

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

**Condensed Consolidated Interim Financial Information (Unaudited)  
30 September 2021**

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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 2021 and the related condensed consolidated statements of profit or loss, profit or loss and other comprehensive income for the three-month and nine-month periods then ended and the related condensed consolidated statements of changes in equity and cash flows for the nine-month period then ended. Management is responsible for the preparation and presentation of this interim financial information in accordance with International Accounting Standard 34 - Interim Financial Reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

*Scope of Review*

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

*Basis 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.

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

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

## **Report on Other Legal and Regulatory Requirements**

Furthermore, based on our review, the condensed consolidated interim financial information is in agreement with the books of account of the Company. We further report that, 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 2021 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 2021 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  
10 November 2021

Condensed Consolidated Statement of Financial Position as at 30 September 2021 (Unaudited)

		Unaudited	Audited	Unaudited
		30 September	31 December	30 September
	Note	2021	2020	2020
				KD '000
<b>Assets</b>				
<b>Current assets</b>				
Cash and bank balances	3	304,185	393,060	327,758
Trade and other receivables		652,505	579,286	616,784
Contract assets		61,497	55,805	67,897
Inventories		49,412	51,102	44,359
Investment securities at FVTPL	18.2	9,548	9,785	7,750
Assets of disposal group classified as held for sale	4	38,225	6,917	6,485
		<u>1,115,372</u>	<u>1,095,955</u>	<u>1,071,033</u>
<b>Non-current assets</b>				
Contract assets		40,220	36,624	21,387
Investment securities at FVOCI	18.2	17,891	5,325	7,400
Investments in associates and joint venture	5	78,613	76,137	74,149
Other non-current assets		64,311	47,113	51,582
Right of use of assets		149,512	169,292	174,662
Property and equipment	6	1,157,449	1,313,582	1,230,333
Intangible assets and goodwill	7	2,164,902	2,167,536	2,203,082
		<u>3,672,898</u>	<u>3,815,609</u>	<u>3,762,595</u>
<b>Total assets</b>		<u>4,788,270</u>	<u>4,911,564</u>	<u>4,833,628</u>
<b>Liabilities and equity</b>				
<b>Current liabilities</b>				
Trade and other payables		897,706	990,763	944,542
Deferred revenue		86,992	95,828	93,936
Income tax payables	8	22,118	20,530	57,769
Due to banks	9	355,739	176,546	175,194
Lease liabilities		33,830	38,410	38,524
Liabilities of disposal group classified as held for sale	4	18,398	1,316	1,013
		<u>1,414,783</u>	<u>1,323,393</u>	<u>1,310,978</u>
<b>Non-current liabilities</b>				
Due to banks	9	996,376	1,019,830	1,199,095
Lease liabilities		136,335	143,718	153,921
Other non-current liabilities	10	439,106	490,079	501,360
		<u>1,571,817</u>	<u>1,653,627</u>	<u>1,854,376</u>
<b>Equity</b>				
<b>Attributable to the Company's shareholders</b>				
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		(1,492,591)	(1,390,619)	(1,384,952)
Investment fair valuation reserve		(4,466)	(3,966)	(751)
Other reserves		(3,907)	(5,383)	(5,625)
Retained earnings		333,265	359,180	307,310
		<u>1,188,525</u>	<u>1,315,436</u>	<u>1,272,206</u>
Non-controlling interests		613,145	619,108	396,068
<b>Total equity</b>		<u>1,801,670</u>	<u>1,934,544</u>	<u>1,668,274</u>
<b>Total liabilities and equity</b>		<u>4,788,270</u>	<u>4,911,564</u>	<u>4,833,628</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 10 November 2021.

Ahmed Tahous Al Tahous  
Chairman

Bader Nasser Al Kharafi  
Vice Chairman & Chief Executive Officer

Condensed Consolidated Statement of Profit or Loss – 30 September 2021 (Unaudited)

