

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

**Condensed Consolidated Interim Financial Information (Unaudited)  
31 March 2022**

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

**INDEPENDENT AUDITOR'S REVIEW REPORT TO THE BOARD OF DIRECTORS**

**Report on Review of 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 31 March 2022 and the related condensed consolidated statements of profit or loss, profit or loss and other comprehensive income, changes in equity and cash flows for the three-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 interim financial information, the Group has excluded the effects reported therein of applying International Accounting Standard (IAS) 29: Financial reporting in Hyperinflationary Economies with respect to its subsidiaries in the Republic of Sudan. It is not possible to determine with reasonable certainty the exact impact of applying hyperinflationary accounting for these subsidiaries as the Group has not performed the required calculations. In these circumstances, we are unable to quantify the effect of the departure from IAS 29.

*Qualified Conclusion*

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

*Emphasis of Matter*

We draw attention to note 16 of the interim financial information, which describes uncertainty related to the outcome of the ongoing litigation between the Group's subsidiary in Jordan and the Jordan's Telecommunications Regulatory Commission. 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 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 three-month period ended 31 March 2022 that might have had a material effect on the business of the Company or on its financial position.

We further report that, during the course of our review, nothing has come to our attention that causes us to believe that there is any violations of the provisions of Law No 7 of 2010, as amended, concerning the Capital Markets Authority and its related regulations during the three-month period ended 31 March 2022 that might have had a material effect on the business of the Company or on its financial position.



Bader A. Al-Wazzan

Licence No. 62A

Deloitte & Touche \ Al-Wazzan & Co.

Kuwait  
21 April 2022

Condensed Consolidated Statement of Financial Position as at 31 March 2022 (Unaudited)

		Unaudited 31 March 2022	Audited 31 December 2021	Unaudited 31 March 2021
	Notes	KD '000		
<b>Assets</b>				
<b>Current assets</b>				
Cash and bank balances	3	227,843	231,884	334,889
Trade and other receivables		701,124	687,334	573,664
Contract assets		65,490	60,756	59,795
Inventories		54,152	59,218	51,337
Investment securities at FVTPL		29,499	28,423	9,736
Assets of disposal group classified as held for sale	4.1	197,991	4,906	7,822
		<u>1,276,099</u>	<u>1,072,521</u>	<u>1,037,243</u>
<b>Non-current assets</b>				
Contract assets		49,180	42,857	38,973
Investment securities at FVOCI		19,339	18,165	17,024
Investments in associates and joint venture	5	80,181	78,602	76,370
Other non-current assets		33,670	57,673	46,881
Right of use of assets		84,372	163,745	173,580
Property and equipment	6	1,083,627	1,217,268	1,202,294
Intangible assets and goodwill	7	2,132,118	2,147,811	2,216,749
		<u>3,482,487</u>	<u>3,726,121</u>	<u>3,771,871</u>
<b>Total Assets</b>		<u>4,758,586</u>	<u>4,798,642</u>	<u>4,809,114</u>
<b>Liabilities and Equity</b>				
<b>Current liabilities</b>				
Trade and other payables		979,755	938,352	1,044,684
Deferred revenue		88,983	90,853	84,031
Income tax payables	8	21,643	23,900	18,030
Due to banks	9	391,669	406,217	142,872
Lease liabilities		17,094	33,599	34,914
Liabilities of disposal group classified as held for sale	4.1	83,333	625	1,995
		<u>1,582,477</u>	<u>1,493,546</u>	<u>1,326,526</u>
<b>Non-current liabilities</b>				
Due to banks	9	900,767	899,343	1,110,663
Lease liabilities		84,440	148,708	154,518
Other non-current liabilities	10	423,671	445,029	483,970
		<u>1,408,878</u>	<u>1,493,080</u>	<u>1,749,151</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		(1,508,539)	(1,499,458)	(1,489,415)
Investment fair valuation reserve		(3,674)	(4,620)	(3,781)
Other reserves		1,038	(2,492)	(4,542)
Retained earnings		287,480	339,781	261,774
		<u>1,132,529</u>	<u>1,189,435</u>	<u>1,120,260</u>
Non-controlling interests		634,702	622,581	613,177
<b>Total equity</b>		<u>1,767,231</u>	<u>1,812,016</u>	<u>1,733,437</u>
<b>Total Liabilities and Equity</b>		<u>4,758,586</u>	<u>4,798,642</u>	<u>4,809,114</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 21 April 2022.

