

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

**Condensed Consolidated Interim Financial Information (Unaudited)
30 September 2020**

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

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE BOARD OF DIRECTORS

Report on Review of Condensed Consolidated Interim Financial Information

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of Mobile Telecommunications Company K.S.C.P. (the "Company") and its subsidiaries (together called "the Group") as at 30 September 2020 and the related condensed consolidated statements of profit or loss, profit or loss and other comprehensive income for three-month and nine-month periods then ended and the related condensed consolidated statements of changes in equity and cash flows for the nine-month period then ended. Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with International Accounting Standard 34 - Interim Financial Reporting. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis of Qualified Conclusion

As disclosed in note 2 to the condensed consolidated interim financial information, the Group has excluded the effects reported therein of applying International Accounting Standard (IAS) 29: Financial reporting in Hyperinflationary Economies with respect to its subsidiaries in the Republic of Sudan. It is not possible to determine with reasonable certainty the exact impact of applying hyperinflationary accounting for these subsidiaries as the Group has not performed the required calculations. In these circumstances, we are unable to quantify the effect of the departure from IAS 29.

Qualified Conclusion

Based on our review, with the exception of the matter described in the preceding paragraph, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 – Interim Financial Reporting.

Emphasis of matter

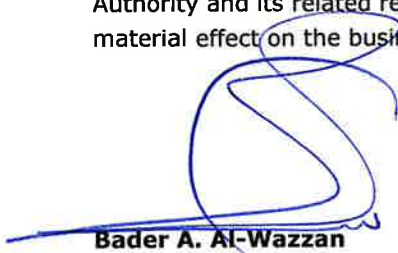
We draw attention to note 17 to the condensed consolidated interim financial information, which describes the uncertainty related to the outcome of claims against the Group's subsidiary in Iraq. Our conclusion is not modified in respect of this matter.

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

Report on Other Legal and Regulatory Requirements

Furthermore, based on our review, the condensed consolidated interim financial information is in agreement with the books of account of the Company. We further report that, nothing has come to our attention that causes us to believe that there is any violations of the Companies Law No. 1 of 2016 and its Executive Regulations or of the Company's Memorandum of Incorporation and Articles of Association during the nine-month period ended 30 September 2020 that might have had a material effect on the business of the Company or on its financial position.

We further report that, during the course of our review, nothing has come to our attention that causes us to believe that there is any violations of the provisions of Law No 7 of 2010, as amended, concerning the Capital Markets Authority and its related regulations during the nine-month period ended 30 September 2020 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

03 November 2020

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

Condensed Consolidated Statement of Financial Position as at 30 September 2020 (Unaudited)

		Unaudited	Audited	Unaudited (Restated)
	Note	30 September 2020	31 December 2019	30 September 2019
				KD '000
Assets				
Current assets				
Cash and bank balances	3	327,758	296,985	329,379
Trade and other receivables		616,784	555,398	564,189
Contract assets		67,897	66,889	70,382
Inventories		44,359	48,513	42,371
Investment securities at FVTPL		7,750	8,540	8,622
Assets of disposal group classified as held for sale	4.b	6,485	17,611	16,357
		<u>1,071,033</u>	<u>993,936</u>	<u>1,031,300</u>
Non-current assets				
Contract assets		21,387	28,134	20,627
Investment securities at FVOCI		7,400	6,360	5,148
Investments in associates and joint venture	5	74,149	72,612	72,219
Other non-current assets		51,582	64,669	10,766
Right of use of assets		174,662	181,052	174,991
Property and equipment	6	1,230,333	1,229,291	1,223,339
Intangible assets and goodwill	7	2,203,082	2,160,039	2,151,897
		<u>3,762,595</u>	<u>3,742,157</u>	<u>3,658,987</u>
Total assets		<u>4,833,628</u>	<u>4,736,093</u>	<u>4,690,287</u>
Liabilities and equity				
Current liabilities				
Trade and other payables		944,542	857,512	895,539
Deferred revenue		93,936	98,495	85,536
Income tax payables	8	57,769	61,775	52,557
Due to banks	9	175,194	180,274	244,469
Lease liabilities		38,524	42,795	40,221
Liabilities of disposal group classified as held for sale	4.b	1,013	5,397	5,035
		<u>1,310,978</u>	<u>1,246,248</u>	<u>1,323,357</u>
Non-current liabilities				
Due to banks	9	1,199,095	1,218,450	1,189,135
Lease liabilities		153,921	144,278	148,131
Other non-current liabilities	10	501,360	448,518	436,446
		<u>1,854,376</u>	<u>1,811,246</u>	<u>1,773,712</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	216,353
Foreign currency translation reserve		(1,384,952)	(1,371,841)	(1,364,682)
Investment fair valuation reserve		(751)	(1,088)	(1,119)
Other reserves		(5,625)	(3,044)	(3,929)
Retained earnings		307,310	318,509	254,739
		<u>1,272,206</u>	<u>1,298,760</u>	<u>1,241,232</u>
Non-controlling interests		396,068	379,839	351,986
Total equity		<u>1,668,274</u>	<u>1,678,599</u>	<u>1,593,218</u>
Total liabilities and equity		<u>4,833,628</u>	<u>4,736,093</u>	<u>4,690,287</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 03 November 2020.


Ahmed Tahous Al Tahous
Chairman


Bader Nasser Al Kharafi
Vice Chairman & Chief Executive Officer

Mobile Telecommunications Company K.S.C.P
Condensed Consolidated Statement of Profit or Loss – 30 September 2020 (Unaudited)