	Note	Three months ended 30 September		Nine months ended 30 September	
		2021	2020	2021	2020
		(Restated)		(Restated)	
		KD'000		KD'000	
<b>Continuing operations</b>					
Revenue	15	385,243	406,198	1,135,634	1,193,569
Cost of sales		(114,594)	(118,375)	(335,897)	(320,659)
Operating and administrative expenses		(105,824)	(111,467)	(316,031)	(339,370)
Depreciation and amortization		(89,928)	(88,404)	(265,212)	(268,208)
Expected credit loss on financial assets (ECL)		2,726	(11,693)	(5,749)	(33,192)
Interest income		743	728	2,392	3,250
Investment income/ (loss)	13	(952)	(290)	(426)	(281)
Share of results of associates and joint venture		1,879	275	2,529	714
Other income/ (expenses)		(928)	711	9,015	2,009
Gain on sale and lease back transaction	4	-	-	629	4,758
Gain on modification of financial liabilities	9	-	11,128	-	11,128
Finance costs		(17,180)	(20,226)	(50,657)	(69,524)
Loss from currency revaluation		(3)	(4,542)	(7,532)	(13,751)
Net monetary (loss)/ gain	19	(737)	(98)	(1,367)	3,377
<b>Profit before contribution to KFAS, NLST, ZAKAT, income taxes and Board of Directors' remuneration</b>		<b>60,445</b>	<b>63,945</b>	<b>167,328</b>	<b>173,820</b>
Contribution to Kuwait foundation for Advancement of Sciences (KFAS)		(519)	(501)	(1,420)	(1,337)
National Labour Support Tax (NLST) and Zakat		(1,269)	(2,510)	(4,325)	(6,088)
Income tax expenses and other levies		(6,198)	(6,549)	(16,117)	(16,222)
Board of Directors' remuneration		(108)	(128)	(326)	(383)
<b>Profit for the period from continuing operations</b>		<b>52,351</b>	<b>54,257</b>	<b>145,140</b>	<b>149,790</b>
<b>Discontinued operations</b>					
Profit for the period from discontinued operations	4	270	95	270	95
<b>Profit for the period</b>		<b>52,621</b>	<b>54,352</b>	<b>145,410</b>	<b>149,885</b>
<b>Attributable to:</b>					
Shareholders of the Company		49,492	47,874	135,414	131,594
Non-controlling interests		3,129	6,478	9,996	18,291
		<b>52,621</b>	<b>54,352</b>	<b>145,410</b>	<b>149,885</b>
<b>Earnings per share</b>					
Basic and diluted – Fils	14				
From continuing and discontinued operations		11	11	31	30

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 September 2021 (Unaudited)

	Three months ended 30 September		Nine months ended 30 September	
	2021 (Restated)	2020 (Restated)	2021 (Restated)	2020 (Restated)
	KD'000		KD'000	
<b>Profit for the period</b>	52,621	54,352	145,410	149,885
<b>Other comprehensive income</b>				
<i>Items that will be reclassified to profit or loss:</i>				
Exchange differences on translating foreign operations	1,615	(4,491)	(106,243)	(9,321)
Other reserves	2,339	(518)	3,903	(6,892)
	<u>3,954</u>	<u>(5,009)</u>	<u>(102,340)</u>	<u>(16,213)</u>
<i>Items that will not be reclassified to profit or loss:</i>				
Changes in the fair value of equity investments at FVOCI	(670)	279	(500)	337
Total comprehensive income for the period	<u>55,905</u>	<u>49,622</u>	<u>42,570</u>	<u>134,009</u>
Total comprehensive income attributable to:				
<b>Shareholders of the Company</b>				
From continuing operations	50,693	44,770	34,157	116,147
From discontinued operations	261	92	261	92
	<u>50,954</u>	<u>44,862</u>	<u>34,418</u>	<u>116,239</u>
<b>Non-controlling interests</b>				
From continuing operations	4,942	4,757	8,143	17,767
From discontinued operations	9	3	9	3
	<u>4,951</u>	<u>4,760</u>	<u>8,152</u>	<u>17,770</u>

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

Condensed Consolidated Statement of Changes in Equity – Nine months ended 30 September 2021 (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 2021	432,706	1,707,164	216,354	(1,390,619)	(3,966)	(5,383)	359,180	619,108	1,934,544
Profit for the period	-	-	-	-	-	-	135,414	9,996	145,410
Other comprehensive income for the period	-	-	-	(101,972)	(500)	1,476	-	(1,844)	(102,840)
Total comprehensive income for the period	-	-	-	(101,972)	(500)	1,476	135,414	8,152	42,570
<i>Transactions with shareholders of the Company, recognized directly in equity</i>									
Effect of change in ownership percentage of subsidiaries (Note 2)	-	-	-	-	-	-	(18,536)	(10,425)	(28,961)
Cash dividends (2020) (Note 12)	-	-	-	-	-	-	(142,793)	(3,690)	(146,483)
Balance at 30 September 2021	432,706	1,707,164	216,354	(1,492,591)	(4,466)	(3,907)	333,265	613,145	1,801,670
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
Profit for the period	-	-	-	-	-	-	131,594	18,291	149,885
Other comprehensive income for the period	-	-	-	(13,111)	337	(2,581)	-	(521)	(15,876)
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

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

Condensed Consolidated Statement of Cash Flows –Nine months ended 30 September 2021 (Unaudited)