  
Ahmed Tahous Al Tahous  
Chairman

  
Bader Nasser Al Kharafi  
Vice Chairman & Chief Executive Officer

Condensed Consolidated Statement of Profit or Loss – 31 March 2022 (Unaudited)

	Notes	Three months ended 31 March	
		2022	2021 (Restated)
		KD'000	
<b>Continuing operations</b>			
Revenue		407,603	381,757
Cost of sales		(135,545)	(118,386)
Operating and administrative expenses		(111,872)	(100,224)
Depreciation and amortization		(82,841)	(86,901)
Expected credit loss on financial assets (ECL)		(6,614)	(5,033)
Interest income		814	1,152
Investment income	12	1,346	136
Share of results of associates and joint venture	5	1,578	234
Other (expense)/ income		(1,172)	4,981
Finance costs		(16,084)	(16,140)
Gain/ (loss) from currency revaluation		2,734	(5,260)
Net monetary loss	18	-	(1,364)
<b>Profit before contribution to KFAS, NLST, ZAKAT, income taxes and Board of Directors' remuneration</b>		59,947	54,952
Contribution to Kuwait foundation for Advancement of Sciences (KFAS)		(490)	(477)
National Labour Support Tax (NLST) and Zakat		(1,931)	(1,625)
Income tax expenses and other levies		(5,488)	(4,833)
Board of Directors' remuneration		(109)	(109)
<b>Profit for the period from continuing operations</b>		<b>51,929</b>	<b>47,908</b>
<b>Discontinued operations</b>			
Profit for the period from discontinued operations	4.2	-	104
<b>Profit for the period</b>		<b>51,929</b>	<b>48,012</b>
<b>Attributable to:</b>			
Shareholders of the Company		47,221	44,538
Non-controlling interests		4,708	3,474
		<b>51,929</b>	<b>48,012</b>
<b>Earnings per share</b>			
Basic and diluted – Fils	13		
From continuing and discontinued operations		11	10

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 –  
31 March 2022 (Unaudited)

	Three months ended 31 March	
	2022	2021
	KD'000	
<b>Profit for the period</b>	51,929	48,012
<b>Other comprehensive income</b>		
<i>Items that will be reclassified to profit or loss:</i>		
Exchange differences on translating foreign operations	(6,847)	(100,802)
Other reserves	9,527	2,227
	<u>2,680</u>	<u>(98,575)</u>
<i>Items that will not be reclassified to profit or loss:</i>		
Changes in the fair value of equity investments at FVOCI	946	185
Total comprehensive income for the period	<u>55,555</u>	<u>(50,378)</u>
Total comprehensive income attributable to:		
Shareholders of the Company	42,616	(53,232)
Non-controlling interests	12,939	2,854
	<u>55,555</u>	<u>(50,378)</u>

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

Condensed Consolidated Statement of Changes in Equity – Three months ended 31 March 2022 (Unaudited)

	Equity attributable to Company's shareholders							Non - controlling interests	Total
	Share capital	Share premium	Legal reserve	Foreign currency translation reserve	Investment fair valuation reserve	Other reserves	Retained earnings		
	KD '000								
Balance at 1 January 2022	432,706	1,707,164	216,354	(1,499,458)	(4,620)	(2,492)	339,781	622,581	1,812,016
Profit for the period	-	-	-	-	-	-	47,221	4,708	51,929
Other comprehensive income for the period	-	-	-	(9,081)	946	3,530	-	8,231	3,626
Total comprehensive income for the period	-	-	-	(9,081)	946	3,530	47,221	12,939	55,555
<i>Transactions with shareholders of the Company, recognized directly in equity:</i>									
Cash dividend - H2 2021 (note 11)	-	-	-	-	-	-	(99,522)	(818)	(100,340)
Balance at 31 March 2022	432,706	1,707,164	216,354	(1,508,539)	(3,674)	1,038	287,480	634,702	1,767,231
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	-	-	-	-	-	-	44,538	3,474	48,012
Other comprehensive income for the period	-	-	-	(98,796)	185	841	-	(620)	(98,390)
Total comprehensive income for the period	-	-	-	(98,796)	185	841	44,538	2,854	(50,378)
<i>Transactions with shareholders of the Company, recognized directly in equity:</i>									
Effect of change in ownership percentage of subsidiaries (note 2)	-	-	-	-	-	-	849	(5,905)	(5,056)
Cash dividend (2020) (note 11)	-	-	-	-	-	-	(142,793)	(2,880)	(145,673)
Balance at 31 March 2021	432,706	1,707,164	216,354	(1,489,415)	(3,781)	(4,542)	261,774	613,177	1,733,437