	Note	Three months ended 30 September		Nine months ended 30 September	
		2020	2019	2020	2019
		KD'000		KD'000	
Revenue	15	407,523	410,634	1,194,894	1,221,761
Cost of sales		(118,375)	(106,402)	(320,659)	(329,352)
Operating and administrative expenses		(111,566)	(113,446)	(339,469)	(333,806)
Depreciation and amortization		(89,086)	(91,745)	(268,890)	(272,754)
Expected credit loss on financial assets (ECL)		(11,693)	(7,623)	(33,192)	(21,084)
Interest income		728	2,318	3,250	7,475
Investment income	13	(290)	147	(281)	919
Share of results of associates and joint venture		275	395	714	2,367
Other income		754	5,871	2,052	10,759
Gain on sale and lease back transaction	4	-	-	4,758	-
Gain on modification of financial liabilities	9	11,128	-	11,128	-
Finance costs		(20,692)	(27,874)	(69,990)	(84,476)
Loss from currency revaluation		(4,542)	(2,022)	(13,751)	(7,874)
Net monetary (loss)/ gain	19	(98)	1,386	3,377	5,461
Profit before contribution to KFAS, NLST, ZAKAT, income taxes and Board of Directors' remuneration		64,066	71,639	173,941	199,396
Contribution to Kuwait foundation for Advancement of Sciences (KFAS)		(501)	(573)	(1,337)	(1,552)
National Labour Support Tax (NLST) and Zakat		(2,510)	(2,003)	(6,088)	(5,460)
Income tax expenses and other levies		(6,575)	(5,114)	(16,248)	(14,145)
Board of Directors' remuneration		(128)	(105)	(383)	(315)
Profit for the period		54,352	63,844	149,885	177,924
Attributable to:					
Shareholders of the Company		47,874	55,678	131,594	152,969
Non-controlling interests		6,478	8,166	18,291	24,955
		54,352	63,844	149,885	177,924
Earnings per share	14				
Basic and diluted – Fils		11	13	30	35

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

Mobile Telecommunications Company K.S.C.P**Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income –
30 September 2020 (Unaudited)**

	Three months ended 30 September		Nine months ended 30 September	
	2020	2019	2020	2019
	KD'000		KD'000	
Profit for the period	54,352	63,844	149,885	177,924
Other comprehensive income				
<i>Items that will be reclassified to profit or loss:</i>				
Exchange differences on translating foreign operations	(4,491)	2,072	(9,321)	3,364
Other reserves	(518)	(1,539)	(6,892)	(10,597)
	<u>(5,009)</u>	<u>533</u>	<u>(16,213)</u>	<u>(7,233)</u>
<i>Items that will not be reclassified to profit or loss:</i>				
Changes in the fair value of equity investments at FVOCI	279	160	337	(1,983)
Total comprehensive income for the period	<u>49,622</u>	<u>64,537</u>	<u>134,009</u>	<u>168,708</u>
Total comprehensive income attributable to:				
Shareholders of the Company	44,862	56,273	116,239	149,397
Non-controlling interests	4,760	8,264	17,770	19,311
	<u>49,622</u>	<u>64,537</u>	<u>134,009</u>	<u>168,708</u>

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

Mobile Telecommunications Company K.S.C.P

Condensed Consolidated Statement of Changes in Equity – Nine months ended 30 September 2020 (Unaudited)

	Equity attributable to Company's shareholders								Non - controlling interests	Total
	Share capital	Share premium	Legal reserve	Foreign currency translation reserve	Investment fair valuation reserve	Other reserves	Retained earnings			
										KD `000
Balance at 1 January 2020	432,706	1,707,164	216,354	(1,371,841)	(1,088)	(3,044)	318,509	379,839	1,678,599	
Total comprehensive income for the period	-	-	-	(13,111)	337	(2,581)	131,594	17,770	134,009	
<i>Transactions with shareholders of the Company, recognized directly in equity</i>										
Cash dividends (2019) (Note 12)	-	-	-	-	-	-	(142,793)	(1,541)	(144,334)	
Balance at 30 September 2020	432,706	1,707,164	216,354	(1,384,952)	(751)	(5,625)	307,310	396,068	1,668,274	
Balance at 31 December 2018	432,706	1,707,164	216,353	(1,367,018)	864	(4)	287,143	366,070	1,643,278	
Transition adjustment on adoption of IFRS 16	-	-	-	-	-	-	(21,282)	(17,456)	(38,738)	
Transition adjustment on adoption of IFRIC 23 (note 22)	-	-	-	-	-	-	(34,279)	(10,861)	(45,140)	
Balance as at 1 January 2019 (restated)	432,706	1,707,164	216,353	(1,367,018)	864	(4)	231,582	337,753	1,559,400	
Total comprehensive income for the period	-	-	-	2,336	(1,983)	(3,925)	152,969	19,311	168,708	
<i>Transactions with shareholders of the Company, recognized directly in equity</i>										
Cash dividends (2018) (Note 12)	-	-	-	-	-	-	(129,812)	(5,078)	(134,890)	
Balance at 30 September 2019 (restated)	432,706	1,707,164	216,353	(1,364,682)	(1,119)	(3,929)	254,739	351,986	1,593,218	

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

Mobile Telecommunications Company K.S.C.P
Condensed Consolidated Statement of Cash Flows—nine months ended 30 September 2020 (Unaudited)

	Nine months ended 30 September	
	2020	2019
	KD'000	
Cash flows from operating activities		
Profit for the period before income tax, KFAS, NLST and Zakat	173,558	199,081
Adjustments for:		
Depreciation and amortization	268,890	272,754
ECL on financial assets	33,192	21,084
Interest income	(3,250)	(7,475)
Investment income	281	(919)
Share of results of associates and joint venture	(714)	(2,367)
Finance costs	69,990	84,476
Gain on sale and lease back transaction	(4,758)	-
Gain on modification of financial liabilities	(11,128)	-
Loss from currency revaluation	13,751	7,874
Net monetary gain	(3,377)	(5,461)
Loss on sale of property and equipment	128	1,482
Operating profit before working capital changes	536,563	570,529
Increase in trade and other receivables	(89,617)	(75,538)
Decrease in inventories	4,395	3,673
Increase/ (Decrease) in trade and other payables	68,929	(17,808)
Cash generated from operations	520,270	480,856
Paid to KFAS	(674)	(771)
NLST and Zakat paid	(15,639)	(2,068)
Income tax paid	(45,984)	(11,054)
<i>Net cash from operating activities</i>	457,973	466,963
Cash flows from investing activities		
Deposits maturing after three months and cash at bank under lien (note 3)	3,354	(28)
Investments in securities	(1,529)	(290)
Proceeds from sale of investments	1,423	7,589
Investment in associate	(823)	-
Acquisition of property and equipment (net)	(164,293)	(165,701)
Acquisition of intangible assets (net)	(29,595)	(24,925)
Proceeds from sale of telecom assets (sale and lease back) (note 4)	19,485	-
Interest received	3,017	6,422
Dividend received	67	383
<i>Net cash used in investing activities</i>	(168,894)	(176,550)
Cash flows from financing activities		
Proceeds from bank borrowings	153,774	425,978
Repayment of bank borrowings	(183,853)	(441,649)
Repayment of lease liabilities	(43,315)	(41,069)
Dividends paid to Company's shareholders	(132,514)	(129,179)
Dividends paid to minority shareholders of subsidiaries	(1,512)	(5,020)
Finance costs paid – due to banks	(47,644)	(83,358)
<i>Net cash used in financing activities</i>	(255,064)	(274,297)
Net increase in cash and cash equivalents	34,015	16,116
Effect of foreign currency translation	112	1,319
Cash and cash equivalents at beginning of period	281,902	304,236
Cash and cash equivalents at end of period (Note 3)	316,029	321,671

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

1. Incorporation and activities

Mobile Telecommunications Company K.S.C.P (the "Company") is a Kuwaiti shareholding company, incorporated in 1983. Its shares are traded on the Kuwait Stock Exchange. The registered office of the Company is at P. O. Box 22244, 13083 Safat, State of Kuwait.