	Note	Nine months ended 30 September	
		2021	2020
		KD'000	
<b>Cash flows from operating activities</b>			
Profit for the period before income tax, KFAS, NLST and Zakat		167,272	173,558
Adjustments for:			
Depreciation and amortization		265,212	268,890
ECL on financial assets		5,749	33,192
Interest income		(2,392)	(3,250)
Investment loss	13	426	281
Share of results of associates and joint venture		(2,529)	(714)
Finance costs		50,657	69,990
Gain on sale and lease back transaction	4	(629)	(4,758)
Gain on modification of financial liabilities		-	(11,128)
Loss from currency revaluation		7,532	13,751
Net monetary loss/ (gain)		1,367	(3,377)
(Gain)/ loss on sale of property and equipment		(158)	128
Operating cash flows before working capital changes		492,507	536,563
Increase in trade and other receivables		(98,322)	(89,617)
(Increase)/ decrease in inventories		(195)	4,395
(Decrease)/ increase in trade and other payables		(96,551)	68,929
Cash generated from operations		297,439	520,270
Paid to KFAS		(4,062)	(674)
NLST and Zakat paid		(5,908)	(15,639)
Income tax paid		(17,243)	(45,984)
<i>Net cash from operating activities</i>		<u>270,226</u>	<u>457,973</u>
<b>Cash flows from investing activities</b>			
Deposits maturing after three months and cash at bank under lien	3	27,617	3,354
Investments in securities		(602)	(1,529)
Proceeds from sale of investments		420	1,423
Investment in subsidiaries		(8,456)	-
Investment in associate		-	(823)
Acquisition of property and equipment (net)		(152,010)	(164,293)
Acquisition of intangible assets (net)		(122,307)	(29,595)
Proceeds from sale of telecom assets (sale and lease back)		1,088	19,485
Interest received		1,627	3,017
Dividend received		83	67
<i>Net cash used in investing activities</i>		<u>(252,540)</u>	<u>(168,894)</u>
<b>Cash flows from financing activities</b>			
Proceeds from bank borrowings	9	425,869	153,774
Repayment of bank borrowings	9	(263,159)	(183,853)
Repayment of lease liabilities		(39,156)	(43,315)
Dividend paid to Company's shareholders		(142,270)	(132,514)
Dividend paid to minority shareholders of subsidiaries		(1,465)	(1,512)
Finance costs paid – due to banks		(35,161)	(47,644)
<i>Net cash used in financing activities</i>		<u>(55,342)</u>	<u>(255,064)</u>
Net (decrease)/ increase in cash and cash equivalents		(37,656)	34,015
Effect of foreign currency translation		(23,602)	112
Cash and cash equivalents at beginning of period		363,566	281,902
<b>Cash and cash equivalents at end of period</b>	3	<u>302,308</u>	<u>316,029</u>

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

**1. Incorporation and activities**

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

The Company and its subsidiaries (the "Group") along with associates provide mobile telecommunication services in Kuwait and 7 other countries (31 December 2020 - Kuwait and 7 other countries; 30 September 2020 - 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 2021.

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 2021, 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 2020.

*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), Al Khatem (Atheer) 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 2020. Certain amendments and interpretations apply for the first time in 2021, but do not have an impact on the condensed consolidated interim financial information of the Group.

*Acquisition of additional shares in subsidiaries*

During the period the Group purchased additional shares in the following subsidiaries and the difference between the consideration transferred and the carrying amounts of subsidiaries' net assets attributable to the additional interest acquired was transferred to the retained earnings.

- In January 2021, the additional shares representing 9.6% of share capital of Zain Bahrain B.S.C ("MTCB"), increasing Group's effective holding in MTCB to 65%.
- In August 2021, through a subsidiary of the Company, additional shares representing 49% of share capital of Horizon Scope for Mobile Telecommunication Company ("Horizon"), for a purchase consideration of KD 18.831 million, increasing Group's effective holding in Horizon to 76%.

*Sale and lease back of telecom towers in KSA*

During the period, SMTC received a non-binding offer to acquire stake in the Zain KSA towers infrastructure. The offer received does not represent a binding commitment and the final agreement is subject to regulatory approvals, internal approvals of the respective acquirers, completion of satisfactory due diligence by the acquirers and any other conditions that may be agreed between the parties.

**2.2. 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 2020.

**3. Cash and bank balances**

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

	<b>Unaudited</b>	<b>Audited</b>	<b>Unaudited</b>
	<b>30 September</b>	<b>31 December</b>	<b>30 September</b>
	<b>2021</b>	<b>2020</b>	<b>2020</b>
	<b>KD '000</b>		
Cash on hand and at banks	229,611	313,021	282,925
Short-term deposits with banks	91,070	97,923	63,810
Government certificates of deposits held by subsidiaries	11	89	90
	<u>320,692</u>	<u>411,033</u>	<u>346,825</u>
Expected credit loss	(16,507)	(17,973)	(19,067)
	<u>304,185</u>	<u>393,060</u>	<u>327,758</u>
Cash at bank under lien	(1,866)	(29,405)	(11,639)
Government certificates of deposits with maturities exceeding three months held by subsidiaries	(11)	(89)	(90)
Cash and cash equivalent in the condensed consolidated statements of cash flows	<u>302,308</u>	<u>363,566</u>	<u>316,029</u>

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

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 which was recognized in the statement of profit or loss during the period ended 31 March 2020. The Company also assumed a minority shareholding in the newly formed Tower Company.