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

**Condensed Consolidated Statement of Cash Flows – Three months ended 31 March 2022 (Unaudited)**

	Three months ended 31 March	
	2022	2021
	KD'000	
<b>Cash flows from operating activities</b>		
Profit for the period before income tax, KFAS, NLST and Zakat	59,838	54,947
Adjustments for:		
Depreciation and amortization	82,841	86,797
ECL on financial assets	6,614	5,033
Interest income	(814)	(1,152)
Investment income (note 12)	(1,346)	(136)
Share of results of associates and joint venture	(1,578)	(234)
Finance costs	16,084	16,140
(Gain)/ loss from currency revaluation	(2,734)	5,260
Net monetary loss	-	1,364
(Gain)/ loss on sale of property and equipment	(45)	140
Operating profit before working capital changes	158,860	168,159
Increase in trade and other receivables and contract assets	(26,256)	(27,893)
Decrease/ (increase) in inventories	5,099	(1,986)
Decrease in trade and other payables	(24,185)	(31,626)
Cash generated from operations	113,518	106,654
Income tax paid	(2,858)	(6,521)
Paid to KFAS	(4,901)	-
<i>Net cash from operating activities</i>	105,759	100,133
<b>Cash flows from investing activities</b>		
Deposits maturing after three months and cash at bank under lien (note 3)	417	16,210
Proceeds from sale of investments	370	187
Investment in subsidiaries	-	(5,037)
Acquisition of property and equipment (net)	(39,588)	(59,608)
Acquisition of intangible assets (net)	(24,749)	(112,769)
Interest received	534	1,120
<i>Net cash used in investing activities</i>	(63,016)	(159,897)
<b>Cash flows from financing activities</b>		
Proceeds from bank borrowings	3,189	108,119
Repayment of bank borrowings	(22,226)	(46,576)
Repayment of lease liabilities	(13,904)	(11,641)
Dividends paid to Company's shareholders	(462)	-
Dividends paid to minority shareholders of subsidiaries	-	(41)
Finance costs paid – due to banks	(8,043)	(8,640)
<i>Net cash (used in)/ from financing activities</i>	(41,446)	41,221
Net increase/ (decrease) in cash and cash equivalents	1,297	(18,543)
Effect of foreign currency translation	(4,921)	(23,418)
Cash and cash equivalents at beginning of period	229,716	363,566
<b>Cash and cash equivalents at end of period (note 3)</b>	<b>226,092</b>	<b>321,605</b>

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

**1. Incorporation and activities**

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

The Company and its subsidiaries (the "Group") along with associates provide mobile telecommunication services in Kuwait and 7 other countries (31 December 2021 - Kuwait and 7 other countries; 31 March 2021 - Kuwait and 7 other countries) under licenses from the Governments of the countries in which they operate; purchase, deliver, install, manage and maintain mobile telephone and paging systems; and invest surplus funds in investment securities.

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

**2. Basis of preparation**

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

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

In 2015, the Group noted that the economy of the Republic of Sudan, where the Group has subsidiaries, may be hyperinflationary from the beginning of 2015. This was based on the general price index showing the cumulative three-year rate of inflation exceeding 100% at that time. However, International Accounting Standard, IAS 29: Financial Reporting in Hyperinflationary Economies, does not establish an absolute rate at which hyperinflation is deemed to arise and states that it is a matter of judgment when restatement of financial statements in accordance with this Standard becomes necessary. In addition, the Group noted that in the 2014 International Monetary Fund (IMF) Sudan country report, the cumulative projected three year inflation rate outlook for Sudan in 2016 to be around 57% and thus, applying IAS 29 in 2015, could have entailed going in and out of hyperinflation within a short period which was confirmed when the Republic of Sudan went out of hyperinflation in 2016. The Republic of Sudan has been again declared as hyperinflationary in 2018. Based on the above matters, Group believes that there is no definitive basis to apply IAS 29 at this stage. However, Group will review it on an ongoing basis, accordingly it has not quantified the impact of applying IAS 29 as of 31 March 2022.