The Company and its subsidiaries (the "Group") along with associates provide mobile telecommunication services in Kuwait and 8 other countries (31 December 2019 - Kuwait and 8 other countries; 30 September 2019 - Kuwait and 8 other countries) under licenses from the Governments of the countries in which they operate, purchase, deliver, install, manage and maintain mobile telephone and paging systems; and invest surplus funds in investment securities.

The Company is a subsidiary of Oman Telecommunications Company SAOG, Oman.

2. Basis of preparation

This condensed consolidated interim financial information is prepared in accordance with IAS 34: Interim Financial Reporting.

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

In 2015, the Group noted that the economy of the Republic of Sudan, where the Group has subsidiaries, may be hyperinflationary from the beginning of 2015. This was based on the general price index showing the cumulative three-year rate of inflation exceeding 100% at that time. However, International Accounting Standard, IAS 29: Financial Reporting in Hyperinflationary Economies, does not establish an absolute rate at which hyperinflation is deemed to arise and states that it is a matter of judgment when restatement of financial statements in accordance with this Standard becomes necessary. In addition, the Group noted that in the 2014 International Monetary Fund (IMF) Sudan country report, the cumulative projected three year inflation rate outlook for Sudan in 2016 to be around 57% and thus, applying IAS 29 in 2015, could have entailed going in and out of hyperinflation within a short period which was confirmed when the Republic of Sudan went out of hyperinflation in 2016. The Republic of Sudan has been again declared as hyperinflationary in 2018. Based on the above matters, the Group believes that there is no definitive basis to apply IAS 29 at this stage. However, the Group will review it on an ongoing basis, accordingly it has not quantified the impact of applying IAS 29 as of 30 September 2020.

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 2020, 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 2019.

Financial support to Group companies

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

2.1. Changes in accounting policy and disclosures

The accounting policies used in the preparation of the condensed consolidated interim financial information are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2019 except for as mentioned below.

As permitted by IFRS 9, the Group has elected to transition to applying the hedge accounting requirements of IFRS 9 effective 1 July 2020. On transition to IFRS 9 in 2018, the Group had elected to continue to apply the hedge accounting requirements of IAS 39.

The IFRS 9 general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about the Group's risk management activities have also been introduced.

The Group's qualifying hedging relationships in place as at 1 July 2020 also qualify for hedge accounting in accordance with IFRS 9 and were therefore regarded as continuing hedging relationships. No rebalancing of any of the hedging relationships was necessary on transition. As the critical terms of the hedging instruments match those of their corresponding hedged item, the hedging relationships continue to be effective under IFRS 9's effectiveness assessment requirements. The Group has also not designated any hedging relationships under IFRS 9 that would not have met the qualifying hedge accounting criteria under IAS 39.

The application of the IFRS 9 hedge accounting requirements has had no significant impact on the results and financial position of the Group for the current and/or prior years.

Hedge accounting

For hedge accounting, the Group designates derivatives as either hedges of the fair value of recognized assets or liabilities or a firm commitment (fair value hedge); or hedges of a particular risk associated with a recognized asset or liability or a highly probable forecast transaction (cash flow hedge) or hedges of a net investment in a foreign operation (net investment hedge).

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

The Group designates the full change in the fair value of a forward contract (i.e. including the forward elements) as the hedging instrument for all of its hedging relationships involving forward contracts.

The Group designates only the intrinsic value of option contracts as a hedged item, i.e. excluding the time value of the option. The changes in the fair value of the aligned time value of the option are recognised in other comprehensive income and accumulated in the cost of hedging reserve. If the hedged item is transaction-related, the time value is reclassified to profit or loss when the hedged item affects profit or loss. If the hedged item is time-period related, then the amount accumulated in the cost of hedging reserve is reclassified to profit or loss on a rational basis – the Group applies straight-line amortisation. Those reclassified amounts are recognised in profit or loss in the same line as the hedged item. If the hedged item is a non-financial item, then the amount accumulated in the cost of hedging reserve is removed directly from equity and included in the initial carrying amount of the recognised non-financial item. Furthermore, if the Group expects that some or all of the loss accumulated in cost of hedging reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

Fair value hedges

The fair value change on qualifying hedging instruments is recognised in profit or loss except when the hedging instrument hedges an equity instrument designated at FVTOCI in which case it is recognised in other comprehensive income. The carrying amount of a hedged item not already measured at fair value is adjusted for the fair value change attributable to the hedged risk with a corresponding entry in profit or loss. For debt instruments measured at FVTOCI, the carrying amount is not adjusted as it is already at fair value, but the hedging gain or loss is recognised in profit or loss instead of other comprehensive income. When the hedged item is an equity instrument designated at FVTOCI, the hedging gain or loss remains in other comprehensive income to match that of the hedging instrument. Where hedging gains or losses are recognised in profit or loss, they are recognised in the same line as the hedged item.

The Group discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit or loss from that date.

Cash flow hedges

The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of cash flow hedging reserve, limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'other gains and losses' line item.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are removed from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability. This transfer does not affect other comprehensive income. Furthermore, if the Group expects that some or all of the loss accumulated in the cash flow hedging reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

The Group discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. Any gain or loss recognised in other comprehensive income and accumulated in cash flow hedge reserve at that time remains in equity and is reclassified to profit or loss when the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in cash flow hedge reserve is reclassified immediately to profit or loss.

Hedges of net investments in foreign operations

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the foreign currency forward contracts relating to the effective portion of the hedge is recognised in other comprehensive income and accumulated in the foreign currency translation reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'other gains and losses' line item. Gains and losses on the hedging instrument accumulated in the foreign currency translation reserve are reclassified to profit or loss on the disposal or partial disposal of the foreign operation.