In October 2020, the Company completed the sale and lease back of additional 140 telecom towers in Kuwait for a total sale consideration of US\$ 11.235 million (KD 3.441 million). Total gain from this transaction was KD 1.447 million which was recognized in the statement of profit or loss during the year ended 31 December 2020.

In April 2021, the Company completed the sale and lease back of additional 67 telecom towers in Kuwait for a total sale consideration of US\$ 5.377 million (KD 1.619 million). Total gain from this transaction was KD 0.629 million which is recognized in the statement of profit or loss during the period ended 30 September 2021.

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.

Remaining assets and liabilities of disposal group classified as held for sale pertaining to Zain Kuwait are expected to be sold during the year 2022.

During the year, the Group commenced a plan to sell its majority ownership interest in Al-Masar Al Momtaz Leanzamet Al Itesalat Co. (Al Masar), a subsidiary of Pella Jordan, that will hold Group's passive tower infrastructure in the country. Under the proposed plan, the Group will sell and lease back telecom towers that it owns.

The details of assets and liabilities classified as held for sale and results for the period classified as discontinued operations are as follows;

Assets of disposal group classified as held for sale:

	Unaudited			Audited	Unaudited
	30 September 2021			31 December	30 September
	Kuwait	Jordan	Total	2020	2020
				Kuwait	Kuwait
					KD '000
Telecom tower assets	2,303	6,588	8,891	3,060	3,060
Right of use of assets	4,634	17,462	22,096	3,857	3,425
Cash and bank balances	-	6,594	6,594	-	-
Other current assets	-	644	644	-	-
	6,937	31,288	38,225	6,917	6,485

Liabilities of disposal group classified as held for sale:

	Unaudited			Audited	Unaudited
	30 September 2021			31 December	30 September
	Kuwait	Jordan	Total	2020	2020
				Kuwait	Kuwait
					KD '000
Lease liabilities	884	17,463	18,347	1,316	1,013
Income tax payables	-	51	51	-	-
	884	17,514	18,398	1,316	1,013

Notes to the Condensed Consolidated Interim Financial Information - 30 September 2021 (Unaudited)

Analysis of the results of discontinued operations- Al Masar-Jordan

	Nine months ended 30 September (Unaudited) 2021	Nine months ended 30 September (Unaudited) 2020
	KD '000	
Revenue	2,651	1,325
Operating and administrative expenses	(99)	(99)
Depreciation and amortization	(1,446)	(682)
Finance costs	(875)	(466)
Other income	111	43
Profit before tax	342	121
Income tax expenses	(72)	(26)
Profit for the period	270	95

Comparative figures in the statements of profit or loss, profit or loss and other comprehensive income for the three-month and nine-month periods ended 30 September 2020 have been re-presented.

Cash flows from discontinued operations- Al Masar-Jordan:

	Nine months ended 30 September (Unaudited) 2021	Nine months ended 30 September (Unaudited) 2020
	KD '000	
Operating cash flows	2,677	932
Financing cash flows	3,840	(907)
Total cash flows	6,517	25

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 2021	Audited 31 December 2020	Unaudited 30 September 2020
	KD '000		
Net fixed assets	1,048,512	1,158,896	1,120,189
Capital work in progress	108,937	154,686	110,144
	1,157,449	1,313,582	1,230,333

During the nine-months period ended 30 September 2021, the Group acquired property and equipment amounting to KD 89.354 million (30 September 2020: KD 176.883 million). Depreciation charged for the period amounted to KD 149.147 million (30 September 2020: KD 159.972 million).

Notes to the Condensed Consolidated Interim Financial Information - 30 September 2021 (Unaudited)

7. Intangible assets and goodwill

	Unaudited 30 September 2021	Audited 31 December 2020	Unaudited 30 September 2020 KD '000
Intangible assets	1,581,684	1,562,074	1,594,425
Goodwill	583,218	605,462	608,657
	<u>2,164,902</u>	<u>2,167,536</u>	<u>2,203,082</u>

During the nine-months period ended 30 September 2021, the Group acquired intangible assets amounting to KD 111.251 million (30 September 2020: KD 106.093 million). Amortization charged for the period amounted to KD 72.553 million (30 Sep 2020: KD 71.681 million).