This condensed consolidated interim financial information does not contain all of the information and disclosures required for complete financial statements prepared in accordance with International Financial Reporting Standards. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Results for the interim period are not necessarily indicative of the results that may be expected for the year ending 31 December 2022, including the impact of the matter stated above regarding application of IAS 29. For further information, refer to the audited consolidated financial statements and notes thereto for the year ended 31 December 2021.

**Changes in accounting policy and disclosures**

The accounting policies used in the preparation of the condensed consolidated interim financial information are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2021. Certain amendments and interpretations apply for the first time in 2022, but do not have an impact on the condensed consolidated interim financial information of the Group.

*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") and Al Khatem 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.

**Notes to the Condensed Consolidated Interim Financial Information - 31 March 2022 (Unaudited)**

*Acquisition of additional shares in a subsidiary*

In January 2021, the Company purchased additional shares representing 9.6% of share capital of Zain Bahrain B.S.C (“MTCB”), increasing Group’s effective holding in MTCB to 65%. The difference between the consideration transferred and the carrying amount of MTCB’s net assets attributable to the additional interest acquired, was transferred to the retained earnings.

**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>31 March</b>	<b>31 December</b>	<b>31 March</b>
	<b>2022</b>	<b>2021</b>	<b>2021</b>
	<b>KD ‘000</b>		
Cash on hand and at banks	181,341	200,401	311,697
Short-term deposits with banks	62,942	47,919	40,528
Government certificates of deposits held by subsidiaries	8	11	13
	<u>244,291</u>	<u>248,331</u>	<u>352,238</u>
Expected credit loss	(16,448)	(16,447)	(17,349)
	<u>227,843</u>	<u>231,884</u>	<u>334,889</u>
Cash at bank under lien	(1,743)	(2,157)	(13,271)
Government certificates of deposits with maturities exceeding three months held by subsidiaries	(8)	(11)	(13)
Cash and cash equivalent in the condensed consolidated statement of cash flows	<u>226,092</u>	<u>229,716</u>	<u>321,605</u>

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

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

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

During the period, SMTC has received board of directors' approval on the final offers (the “Final Offers”) from the Public Investment Fund (PIF), HRH Prince Saud Bin Fahad, and Sultan Holding Company after completing the due diligence and internal approvals of all parties. The approved final offers were to acquire stakes in Zain KSA’s towers infrastructure comprising of 8,069 towers, valuing these assets at USD 807 million (KD 245 million). Pursuant to the Final Offers SMTC will own 20% stake in newly formed Tower Company. PIF’s Final Offer also includes a call option that will grant PIF the right to buy the remaining 20% stake from Zain KSA for a certain amount. Under the terms of the offers, Zain KSA will sell its passive, physical towers infrastructure and retain all other wireless communication antennas, software, technology, and intellectual property (IPs).

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

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

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

**Notes to the Condensed Consolidated Interim Financial Information - 31 March 2022 (Unaudited)**

	KD'000				
	Total				
	Kuwait	KSA	31 March 2022	31 December 2021	31 March 2021
Telecom tower assets	1,631	110,589	112,220	1,631	3,060
Right of use of assets	3,534	82,237	85,771	3,275	4,762
	<u>5,165</u>	<u>192,826</u>	<u>197,991</u>	<u>4,906</u>	<u>7,822</u>
Lease liabilities	726	82,607	83,333	625	1,995

These are expected to be sold during the year 2022.

**4.2 Discontinued operations – Jordan**

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

Comparative figures in the condensed consolidated statements of profit or loss for the period ended 31 March 2021 have been re-presented.

**5. Investments in associates and joint venture**

Investments in associate

This includes the Group's KD 1.405 million (31 December 2021 – KD 0.650 million; 31 March 2021- KD 0.145 million) interest in IHS Kuwait Limited which represents 30% of the equity shares and voting rights of the associate. The associate became operational in February 2020 pursuant to the sale and lease back of telecommunication towers transaction with the Company. The carrying value of the associate and its results for the period are determined by Group management using the equity method based on management information provided by IHS Kuwait.

Investments in joint venture

This includes Group's KD 78.679 million (31 December 2021 - KD 77.866 million; 31 March 2021: KD 74.258 million) interest in the joint venture, Zain Al Ajial 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	Audited	Unaudited
	31 March 2022	31 December 2021	31 March 2021
	KD '000		
Net fixed assets	966,988	1,076,933	1,081,351
Capital work in progress	116,639	140,335	120,943
	<u>1,083,627</u>	<u>1,217,268</u>	<u>1,202,294</u>

During the three-months period ended 31 March 2022, the Group acquired property and equipment amounting to KD 20.544 million (31 March 2021: KD 20.925 million). Depreciation charged for the period amounted to KD 50.296 million (31 March 2021: KD 34.387 million).