2.2. New and revised accounting standards

Effective for the current period

The Group has applied the following new and revised IFRS Standards that have been issued and effective:

<u>New and revised IFRSs</u>	<u>Effective for annual periods beginning on or after</u>
Amendments to IFRS 3 - Amendments to clarify the definition of a business	1 January 2020
Amendments to IFRS 7 and IFRS 9 - Amendments regarding pre-replacement issues in the context of the IBOR reform.	1 January 2020
Amendments to IFRS 16- Amendments on Covid-19-Related Rent Concessions	1 June 2020
Amendment to IAS 1 and IAS 8 - Amendments regarding the definition of material	1 January 2020

The application of these amendments did not have a significant impact on the Group's interim condensed consolidated financial information.

Standards and revisions issued but not yet effective

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective.

<u>New and revised IFRSs</u>	<u>Effective for annual periods beginning on or after</u>
Amendments to IAS 1 - Amendments regarding the classification of liabilities	1 January 2021
Amendments to IFRS 10 and IAS 28 - Amendments relating to the treatment of the sale or contribution of assets from an investor to its associate or joint venture.	1 January 2021

Notes to the Condensed Consolidated Interim Financial Information - 30 September 2020 (Unaudited)

The management does not expect that the adoption of these Standards will have a material impact on the Group's interim condensed consolidated financial information in future periods.

2.3. 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 2019, except as disclosed in note 9 and 21.

3. Cash and bank balances

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

	<u>Unaudited</u> <u>30 September</u> <u>2020</u>	<u>Audited</u> <u>31 December</u> <u>2019</u>	<u>Unaudited</u> <u>30 September</u> <u>2019</u>
	<u>KD '000</u>		
Cash on hand and at banks	282,925	132,576	154,652
Short-term deposits with banks	63,810	180,931	178,012
Government certificates of deposits held by subsidiaries	90	108	108
	<u>346,825</u>	<u>313,615</u>	<u>332,772</u>
Expected credit loss	(19,067)	(16,630)	(3,393)
	<u>327,758</u>	<u>296,985</u>	<u>329,379</u>
Cash at bank under lien	(11,639)	(14,975)	(7,600)
Government certificates of deposits with maturities exceeding three months held by subsidiaries	(90)	(108)	(108)
Cash and cash equivalent in the condensed consolidated statements of cash flows	<u>316,029</u>	<u>281,902</u>	<u>321,671</u>

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

- 4.a) In February 2020, the Company completed the sale and lease back of 1,022 telecom towers in Kuwait classified as held for sale for a total sale consideration of US\$ 82.012 million (KD 24.981 million). Total gain from this transaction was KD 4.758 million. The Company also assumed a 30% minority shareholding in the newly formed Tower Company.

Towers sold were leased back for a period of 10 years.

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

- 4.b) This represents the carrying value of remaining telecom tower assets amounting to KD 3.060 million (31 December 2019 – KD 7.656 million; 30 September 2019 – KD 7.656 million) and remaining right of use of assets amounting to KD 3.425 million (31 December 2019 – 9.955 million; 30 September 2019 – 8.701 million) and its related lease liabilities amounting to KD 1.013 million (31 December 2019 – 5.397 million; 30 September 2019 – 5.035 million), classified as held for sale. These are expected to be sold during the year 2021.

5. Investments in associates and joint venture

Investments in joint venture

This mainly represents Group's interest in the joint venture, Zain Al Ajjal S.A. that owns 31% of the equity shares and voting rights of Wana Corporate (a Moroccan joint stock company that is specialized in the telecom sector in that country).

6. Property and equipment

	Unaudited 30 September 2020	Audited 31 December 2019	Unaudited 30 September 2019
	KD '000		
Net fixed assets	1,120,189	1,115,631	1,130,015
Capital work in progress	110,144	113,660	93,324
	<u>1,230,333</u>	<u>1,229,291</u>	<u>1,223,339</u>

During the nine-months period ended 30 September 2020, the Group acquired property and equipment amounting to KD 176.883 million (30 September 2019: KD 107.573 million). Depreciation charged for the period amounted to KD 159.972 million (30 September 2019: KD 150.727 million).

7. Intangible assets and goodwill

	Unaudited 30 September 2020	Audited 31 December 2019	Unaudited 30 September 2019
	KD '000		
Intangible assets	1,594,425	1,552,227	1,539,865
Goodwill	608,657	607,812	612,032
	<u>2,203,082</u>	<u>2,160,039</u>	<u>2,151,897</u>

During the nine-months period ended 30 September 2020, the Group acquired intangible assets amounting to KD 106.093 million (30 September 2019: KD 65.527 million).

On 7 July 2020, the Government of Iraq decided to extend Atheer's license for an additional eight (8) years ending on August 30, 2030, and to grant license for the operation of fourth generation of broadband cellular network technology (4G) starting from 1 January 2021.

8. Income tax payables

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

At Atheer Iraq, income tax assessment orders for the years 2004 to 2011 are contested and are currently under the consideration of Iraq General Commission for Taxes (IGCT). Income tax assessment for the period 2012 is finalized and the amount paid by Atheer along with tax returns was treated as final assessment by the IGCT. Income tax self-assessment of US\$ 33.85 million (KD 10.368 million) for the year 2013 was also treated as final by the IGCT in March 2020. This amount was already been paid by Atheer.

During May 2020, Atheer received additional income tax claims of US\$ 68 million (KD 20.828 million) from IGCT for the years 2014 to 2018. Atheer has agreed to pay the amount in 11 monthly instalments with interest. Atheer has booked the income tax expenses for the year 2019 based on self-assessment, considering most likely outcome. No assessment order has yet been received. Management believes that they have adequate provisions for liabilities in respect of the assessments contested (refer note 17).