8. Income tax payables

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

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) (refer note 17). Income tax assessment for the year 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 10.280 million) for the year 2013 was also treated as final by the IGCT in March 2020. This amount has already been paid by Atheer.

During May 2020, Atheer received additional income tax claim of US\$ 67 million (KD 20.247 million) from IGCT for the years 2014 to 2018. Atheer agreed to accept this claim and has fully paid the amount in installments in 2020 and 2021.

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.

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

9. Due to banks

	Unaudited 30 September 2021	Audited 31 December 2020	Unaudited 30 September 2020 KD '000
<i>Company</i>			
Short term loans	39,169	91,110	111,890
Long term loans	544,591	562,873	583,439
	<u>583,760</u>	<u>653,983</u>	<u>695,329</u>
<i>SMTC</i>			
Long term loans	470,665	310,651	484,362
	<u>470,665</u>	<u>310,651</u>	<u>484,362</u>
<i>Atheer – Iraq</i>			
Bank overdrafts	8,438	13,551	-
Long term loans	241,040	189,343	194,598
	<u>249,478</u>	<u>202,894</u>	<u>194,598</u>
<i>Zain Jordan</i>			
Long term loans	48,212	28,848	-
	<u>48,212</u>	<u>28,848</u>	<u>-</u>
	<u>1,352,115</u>	<u>1,196,376</u>	<u>1,374,289</u>

Notes to the Condensed Consolidated Interim Financial Information - 30 September 2021 (Unaudited)

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

	Unaudited 30 September 2021	Audited 31 December 2020	Unaudited 30 September 2020
	KD '000		
Opening balance	1,196,376	1,398,724	1,398,724
Proceeds from bank borrowings	425,869	261,335	153,774
Repayment of bank borrowings	(263,159)	(454,500)	(183,853)
Effect of modification of financial liabilities and change in foreign exchange rates	(6,971)	(9,183)	5,644
	<u>1,352,115</u>	<u>1,196,376</u>	<u>1,374,289</u>

The current and non-current amounts are as follows:

	Unaudited 30 September 2021	Audited 31 December 2020	Unaudited 30 September 2020
	KD '000		
Current liabilities	355,739	176,546	175,194
Non-current liabilities	996,376	1,019,830	1,199,095
	<u>1,352,115</u>	<u>1,196,376</u>	<u>1,374,289</u>

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

	Unaudited 30 September 2021	Audited 31 December 2020	Unaudited 30 September 2020
	KD '000		
US dollar	910,568	878,899	894,791
Kuwaiti dinar	25,000	30,970	50,976
Saudi Riyals	416,547	286,507	428,522
	<u>1,352,115</u>	<u>1,196,376</u>	<u>1,374,289</u>

The effective interest rate as at 30 Sep 2021 was 0.810% to 2.52% (31 December 2020 - 0.855% to 3.50%; 30 September 2020 – 0.935% to 3.17%) 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).

During the period, the Company has:

- drawn down loans amounting to KD 139.971 million from the new facilities (31 December 2020 - KD 124.640 million).
  - US\$ 170 million (KD 51.153 million) from a new US\$ 330 million revolving credit facility.
  - US\$ 165 million (KD 49.649 million) from a new US\$ 165 million long- term loan facility.
  - US\$ 130 million (KD 39.169 million) from a new US\$ 130 million revolving credit facility

Notes to the Condensed Consolidated Interim Financial Information - 30 September 2021 (Unaudited)

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- repaid loans amounting to KD 205.336 million (31 December 2020 – KD 149.344 million). This includes:
  - US\$ 200 million (KD 60.18 million) of a short-term facility amounting to US\$ 200 million.
  - US\$ 119.60 million (KD 35.988 million) of a revolving credit facility amounting to US\$ 219.60 million.
  - US\$ 100 million (KD 30.220 million) of a revolving credit facility amounting to US\$ 100 million.
  - US\$ 70 million (KD 21.091 million) of a revolving credit facility amounting to US\$ 330 million
  - US\$ 54.671 million (KD 16.451 million) of a long-term facility amounting to US\$ 205.261 million.
  - US\$ 29.157 million (KD 8.773 million) of a long-term facility amounting to US\$ 80.479 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 2,948 million (KD 237.461 million) (31 December 2020: SAR 1,591 million equivalent to KD 128.839 million) syndicated murabaha facility and SAR 650 million (KD 52.358 million) working capital facility availed from a consortium of banks.

In September 2020, SMTC signed an Amendment Agreement (the Agreement) with the consortium of lenders to refinance the 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).

The refinancing of existing facility resulted in a gain of SAR 136 million (KD 11.128 million) which was recognized in the interim financial information for the period ended 30 September 2020 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.