Notes to the Condensed Consolidated Interim Financial Information - 31 March 2022 (Unaudited)

7. Intangible assets and goodwill

	Unaudited 31 March 2022	Audited 31 December 2021	Unaudited 31 March 2021
	KD '000		
Intangible assets	1,545,878	1,563,244	1,631,642
Goodwill	586,240	584,567	585,107
	<u>2,132,118</u>	<u>2,147,811</u>	<u>2,216,749</u>

During the three-months period ended 31 March 2022, the Group acquired intangible assets amounting to KD 1.789 million (31 March 2021: KD 104.619 million). Amortization charged for the period amounted to KD 23.959 million (31 March 2021: KD 38.232 million).

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) (refer note 16). Income tax assessment for the years 2012, 2013 and from 2014 to 2018 is paid and settled.

Atheer has booked the income tax expenses for the years 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 31 March 2022	Audited 31 December 2021	Unaudited 31 March 2021
	KD '000		
<i>Company</i>			
Short term loans	39,455	39,273	60,440
Long term loans	497,267	498,060	546,130
	<u>536,722</u>	<u>537,333</u>	<u>606,570</u>
<i>SMTC</i>			
Long term loans	458,688	472,631	418,442
	<u>458,688</u>	<u>472,631</u>	<u>418,442</u>
<i>Zain Jordan</i>			
Long term loans	48,552	48,337	28,707
	<u>48,552</u>	<u>48,337</u>	<u>28,707</u>
<i>Atheer – Iraq</i>			
Bank overdrafts	7,191	7,089	13,484
Long term loans	241,283	240,170	186,332
	<u>248,474</u>	<u>247,259</u>	<u>199,816</u>
	<u>1,292,436</u>	<u>1,305,560</u>	<u>1,253,535</u>

**Notes to the Condensed Consolidated Interim Financial Information - 31 March 2022 (Unaudited)**

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

	<b>Unaudited</b>	<b>Audited</b>	<b>Unaudited</b>
	<b>31 March</b>	<b>31 December</b>	<b>31 March</b>
	<b>2022</b>	<b>2021</b>	<b>2021</b>
	<b>KD '000</b>		
Opening balance	1,305,560	1,196,376	1,196,376
Proceeds from bank borrowings	3,189	452,366	108,119
Repayment of bank borrowings	(22,226)	(338,584)	(46,576)
Effect of change in foreign exchange rates	5,913	(4,598)	(4,384)
	<u>1,292,436</u>	<u>1,305,560</u>	<u>1,253,535</u>

The current and non-current amounts are as follows:

	<b>Unaudited</b>	<b>Audited</b>	<b>Unaudited</b>
	<b>31 March</b>	<b>31 December</b>	<b>31 March</b>
	<b>2022</b>	<b>2021</b>	<b>2021</b>
	<b>KD '000</b>		
Current liabilities	391,669	406,217	142,872
Non-current liabilities	900,767	899,343	1,110,663
	<u>1,292,436</u>	<u>1,305,560</u>	<u>1,253,535</u>

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

	<b>Unaudited</b>	<b>Audited</b>	<b>Unaudited</b>
	<b>31 March</b>	<b>31 December</b>	<b>31 March</b>
	<b>2022</b>	<b>2021</b>	<b>2021</b>
	<b>KD '000</b>		
US dollar	860,303	862,260	854,431
Kuwaiti dinar	25,000	25,000	25,000
Saudi Riyals	407,133	418,300	374,104
	<u>1,292,436</u>	<u>1,305,560</u>	<u>1,253,535</u>

The effective interest rate as at 31 March 2022 was 0.76% to 3.5% (31 December 2021 - 0.76% to 2.52%; 31 March 2021 – 0.855% to 3.44%) 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;
- consolidated net borrowings to consolidated net worth (equity);

*Company*

During the period, the Company has:

- not drawn down any amount from the existing and new facilities (31 December 2021 - KD 164.139 million).
- repaid loans amounting to KD 2.975 million (31 December 2021 – KD 275.53 million). This includes:
  - US\$ 4.076 million (KD 1.237 million) of a long-term facility amounting to US\$ 100 million
  - US\$ 2.946 million (KD 0.894 million) of a long-term facility amounting to US\$ 100 million

**Notes to the Condensed Consolidated Interim Financial Information - 31 March 2022 (Unaudited)**

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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*

Long-term loans include:

- 1) SAR 2,962 million (KD 240.04 million) (31 December 2021: SAR 2,955 million equivalent to KD 238.675 million) syndicated murabaha facility and SAR 450 million (KD 36.468 million) (31 December 2021: SAR 650 million equivalent to KD 52.5 million) working capital facility availed from a consortium of banks.