9. Due to banks

	Unaudited	Audited	Unaudited
	30 September	31 December	30 September
	2020	2019	2019
	KD '000		
<i>Company</i>			
Short term loans	111,890	80,580	80,800
Long term loans	583,439	598,535	637,651
	<u>695,329</u>	<u>679,115</u>	<u>718,451</u>
<i>SMTC</i>			
Long term loans	484,362	542,804	544,054
	<u>484,362</u>	<u>542,804</u>	<u>544,054</u>
<i>Atheer – Iraq</i>			
Long term loans	194,598	168,387	171,086
	<u>194,598</u>	<u>168,387</u>	<u>171,086</u>
<i>Zain Jordan</i>			
Short term loans	-	6,622	-
	<u>-</u>	<u>6,622</u>	<u>-</u>
<i>Others</i>			
Short term loans	-	1,787	-
Long term loans	-	9	13
	<u>-</u>	<u>1,796</u>	<u>13</u>
	<u>1,374,289</u>	<u>1,398,724</u>	<u>1,433,604</u>

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

	Unaudited	Audited	Unaudited
	30 September	31 December	30 September
	2020	2019	2019
	KD '000		
Opening balance	1,398,724	1,446,536	1,446,536
Proceeds from bank borrowings	153,774	540,727	425,978
Repayment of bank borrowings	(183,853)	(587,387)	(441,649)
Effect of modification of financial liabilities and change in foreign exchange rates	5,644	(1,152)	2,739
	<u>1,374,289</u>	<u>1,398,724</u>	<u>1,433,604</u>

The current and non-current amounts are as follows:

	Unaudited	Audited	Unaudited
	30 September	31 December	30 September
	2020	2019	2019
	KD '000		
Current liabilities	175,194	180,274	244,469
Non-current liabilities	1,199,095	1,218,450	1,189,135
	<u>1,374,289</u>	<u>1,398,724</u>	<u>1,433,604</u>

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

	Unaudited	Audited	Unaudited
	30 September	31 December	30 September
	2020	2019	2019
	KD '000		
US dollar	894,791	891,013	933,355
Kuwaiti dinar	50,976	50,994	51,000
Saudi Riyals	428,522	448,302	449,236
Others	-	8,415	13
	1,374,289	1,398,724	1,433,604

The effective interest rate of the Group as at 30 September 2020 was 0.935%% to 3.17% (31 December 2019 - 2.22% to 18%; 30 September 2019 - 2.22% to 5.80%) per annum.

The Group is compliant with the principal covenant ratios, which include:

- consolidated net borrowings to adjusted consolidated Earnings Before Interest Tax Depreciation and Amortisation (EBITDA);
- adjusted consolidated EBITDA to adjusted consolidated net interest payable;
- equity to total assets.

During the period, the Company:

- drew down loans amounting to KD 124.64 million. This includes:
 - US\$ 300 million (KD 92.22 million) from an existing US\$ 700 million revolving credit facility.
 - US\$ 100 million (KD 30.74 million) from an existing US\$ 100 million revolving credit facility.
- repaid loans amounting to KD 113.468 million. This includes:
 - US\$ 300 million (KD 91.89 million) of a revolving credit facility amounting to US\$ 700 million
 - US\$ 15.776 million (KD 4.850 million) of a long-term facility amounting to US\$ 200 million
 - US\$ 12.132 million (KD 3.729 million) of a long-term loan facility amounting to US\$ 200 million.

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

SMTC

Long-term loans include:

- SAR 3,682 million (KD 301.003 million) (31 December 2019: KD 361.874 million; 30 September 2019: KD 368.278 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 existing Murabaha Facilities and secure additional funding for future capital investment. The existing murabaha facility which was earlier refinanced in June 2018 was for SAR 5,900 million and a working capital facility.

The Agreement:

- Includes a Total Term Murabaha Facility of SAR 6,000 million (KD 490.56 million), consisting of SAR 4.880 billion and US\$ portion of SAR 1.120 billion (KD 0.098 billion) for refinancing of the existing Term Murabaha Facility amounting to SAR 3.48 billion (KD 0.285 billion) and balance for future specified business purposes.
- Includes a revolving working capital facility of SAR 1,000 million (KD 81.76 million) consisting of SAR 813.393 million (KD 66.503 million) and a US\$ portion totaling to SAR 186.607 million (KD 15.257 million).

Notes to the Condensed Consolidated Interim Financial Information - 30 September 2020 (Unaudited)

The refinancing of existing facility resulted in a gain of SAR 136 million (KD 11.128 million) and was assessed for modification gain or loss separately from the additional funding limits that was availed. Modification gain resulted from the following;

- Reduction of the applicable margin payable over and above the floating SIBOR and LIBOR rate.
- Extension of the loan maturity date to September 2025 from June 2023. The loan is repayable in four equal installment period of 12 months each, starting 24 months after the effective date and ending by 60 months after Effective Date.
- Cash flows under the contingent payment terms, mandatory prepayment in case of successful completion of rights issue and an ability for its subsequent draw down, were assessed on the date of the modification using most likely scenario.

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.

- SAR 2,243 million (KD 183.359 million) syndicated junior murabaha facility signed in June 2019 from a consortium of banks with a two year tenure with an option to extend for one more year. This facility is fully secured by a guarantee by the Company.

Atheer

Long-term loans include:

- Term loan from a foreign commercial bank amounting to US\$ 100 million (KD 30.63 million) (31 December 2019: US\$ 100 million equivalent to KD 30.29 million; 30 September 2019: US\$ 100 million equivalent to KD 30.40 million) that is repayable by 17 December 2024.
- Term loan from a foreign commercial bank amounting to US\$ 105 million (KD 32.162 million) (31 December 2019: US\$ 105 million equivalent to KD 31.805 million; 30 September 2019: US\$ 105 million equivalent to KD 31.92 million) which is repayable by 30 June 2023.
- Term loan from a foreign commercial bank amounting to US\$ 50 million (KD 15.315 million) (31 December 2019: US\$ 50 million equivalent to KD 15.145 million; 30 September 2019: US\$ 50 million equivalent to KD 15.2 million) which is repayable by 09 April 2021.
- Term loan from a foreign financial institutions amounting to US\$ 130.319 million (KD 39.917 million) (31 December 2019: US\$ 150.917 million equivalent to KD 45.712 million; 30 September 2019: US\$ 157.783 million equivalent to KD 47.966 million) which is repayable by 31 May 2025.
- Revolving credit facilities from foreign commercial bank amounting to US\$ 150 million (KD 45.945 million) (31 December 2019: US\$ 150 million equivalent to KD 45.435 million; 30 September 2019: US\$ 150 million equivalent to KD 45.6 million) that is repayable by 17 December 2022.
- Term loan from a foreign commercial bank amounting to US\$ 100 million (KD 30.63 million) (31 December 2019: KD Nil; 30 September 2019: KD Nil) which is repayable by 31 July 2023.

These facilities are guaranteed by the Company and carry a floating interest rate of a fixed margin over three month LIBOR.