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

**Notes to the Condensed Consolidated Interim Financial Information - 30 September 2021 (Unaudited)**

- 2) SAR 2,245 million (KD 180.835 million) (31 December 2020: SAR 2,245 million equivalent to KD 181.812 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.

*Zain Jordan*

Long term loans include:

US\$ 160 million (KD 48.208 million) (31 December 2020 – US\$ 95 million equivalent to KD 28.848 million) term loan from a commercial bank that is repayable by 2025.

*Atheer*

Long-term loans include:

- 1) US\$ 95 million (KD 28.624 million) (31 December 2020 – US\$ 95 million equivalent to KD 28.852 million; 30 September 2020 - US\$ 100 million equivalent to KD 30.63 million) term loan from a commercial bank that is repayable by 17 December 2024.
- 2) US\$ 105 million (KD 31.637 million) (31 December 2020 – US\$ 105 million equivalent to KD 31.889 million; 30 September 2020 - US\$ 105 million equivalent to KD 32.162 million) term loan from a commercial bank which is repayable by 30 June 2023.
- 3) US\$ 150 million (KD 45.195 million) (31 December 2020 – US\$ 150 million equivalent to KD 45.555 million; 30 September 2020 - US\$ 150 million equivalent to KD 45.945 million) revolving credit facilities from a commercial bank repayable by 17 December 2022.
- 4) US\$ 100 million (KD 30.13 million) (31 December 2020 – US\$ 100 million equivalent to KD 30.37 million; 30 September 2020 - US\$ 100 million equivalent to KD 30.63 million) term loan from a commercial bank repayable by 31 July 2023.
- 5) US\$ 50 million (KD 15.065 million) (31 December 2020 – US\$ Nil; 30 September 2020 - US\$ Nil) term loan from a commercial bank repayable by 14 April 2024.
- 6) US\$ 75 million (KD 22.598 million) (31 December 2020 – US\$ Nil; 30 September 2020 - US\$ Nil) term loan from a commercial bank repayable by 28 April 2025.
- 7) US\$ 125 million (KD 37.663 million) (31 December 2020 – US\$ Nil; 30 September 2020 - US\$ Nil) term loan from a commercial bank repayable by 03 May 2025.
- 8) US\$ 100 million (KD 30.13 million) (31 December 2020 – US\$ Nil; 30 September 2020 - US\$ Nil) term loan from a commercial bank repayable by 25 May 2024.

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

**10. Other non-current liabilities**

	<b>Unaudited</b>	<b>Audited</b>	<b>Unaudited</b>
	<b>30 September</b>	<b>31 December</b>	<b>30 September</b>
	<b>2021</b>	<b>2020</b>	<b>2020</b>
	<b>KD '000</b>		
Payable to Ministry of Finance-Saudi Arabia (refer below)	239,686	283,480	286,210
Due to CITC for acquisition of spectrum	135,109	112,558	119,867
Customer deposits	3,109	3,403	3,440
Post-employment benefits	39,254	39,571	39,457
Others	21,948	51,067	52,386
	<b>439,106</b>	<b>490,079</b>	<b>501,360</b>

**Notes to the Condensed Consolidated Interim Financial Information - 30 September 2021 (Unaudited)**

During 2013, SMTC signed an agreement with the Ministry of Finance – Kingdom of Saudi Arabia to defer payments that are due until 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 (in cash and bonus shares) share capital as of 30 September 2021 is 4,327,058,909 shares (31 December 2020 – 4,327,058,909; 30 September 2020 - 4,327,058,909) of 100 fils each.

**12. Dividend**

The annual general meeting of shareholders for the year ended 31 December 2020 held on 17 March 2021 (31 December 2019 - 19 March 2020) approved distribution of cash dividends of 33 fils (31 December 2019 - 33 fils) per share amounting to KD 142,792,944 (31 December 2019 - KD 142,792,944).

*Interim dividend*

The ordinary general meeting of shareholders held on 12 October 2021, approved distribution of interim dividend of 10 fils per share to be paid to the registered shareholders on the record date of 27 October 2021.