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

The Agreement:

- Includes a Total Term Murabaha Facility of SAR 6,000 million (KD 486.24 million), consisting of SAR 4.880 billion (KD 0.395 billion) and US\$ portion of SAR 1.120 billion (KD 0.0908 billion) for refinancing of the existing Term Murabaha Facility amounting to SAR 3.48 billion (KD 0.282 billion) and balance for future specified business purposes.
- Includes a revolving working capital facility of SAR 1,000 million (KD 81.04 million) consisting of SAR 813.393 million (KD 65.917 million) and a US\$ portion totaling to SAR 186.607 million (KD 15.123 million).

The Murabaha Facility continues to be secured partially by a guarantee from the Company and a pledge of the Company's and some of the founding shareholders' shares in SMTC and assignment of certain contracts and receivables. Under the Murabaha Financing Agreement, SMTC can declare dividend or other distribution in cash or in kind to shareholders, provided SMTC is in compliance with all its obligations under the agreement.

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

- 2) SAR 2,249 million (KD 182.26 million) (31 December 2021: SAR 2,247 million equivalent to KD 181.49 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 48.56 million) (31 December 2021 – US\$ 160 million equivalent to KD 48.336 million) term loan from a commercial bank that is repayable by 2025.

*Atheer*

Long term loans include:

- 1) US\$ 90 million (KD 27.315 million) (31 December 2021 – US\$ 90 million equivalent to KD 27.189 million; 31 March 2021 -US\$ 95 million equivalent to KD 28.709 million) term loan from a commercial bank that is repayable by 17 December 2024.
- 2) US\$ 105 million (KD 31.868 million) (31 December 2021 – US\$ 105 million equivalent to KD 31.721 million; 31 March 2021 -US\$ 105 million equivalent to KD 31.731 million) term loan from a commercial bank which is repayable by 30 June 2023.
- 3) US\$ 150 million (KD 45.525 million) (31 December 2021 – US\$ 150 million equivalent to KD 45.315 million; 31 March 2021 -US\$ 150 million equivalent to KD 45.33 million) revolving credit facilities from a commercial bank repayable by 17 December 2022.

Notes to the Condensed Consolidated Interim Financial Information - 31 March 2022 (Unaudited)

- 4) US\$ 100 million (KD 30.35 million) (31 December 2021 – US\$ 100 million equivalent to KD 30.21 million; 31 March 2021 -US\$ 100 million equivalent to KD 30.22 million) term loan from a commercial bank repayable by 31 July 2023.
- 5) US\$ 50 million (KD 15.175 million) (31 December 2021 – US\$ 50 million equivalent to KD 15.105 million; 31 March 2021 -US\$ Nil) term loan from a commercial bank repayable by 14 April 2024.
- 6) US\$ 75 million (KD 22.763 million) (31 December 2021 – US\$ 75 million equivalent to KD 22.658 million; 31 March 2021 -US\$ Nil) term loan from a commercial bank repayable by 28 April 2025.
- 7) US\$ 125 million (KD 37.938 million) (31 December 2021 – US\$ 125 million equivalent to KD 37.763 million; 31 March 2021 -US\$ Nil) term loan from a commercial bank repayable by 03 May 2025.
- 8) US\$ 100 million (KD 30.35 million) (31 December 2021 – US\$ 100 million equivalent to KD 30.21 million; 31 March 2021 -US\$ Nil) term loan from a commercial bank repayable by 25 May 2024.