10. Other non-current liabilities

	Unaudited	Audited	Unaudited
	30 September	31 December	30 September
	2020	2019	2019
	KD '000		
Payable to Ministry of Finance-Saudi Arabia (refer below)	286,210	289,580	272,684
Due to CITC for acquisition of spectrum	119,867	74,664	74,913
Customer deposits	3,440	3,763	3,908
Post-employment benefits	39,457	34,663	36,273
Others	52,386	45,848	48,668
	501,360	448,518	436,446

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During 2013, SMTC signed an agreement with the Ministry of Finance – Kingdom of Saudi Arabia to defer payments that are due until 2021. These amounts will be repaid in seven installments starting June 2021. The current portion of these payables along with the accrued interest are recorded under trade and other payables.

11. Share capital

The authorized, issued and fully paid up share capital as of 30 September 2020 is 4,327,058,909 shares (31 December 2019 – 4,327,058,909; 30 September 2019 - 4,327,058,909) of 100 fils each.

12. Dividend

The annual general meeting of shareholders for the year ended 31 December 2019 held on 19 March 2020 (31 December 2018 - 20 March 2019) approved distribution of cash dividends of 33 fils (31 December 2018 - 30 fils) per share amounting to KD 142,792,944 (31 December 2018 - KD 129,812,000) which was paid subsequently.

13. Investment income

	Three months ended 30 September (Unaudited)		Nine months ended 30 September (Unaudited)	
	2020	2019	2020	2019
	KD'000		KD'000	
(Loss)/ profit from investment securities at fair value through profit or loss (FVTPL)	(357)	145	(348)	536
Dividend income	67	2	67	383
	(290)	147	(281)	919

14. Earnings per share

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

	Three months ended 30 September (Unaudited)		Nine months ended 30 September (Unaudited)	
	2020	2019	2020	2019
	KD'000		KD'000	
Profit for the period attributable to shareholders	47,874	55,678	131,594	152,969
	Shares	Shares	Shares	Shares
Weighted average number of shares in issue outstanding during the period	4,327,058,909	4,327,058,909	4,327,058,909	4,327,058,909
	Fils	Fils	Fils	Fils
Earnings per share – Basic and diluted	11	13	30	35

15. Segmental information

The Company and its subsidiaries operate in a single business segment, telecommunications and related services in Kuwait and other countries. This forms the basis of the geographical segments.

Based on the quantitative thresholds, the Group has identified its operations in Kuwait, Jordan, Sudan, Iraq, Bahrain and KSA as the basis for disclosing the segment information.

Mobile Telecommunications Company K.S.C.P

Notes to the Condensed Consolidated Interim Financial Information - 30 September 2020 (Unaudited)

	30 September 2020						Total KD '000	
	Kuwait	Jordan	Sudan	Iraq	Bahrain	KSA		Others
Segment revenues – airtime & data (Point over time)	180,041	106,072	84,174	216,451	30,874	442,434	29,042	1,089,088
Segment revenues – trading income (Point in time)	56,029	4,124	1,003	840	6,771	36,934	105	105,806
Net profit before interest and tax	53,089	26,997	16,737	35,372	3,640	65,307	8,167	209,309
Interest income	975	353	201	550	148	910	74	3,211
Gain on sale and lease back transaction	4,758	-	-	-	-	-	-	4,758
Gain on modification of financial liabilities	-	-	-	-	-	11,128	-	11,128
Finance costs	(419)	(4,340)	(734)	(10,640)	(776)	(58,983)	(51)	(75,943)
Income tax expenses	-	(5,752)	(5,312)	(4,816)	-	-	(363)	(16,243)
	<u>58,403</u>	<u>17,258</u>	<u>10,892</u>	<u>20,466</u>	<u>3,012</u>	<u>18,362</u>	<u>7,827</u>	<u>136,220</u>
<i>Unallocated items:</i>								
Investment income								(281)
Share of results of associates and joint venture								714
Others (including unallocated interest income, income tax and finance costs, net of elimination)								13,232
Profit for the period								<u>149,885</u>
Segment assets including allocated goodwill	415,652	300,036	141,117	1,126,809	90,254	2,199,278	76,831	4,349,977
ROU assets	7,917	18,114	1,958	28,229	9,504	108,764	176	174,662
<i>Unallocated items:</i>								
Investment securities at FVTPL								7,750
Investment securities at FVOCI								7,400
Investment in associates and joint venture								74,149
Others (net of eliminations)								219,690
Consolidated assets								<u>4,833,628</u>
Segment liabilities	135,875	131,829	50,381	232,547	30,186	1,316,783	75,530	1,973,131
Lease liabilities (current and non-current)	13,709	18,774	1,764	31,671	9,623	116,766	138	192,445
Due to banks	-	-	-	194,598	-	484,362	-	678,960
	<u>149,584</u>	<u>150,603</u>	<u>52,145</u>	<u>458,816</u>	<u>39,809</u>	<u>1,917,911</u>	<u>75,668</u>	<u>2,844,536</u>
<i>Unallocated items:</i>								
Due to banks								695,329
Others (net of eliminations)								(374,511)
Consolidated liabilities								<u>3,165,354</u>
Net consolidated assets								<u>1,668,274</u>
Capital expenditure incurred during the period	19,801	3,516	22,821	37,186	12,100	178,668	8,220	282,312
Unallocated								664
Total capital expenditure								<u>282,976</u>
Depreciation of property and equipment and amortization of intangible assets	24,743	19,503	7,387	41,386	6,605	125,953	3,168	228,745
Amortization of ROU assets	4,366	2,741	235	5,026	2,648	22,610	136	37,762
Unallocated								2,383
Total depreciation and amortization								<u>268,890</u>

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Notes to the Condensed Consolidated Interim Financial Information - 30 September 2020 (Unaudited)