**13. Investment income/ (loss)**

	Three months ended 30 September (Unaudited)		Nine months ended 30 September (Unaudited)	
	2021	2020	2021	2020
	KD'000		KD'000	
Loss from investment securities at fair value through profit or loss (FVTPL)	(1,035)	(357)	(509)	(348)
Dividend income	83	67	83	67
	(952)	(290)	(426)	(281)

**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)	
	2021	2020	2021	2020
	KD'000		KD'000	
Profit for the period attributable to shareholders of the Company - from continuing and discontinued operations	49,492	47,874	135,414	131,594
	<b>Shares</b>	<b>Shares</b>	<b>Shares</b>	<b>Shares</b>
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
	<b>Fils</b>	<b>Fils</b>	<b>Fils</b>	<b>Fils</b>
Earnings per share – Basic and diluted From continuing and discontinued operations	11	11	31	30

**15. Segmental information**

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

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

Notes to the Condensed Consolidated Interim Financial Information - 30 September 2021 (Unaudited)

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

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

Notes to the Condensed Consolidated Interim Financial Information - 30 September 2021 (Unaudited)

	30 September 2020						Total KD '000	
	Kuwait	Jordan *	Sudan	Iraq	Bahrain	KSA		Others
<b>Segment revenues – airtime &amp; data (Point over time)</b>	180,041	106,072	84,174	216,451	30,874	442,434	29,042	1,089,088
<b>Segment revenues - trading income (Point in time)</b>	56,029	4,124	1,003	840	6,771	36,934	105	105,806
<b>Net profit before interest and tax</b>	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)
	58,403	17,258	10,892	20,466	3,012	18,362	7,827	136,220
<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
<b>Profit for the period</b>								<b>149,885</b>
<b>Segment assets including allocated goodwill</b>	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
<b>Consolidated assets</b>								<b>4,833,628</b>
<b>Segment liabilities</b>	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
	149,584	150,603	52,145	458,816	39,809	1,917,911	75,668	2,844,536
<i>Unallocated items:</i>								
Due to banks								695,329
Others (net of eliminations)								(374,511)
<b>Consolidated liabilities</b>								<b>3,165,354</b>
<b>Net consolidated assets</b>								<b>1,668,274</b>
Capital expenditure incurred during the period	19,801	3,516	22,821	37,186	12,100	178,668	8,220	282,312
Unallocated								664
<b>Total capital expenditure</b>								<b>282,976</b>
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
<b>Total depreciation and amortization</b>								<b>268,890</b>

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

Notes to the Condensed Consolidated Interim Financial Information - 30 September 2021 (Unaudited)

16. Related party transactions

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

Transactions

	Three months ended 30 September (Unaudited)		Nine months ended 30 September (Unaudited)	
	2021	2020	2021	2020
	KD'000		KD'000	
Revenue	59	65	733	1,573
Cost of sales	2,310	1,453	5,049	5,436

Key management compensation

	Three months ended 30 September (Unaudited)		Nine months ended 30 September (Unaudited)	
	2021	2020	2021	2020
	KD'000		KD'000	
Salaries and other short-term employee benefits	754	853	2,220	2,662
Post-employment benefits	168	220	612	1,224

Balances

	Unaudited	Audited	Unaudited
	30 September 2021	31 December 2020	30 September 2020
	KD '000		
Trade receivables	655	3,823	2,897
Trade payables	5,205	6,302	5,044

17. Commitments and contingencies

	Unaudited	Audited	Unaudited
	30 September 2021	31 December 2020	30 September 2020
	KD '000		
Capital commitments	111,038	91,441	165,786
Uncalled share capital of investee companies	2,213	3,105	2,773
Letters of guarantee and credit	73,446	76,786	83,792

The Company was a guarantor for credit facilities amounting to KD Nil (31 December 2020 - KD 7.288 million; 30 September 2020 - KD 7.351 million) granted by a bank to a founding shareholder in SMTC. This, guarantee was released during September 2021 as the credit facility was fully settled.

Atheer

*Income taxes in Atheer - Iraq*

Atheer received additional income tax claims for the years 2004 to 2010 from Iraq General Commission for Taxes (IGCT). In November 2016, Atheer signed an agreement with Iraq's Ministry of Finance under which it obtained the right to submit its objection to these additional income tax claimed by the IGCT amounting to US\$ 196 million (KD 59.055 million) and submitted its objections against the tax claim objecting to the full amount of the claim. On 15 October 2019, the Appeals Committee of IGCT issued its decision to reduce the amount of claim to US\$ 88.8 million (KD 26.755 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 Court of Cassation or the IGCT about challenging the decision. Atheer has petitioned the Court of Cassation to direct IGCT to issue the final settlement order and is awaiting a response. On the basis of the report of its attorneys, Atheer believes that the possibility of further appeals is remote and that the final settlement order will be received by Atheer.

Atheer received additional income tax claim of US\$ 19.3 million (KD 5.815 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.

#### *Renewal of license of Atheer - Iraq*

On 6 July 2020, the CMC Board decided to renew Atheer's license for an additional eight 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. On 7 July 2020, the Iraqi Cabinet ratified this decision. 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 extension and granting of 4G license.