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

10. Other non-current liabilities

	Unaudited 31 March 2022	Audited 31 December 2021	Unaudited 31 March 2021 KD '000
Payable to Ministry of Finance – Saudi Arabia (refer below)	247,957	247,131	282,675
Due for acquisition of spectrum	124,583	137,466	131,478
Customer deposits	3,277	3,193	3,203
Post-employment benefits	41,609	40,908	39,139
Others	6,245	16,331	27,475
	423,671	445,029	483,970

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

11. Share capital

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

Dividend

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

12. Investment income

	Three months ended 31 March (Unaudited)	
	2022	2021
	KD'000	
Profit from investment securities at FVTPL	1,346	136
	1,346	136

**13. Earnings per share**

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

	<b>Three months ended 31 March (Unaudited)</b>	
	<b>2022</b>	<b>2021</b>
	<b>KD'000</b>	
Profit for the period attributable to shareholders of the Company - from continuing and discontinued operations	47,221	44,538
	<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
	<b>Fils</b>	<b>Fils</b>
Earnings per share – basic and diluted from continuing and discontinued operations	11	10

**14. Segmental information**

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

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

Notes to the Condensed Consolidated Interim Financial Information - 31 March 2022 (Unaudited)

	31 March 2022						Total KD '000	
	Kuwait	Jordan	Sudan	Iraq	Bahrain	KSA		Others
<b>Segment revenue</b> – airtime, data & subscriptions (Point over time)	62,669	36,053	29,485	58,046	11,167	150,531	6,971	354,922
<b>Segment revenue</b> - trading income (Point in time)	22,117	1,602	170	564	2,640	25,574	14	52,681
<b>Net profit before interest and tax</b>	20,441	9,344	15,275	6,358	1,423	16,027	1,016	69,884
Interest income	375	239	309	1	25	37	3	989
Finance costs	(192)	(1,601)	(41)	(3,677)	(183)	(9,550)	(8)	(15,252)
Income tax expenses	-	(1,962)	(1,742)	(1,726)	-	-	-	(5,430)
<b>Unallocated items:</b>	20,624	6,020	13,801	956	1,265	6,514	1,011	50,191
Investment income								1,346
Share of results of associates and joint venture								813
Others (including unallocated interest income, income tax and finance costs net of eliminations)								(421)
<b>Profit for the period</b>								51,929
<b>Segment assets including allocated goodwill</b>	383,966	387,999	64,471	1,042,955	92,139	2,247,044	86,028	4,304,602
ROU assets	10,149	8,372	812	25,929	11,133	27,951	26	84,372
<b>Unallocated items:</b>								29,499
Investment securities at FVTPL								19,339
Investment securities at FVOCI								80,181
Investment in associates and joint venture								240,593
Others (net of elimination)								4,758,586
<b>Consolidated assets</b>								
<b>Segment liabilities</b>	157,311	140,935	26,699	127,443	29,760	989,578	68,308	1,540,034
Lease liabilities (current and non-current)	17,053	10,169	426	24,617	11,098	38,157	14	101,534
Due to banks	-	48,552	-	248,474	-	458,688	-	755,714
<b>Unallocated items:</b>	174,364	199,656	27,125	400,534	40,858	1,486,423	68,322	2,397,282
Due to banks								536,722
Others								57,351
<b>Consolidated liabilities</b>								2,991,355
<b>Net consolidated assets</b>								1,767,231
Capital expenditure incurred during the period	2,619	1,065	1,391	4,459	223	9,996	2,184	21,937
Unallocated								396
<b>Total capital expenditure</b>								22,333
Depreciation of property and equipment and amortization of intangible assets	9,475	7,153	606	15,788	2,370	37,897	1,091	74,380
Amortization of ROU assets	1,577	360	44	1,610	739	4,273	9	8,612
Unallocated (net of elimination)								(151)
<b>Total depreciation and amortization</b>								82,841

