-	11,955	72,761	84,716
Investments securities at FVOCI	2,113	2,512	14,992	19,617
Total assets	2,113	14,467	87,753	104,333

31 December 2022

	Level 1	Level 2	Level 3	Total
				KD'000
Financial assets at fair value:				
Investments securities at FVTPL	-	12,021	22,108	34,129
Investments securities at FVOCI	1,857	2,803	12,940	17,600
Total assets	1,857	14,824	35,048	51,729

30 June 2022

	Level 1	Level 2	Level 3	Total
				KD'000
Financial assets at fair value:				
Investments securities at FVTPL	-	12,115	19,088	31,203
Investments securities at FVOCI	4,474	2,868	14,255	21,597
Total assets	4,474	14,983	33,343	52,800

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 gain/ (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 gain/loss for the period is not material to the condensed consolidated 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 June 2023:

	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 - Receive 3-month LIBOR/SIBOR,</i>			
<i>Pay fixed profit rate</i>			
Profit rate swaps	9,513	-	237,220

Notes to the Condensed Consolidated Interim Financial Information – 30 June 2023 (Unaudited)

At 31 December 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 – Receive 3-month LIBOR/SIBOR, Pay fixed profit rate</i>			
Profit rate swaps	9,056	-	236,872
At 30 June 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 - Receive 3-month LIBOR/SIBOR, Pay fixed profit rate</i>			
Profit rate swaps	4,184	-	261,376

21. Subsequent event

At the date of authorization of this interim condensed consolidated financial information, the Group lacks the ability to predict the duration of the war in Sudan, its potential level of intensity, or the influence of migration on its operations. The factions of the ruling military regime have expressed their openness for international mediations for permanent ceasefire and concluding on the current conflict. As of the date of authorization of this interim condensed consolidated financial information, there were no significant developments in the ongoing conflict that could have a substantial impact on the Zain Sudan's current or future performance.