The defendants challenged the restraining order before the Court of First Instance and later in the Court of Appeals, but it was rejected by both in September and October 2020 respectively. The hearing of the main lawsuit started in September 2020. On 15 November 2020, the Court of First Instance issued a decision against the defendants. However, the decision did not object to the extension of existing license and granting of 4G license, but it did not approve the procedures followed in forming the decision dated 6 July 2020, as the quorum in CMC Board was insufficient. To address this, on 24 November 2020, the CMC Board issued a new decision for renewal of Atheer's license which was similar to the decision dated 6 July 2020 but was signed with complete quorum. On 26 November 2020, the defendants challenged the decision of Court of First Instance dated 15 November 2020 in the Court of Appeals. On 23 December 2020, the Court of Appeals confirmed the earlier decision of Court of First Instance. However, the Court of Appeals confirmed the legitimacy of CMC Board decision dated 24 November 2020. Based on this decision, Atheer signed the agreement for license extension with CMC on 7 January 2021. One member of the Parliament has challenged the court decision and Atheer challenged the same on 20 January 2021. On 24 April 2021 the Court of Cassation upheld the decision of the court of appeals which confirmed CMC procedure of granting extra 8 years license and accordingly, the case relating to renewal of license has been closed.

#### *Pella - Jordan*

Pella is a defendant in lawsuits amounting to KD 22.273 million (31 December 2020 – KD 43.636 million; 30 September 2020 – KD 34.064 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 9.478 million (31 December 2020 - KD 9.551 million; 30 September 2020 – KD 9.634 million) by the regulatory authority relating to revenue share for the years 2002 - 2005 on the grounds that it has already paid the amount that it was obligated to pay for those years. On June 9, 2021 the court of appeal decided to dismiss the case and oblige Pella to pay the whole amount, and the Company challenged this decision before the court of cassation and the case now still under the court of cassation. 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 revenue share paid amounting to KD 9.591 million (31 December 2020 - KD 9.666 million; 30 September 2020 – KD 9.749 million) for the years 2002 to 2010. The court of cassation decided to dismiss the case and Pella challenged the court decision and the case is pending at the appeal court.

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

Notes to the Condensed Consolidated Interim Financial Information - 30 September 2021 (Unaudited)

18. Financial instruments

18.1. Categories of financial assets and liabilities

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

	Unaudited 30 September 2021	Audited 31 December 2020	Unaudited 30 September 2020 KD'000
<b>Amortised costs</b>			
Cash and bank balances	304,185	393,060	327,758
Trade and other receivables	489,448	446,304	459,793
<b>Investment securities –FVTPL</b>	9,548	9,785	7,750
<b>Investment securities – FVOCI</b>	17,891	5,325	7,400

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 2021

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

31 December 2020

	Level 1	Level 2	Level 3	Total KD'000
<b>Financial assets at fair value:</b>				
Investments securities at FVTPL	740	9,045	-	9,785
Investments securities at FVOCI	1,676	1,897	1,752	5,325
Total assets	2,416	10,942	1,752	15,110

Notes to the Condensed Consolidated Interim Financial Information - 30 September 2021 (Unaudited)

30 September 2020

	Level 1	Level 2	Level 3	Total
				KD'000
<b>Financial assets at fair value:</b>				
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

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

**Measurement at fair value**

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

**19. Hyperinflation – Zain South Sudan**

**Net monetary (loss)/ 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'.

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 2021	16,622	1
31 December 2020	16,841	0.99
31 December 2019	10,657	1.56
31 December 2018	6,306	2.64
31 December 2017	4,502	3.69
31 December 2016	2,068	8.04
31 December 2015	357	46.56
31 December 2014	170	97.78
31 December 2013	155	107.24

**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 2021:**

	Notional amounts by term to maturity		
	Positive fair value	Negative fair value	Notional amount
	KD '000		
<i>Derivatives held for hedging:</i>			
<i>Cash flow hedges</i>			
Profit rate swaps	-	12,706	257,760

Notes to the Condensed Consolidated Interim Financial Information - 30 September 2021 (Unaudited)

At 31 December 2020:

*Derivatives held for hedging:*

*Cash flow hedges*

Profit rate swaps

Notional amounts by term to maturity		
Positive fair value	Negative fair value	Notional amount
		KD '000

-	16,699	147,950
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At 30 September 2020:

*Derivatives held for hedging:*

*Cash flow hedges*

Profit rate swaps

Notional amounts by term to maturity		
Positive fair value	Negative fair value	Notional amount
		KD '000

-	17,339	315,594
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**21. Impact of COVID-19**

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

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.

**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 that the impairment assessment as at 31 December 2020 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. There have been significant improvements in the economic environment during the current period. The Group continues to monitor the appropriateness of the management overlays considering evolving impact of current pandemic situation in respective locations.

**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 2020. As a result, this condensed consolidated interim financial information has been appropriately prepared on a going concern basis.