	30 September 2019						Total KD '000	
	Kuwait	Jordan	Sudan	Iraq	Bahrain	KSA		Others
Segment revenues – airtime & data (Point over time)	193,968	107,903	65,476	239,275	30,290	438,980	18,750	1,094,642
Segment revenues – trading income (Point in time)	54,489	4,035	462	1,157	6,587	60,347	42	127,119
Net profit before interest and tax	66,119	28,947	14,255	28,730	3,600	92,833	8,232	242,716
Interest income	234	292	790	967	148	1,628	274	4,333
Finance costs	(307)	(5,488)	(182)	(14,215)	(676)	(63,634)	(90)	(84,592)
Income tax expenses	-	(5,719)	(4,117)	(3,513)	-	-	(394)	(13,743)
	66,046	18,032	10,746	11,969	3,072	30,827	8,022	148,714
<i>Unallocated items:</i>								
Investment income								919
Share of results of associates and joint venture								2,367
Others (including unallocated interest income, income tax and finance costs, net of elimination)								25,924
Profit for the period								177,924
Segment assets including allocated goodwill	385,507	296,286	139,175	1,034,889	86,323	2,182,510	79,009	4,203,699
ROU assets	5,530	14,991	1,460	30,882	7,248	114,534	346	174,991
<i>Unallocated items:</i>								
Investment securities at FVTPL								8,622
Investment securities at FVOCI								5,148
Investment in associates and joint venture								72,219
Others (net of eliminations)								225,608
Consolidated assets								4,690,287
Segment liabilities	122,421	130,345	45,967	198,082	26,593	1,279,557	69,706	1,872,671
Lease liabilities (current and non-current)	5,295	15,308	1,563	34,193	7,649	123,967	377	188,352
Due to banks	-	-	-	171,086	-	544,054	13	715,153
	127,716	145,653	47,530	403,361	34,242	1,947,578	70,096	2,776,176
<i>Unallocated items:</i>								
Due to banks								718,451
Others (net of eliminations)								(397,558)
Consolidated liabilities								3,097,069
Net consolidated assets								1,593,218
Capital expenditure incurred during the period	30,523	4,681	1,981	23,353	11,353	98,273	85	170,249
Unallocated								2,851
Total capital expenditure								173,100
Depreciation of property and equipment and amortization of intangible assets	25,368	18,447	5,870	58,965	6,578	114,498	3,399	233,125
Amortization of ROU assets	2,691	2,417	123	5,292	2,316	24,646	705	38,190
Unallocated								1,439
Total depreciation and amortization								272,754

16. Related party transactions

The Group has entered into transactions with related parties on terms approved by management. Transactions and balances with related parties (in addition to those disclosed in other notes) are as follows:

Transactions

	Three months ended 30 September (Unaudited)		Nine months ended 30 September (Unaudited)	
	2020	2019	2020	2019
	KD'000		KD'000	
Revenue	65	84	1,573	149
Cost of sales	1,453	129	5,436	365

Key management compensation

	Three months ended 30 September (Unaudited)		Nine months ended 30 September (Unaudited)	
	2020	2019	2020	2019
	KD'000		KD'000	
Salaries and other short term employee benefits	853	975	2,662	2,960
Post-employment benefits	220	212	1,224	1,168

Balances

	Unaudited	Audited	Unaudited
	30 September 2020	31 December 2019	30 September 2019
	KD '000		
Trade receivables	2,897	-	4
Trade payables	5,044	193	219

17. Commitments and contingencies

	Unaudited	Audited	Unaudited
	30 September 2020	31 December 2019	30 September 2019
	KD '000		
Capital commitments	165,786	233,097	260,310
Uncalled share capital of investee companies	2,773	348	447
Letters of guarantee and credit	83,792	90,660	89,969

The Company is a guarantor for credit facilities amounting to KD 7.351 million (31 December 2019 - KD 7.269 million; 30 September 2019 - KD 7.295 million) granted by a bank to a founding shareholder in SMTC. The Company believes that the collaterals provided by the founding shareholder to the bank, covers the credit facilities.

Atheer

Income taxes in Iraq

Atheer received additional income tax claims for the years 2004 to 2010 from Iraq General Commission for Taxes (IGCT). In November 2016, Atheer signed an agreement with Iraq's Ministry of Finance under which it obtained the right to submit its objection to these additional income tax claimed by the IGCT amounting to US\$ 244 million (KD 74.176 million) and submitted its objections against the tax claim. On 15 October 2019, the Appeals Committee of IGCT issued its decision to reduce the amount of claim to USD 109.75 million (KD 33.364 million). IGCT had the option to challenge this decision before the Court of Cassation within 15 days of Appeals Committee decision. The challenge period has elapsed and Atheer did not receive any notification from the Cassation Court or the IGCT about challenging the decision. Atheer has petitioned the Cassation Court to direct IGCT to send the case dossier and is awaiting a response. On the basis of the report of its attorneys, Atheer believes that the outcome of all appeals is still subject to the authentication of the Court of Cassation and that it will be determined in favor of Atheer.

In March 2020, Atheer received additional income tax claims of US\$ 23.8 million (KD 7.29 million) and US\$ 24.8 million (KD 7.60 million) from IGCT for the years 2011 and 2012 respectively. On 12 March 2020, Atheer submitted its objections to these additional income tax claims. On 15 March 2020, IGCT rejected the objection for year 2011. 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. On 16 March 2020, IGCT accepted the objection for year 2012, cancelled its claim for additional tax of 24.8 million (KD 7.60 million) and approved the amount of tax self-assessed by Atheer for the year 2012 as final assessed amount.

Renewal of license in Iraq

On 7 July 2020, the Iraqi Cabinet decided to renew Atheer’s license for an additional eight (8) years ending on August 30, 2030, and to grant license for the operation of fourth generation of broadband cellular network technology (4G) starting from January 1, 2021. In August 2020, this decision was challenged by a member of parliament, and later by the president of the parliament as a second plaintiff, against the Iraqi Cabinet, CMC and three operators in Iraq (“the defendants”) in the Court of First Instance. On 25 August 2020, the Court of First Instance issued a restraining order to prevent CMC from completing the executive procedures of the license renewal and granting of 4G license. The defendants challenged the restraining order before the same court but it was rejected on 20 September 2020. The defendants challenged the same before the Court of Cassation and are awaiting a decision. On the basis of the report of its attorneys, Atheer believes that the prospects of this matter being resolved in Atheer’s favor are good.

Pella - Jordan

Pella is a defendant in lawsuits amounting to KD 34.064 million (31 December 2019 – KD 33.747 million; 30 September 2019 – KD 33.435 million). Based on the report of its attorneys, the Group expects the outcome of these proceedings to be favorable to Pella. Pella has initiated legal proceedings against a claim of KD 9.634 million (31 December 2019 - KD 9.527 million; 30 September 2019 - 9.560 million) by a regulatory authority for the years 2002 - 2005 on the grounds that it has already paid the amount that it was obligated to pay for those years. Based on the report of its attorneys, the Group expects the outcome to be favorable to Pella. Pella has also initiated legal proceedings against the regulatory authorities claiming refund of excess license fee paid amounting to KD 9.749 million (31 December 2019 - KD 9.641 million; 30 September 2019 - KD 9.675 million) of earlier years. The outcome of the above matter cannot be assessed at this stage, as it is dependent on several legal, regulatory and other technical aspects.

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

18. Financial instruments

18.1 Categories of financial assets and liabilities

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

	(Unaudited) 30 September 2020	(Audited) 31 December 2019	(Unaudited) 30 September 2019
	KD’000		
Amortised costs			
Cash and bank balances	327,758	296,985	329,379
Trade and other receivables	459,793	423,272	404,149
Investment securities –FVTPL	7,750	8,540	8,622
Investment securities – FVOCI	7,400	6,360	5,148

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

18.2 Fair value hierarchy for financial instruments measured at fair value

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

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

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

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

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

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

30 September 2020

	Level 1	Level 2	Level 3	Total
	KD'000			
Financial assets at fair value:				
Investments securities at FVTPL	688	7,062	-	7,750
Investments securities at FVOCI	1,606	2,247	3,547	7,400
Total assets	2,294	9,309	3,547	15,150

31 December 2019

	Level 1	Level 2	Level 3	Total
	KD'000			
Financial assets at fair value:				
Investments securities at FVTPL	736	7,804	-	8,540
Investments securities at FVOCI	1,240	2,091	3,029	6,360
Total assets	1,976	9,895	3,029	14,900

30 September 2019

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

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

The Republic of South Sudan economy had become hyperinflationary in 2016. Accordingly the results, cash flows and financial position of the Group's subsidiary in South Sudan have been expressed in terms of the measuring unit current at the reporting date in accordance with IAS 29 Financial Reporting. The effect on the net monetary position is included in the Condensed Consolidated Statement of Profit or Loss as 'net monetary (loss)/gain'.

Notes to the Condensed Consolidated Interim Financial Information - 30 September 2020 (Unaudited)

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

	Index	Conversion factor
30 September 2020	14,932	1
31 December 2019	10,657	1.40
31 December 2018	6,306	2.37
31 December 2017	4,502	3.32
31 December 2016	2,068	7.22
31 December 2015	357	41.85
31 December 2014	170	87.83
31 December 2013	155	96.51

20. Derivative financial instruments

The table below shows the positive and negative fair values of derivative financial instruments, together with the notional amounts analysed by the term to maturity. The notional amount is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the period-end and are not indicative of either market or credit risk. All derivative contracts are fair valued based on observable market data.

At 30 September 2020:

	Notional amounts by term to maturity		
	Positive fair value	Negative fair value	Notional amount KD '000
<i>Derivatives held for hedging:</i>			
<i>Cash flow hedges</i>			
Profit rate swaps	-	17,339	315,594

At 31 December 2019:

	Notional amounts by term to maturity		
	Positive fair value	Negative fair value	Notional amount KD '000
<i>Derivatives held for hedging:</i>			
<i>Cash flow hedges</i>			
Profit rate swaps	-	10,350	241,142

At 30 September 2019:

	Notional amounts by term to maturity		
	Positive fair value	Negative fair value	Notional amount KD '000
<i>Derivatives held for hedging:</i>			
<i>Cash flow hedges</i>			
Profit rate swaps	-	12,346	241,824

21. IMPACT OF COVID-19

The outbreak of the novel Coronavirus (Covid-19) in early 2020 in most countries has caused widespread disruptions to business, with a consequential negative impact on economic activities. The Group is continually monitoring its impact, while working closely with the local regulatory authorities, to manage the potential business disruption of the COVID-19 outbreak.

In light of COVID-19, the Group has considered whether any adjustments and changes in judgments, estimates and risk management are required to be considered and reported in the condensed consolidated interim financial information. Below are the key assumptions about the future and other key sources of estimation that may have a significant risk of causing material adjustments to the condensed consolidated interim financial information. Further, during the period, the Company received Covid-19 financial support from the Public Authority for Manpower of the Government of Kuwait and this is included within Operating and administrative expenses.

Impairment of non-financial assets

The Group has performed a qualitative assessment for its investment in CGUs, considering the minimal impact of COVID-19 on entities operating in the telecommunication sector, and compared the actual results for the period against the budget and industry benchmarks to conclude the impairment assessment as at 31 December 2019 remains largely unchanged.

The Group has also considered any impairment indicators arising and any significant uncertainties around its property, plant and equipment, intangible assets and right-of-use assets especially arising from any change in lease terms and concluded there is no material impact due to COVID-19.

Expected Credit Losses ("ECL") and impairment of financial assets

The Group has applied management overlays on the existing ECL models by applying probability weightage scenarios on the relevant macroeconomic factors relative to the economic climate of the respective market in which it operates. The Group has also assessed the exposures in potentially affected sectors for any indicators of impairment and concluded there is no material impact on account of COVID-19.

Commitments and contingent liabilities

The Group has assessed the impact of any operational disruptions, including any contractual challenges and changes in business or commercial relationships among the Group, customers and suppliers, with a view of potential increase in contingent liabilities and commitments and no issues were noted.

Going concern

The Group has performed an assessment of whether it is a going concern in the light of current economic conditions and all available information about future risks and uncertainties. The projections have been prepared covering the Group's future performance, capital and liquidity. The impact of COVID-19 may continue to evolve, but at the present time the projections show that the Group has ample resources to continue in operational existence and its going concern position remains largely unaffected and unchanged from 31 December 2019. As a result, this condensed consolidated interim financial information has been appropriately prepared on a going concern basis.

22. Comparatives

Certain comparative figures have been reclassified to conform to current period presentation. Such reclassifications do not affect previously reported net profit.

Impact of adoption of IFRIC 23 - Uncertainty over Income Tax Treatments

The Group applied IFRIC 23: 'Uncertainty over Income Tax Treatments' using the modified retrospective method in December 2019. Accordingly, the management determined an additional tax liability of KD 45.140 million for the years 2011 to 2018 which was adjusted to opening retained earnings as on 1st January 2019.

Accordingly the incomes tax payables, opening retained earnings and minority interest in the comparative period ended 30 September 2019 have been restated by KD 45.140 million, KD 34.279 million and KD 10.861 million respectively.

23. Events after the reporting date

Capital restructuring in SMTC

The Extraordinary General Assembly meetings of SMTC held in October 2020 approved its capital restructuring by first reducing the share capital from SAR 5.837 billion to SAR 4.487 billion through cancellation of issued shares and then increasing it through a rights issue by SAR 4.5 billion to SAR 8.987 billion.