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	31 March 2021						Total KD '000	
	Kuwait	Jordan*	Sudan	Iraq	Bahrain	KSA		Others
<b>Segment revenue</b> – airtime, data & subscriptions (Point over time)	59,688	35,632	27,552	55,316	10,233	138,388	11,423	338,232
<b>Segment revenue</b> - trading income (Point in time)	19,759	1,842	311	469	3,021	18,107	16	43,525
<b>Net profit before interest and tax</b>	16,652	9,379	6,090	9,749	1,404	13,073	2,299	58,646
Interest income	420	414	350	27	22	14	3	1,250
Finance costs	(160)	(1,841)	(246)	(3,716)	(200)	(9,795)	(20)	(15,978)
Income tax expenses	-	(1,992)	(789)	(2,042)	-	-	(1)	(4,824)
	<u>16,912</u>	<u>5,960</u>	<u>5,405</u>	<u>4,018</u>	<u>1,226</u>	<u>3,292</u>	<u>2,281</u>	<u>39,094</u>
<i>Unallocated items:</i>								
Investment income								136
Share of results of associates and joint venture								234
Others (including unallocated interest income, income tax and finance costs net of eliminations)								8,548
<b>Profit for the period</b>								<u>48,012</u>
<b>Segment assets including allocated goodwill</b>	407,423	367,638	39,802	1,087,433	88,334	2,137,104	83,217	4,210,951
ROU assets	9,420	19,683	435	27,099	10,041	106,778	124	173,580
<i>Unallocated items:</i>								
Investment securities at FVTPL								9,736
Investment securities at FVOCI								17,024
Investment in associates and joint venture								76,370
Others								321,453
<b>Consolidated assets</b>								<u>4,809,114</u>
<b>Segment liabilities</b>	177,790	159,200	27,899	213,844	28,379	955,120	74,172	1,636,404
Lease liabilities (current and non-current)	15,600	20,128	312	25,342	10,015	117,921	114	189,432
Due to banks	-	28,707	-	199,817	-	418,442	-	646,966
	<u>193,390</u>	<u>208,035</u>	<u>28,211</u>	<u>439,003</u>	<u>38,394</u>	<u>1,491,483</u>	<u>74,286</u>	<u>2,472,802</u>
<i>Unallocated items:</i>								
Due to banks								606,569
Others								(3,694)
<b>Consolidated liabilities</b>								<u>3,075,677</u>
<b>Net consolidated assets</b>								<u>1,733,437</u>
Capital expenditure incurred during the period	3,847	56,012	4,262	52,839	19	5,637	1,881	124,497
Unallocated								1,047
<b>Total capital expenditure</b>								<u>125,544</u>
Depreciation of property and equipment and amortization of intangible assets	9,036	6,709	1,361	15,120	2,284	37,197	1,000	72,707
Amortization of ROU assets	1,394	864	58	1,667	696	9,444	71	14,194
Unallocated (net of elimination)								(104)
<b>Total depreciation and amortization</b>								<u>86,797</u>

\* Figures disclosed under Jordan includes result of discontinued operations as disclosed in note 4.2.

Notes to the Condensed Consolidated Interim Financial Information - 31 March 2022 (Unaudited)

15. Related party transactions

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

Transactions

	Three months ended 31 March (Unaudited)	
	2022	2021
	KD'000	
Revenue	68	105
Cost of sales	2,048	1,353

Key management compensation

	Three months ended 31 March (Unaudited)	
	2022	2021
	KD'000	
Salaries and other short term employee benefits	615	527
Post-employment benefits	208	155

Balances

	Unaudited	Audited	Unaudited
	31 March 2022	31 December 2021	31 March 2021
	KD '000		
Trade receivables	204	700	8,945
Trade payables	2,520	6,872	1,980

16. Commitments and contingencies

	Unaudited	Audited	Unaudited
	31 March 2022	31 December 2021	31 March 2021
	KD '000		
Capital commitments	77,359	80,091	74,286
Uncalled share capital of investee companies	1,228	1,303	3,089
Letters of guarantee and credit	76,902	80,982	74,614

The Company is a guarantor for credit facilities amounting to Nil (31 December 2021 - Nil; 31 March 2021 - KD 7.252 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.

*Income taxes in Iraq*

Atheer received additional income tax claims for the years 2004 to 2010 from Iraq General Commission for Taxes (IGCT). In November 2016, Atheer signed an agreement with Iraq's Ministry of Finance under which it obtained the right to submit its objection to these additional income tax claimed by the IGCT amounting to US\$ 196 million (KD 59.486 million) and submitted its objections against the tax claim.

**Notes to the Condensed Consolidated Interim Financial Information - 31 March 2022 (Unaudited)**

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On 15 October 2019, the Appeals Committee of IGCT issued its decision to reduce the amount of claim to US\$ 88.8 million (KD 26.951 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 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 5.858 million) from IGCT for the year 2011 on 9 March 2020. On 12 March 2020, Atheer submitted its objection to this additional income tax claim which was rejected by the IGCT on 15 March 2020. This additional tax claim is now under appeal procedures before the Appeals Committee of IGCT. Atheer believes that it has adequate provisions to meet this liability, if it arises.

*Pella - Jordan*

- a. Pella has initiated legal proceedings against a claim of KD 9.767 million (31 December 2021 - KD 9.724 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 dismissed the case and obliged Pella to pay the claimed amount plus the related fees, and Pella challenged this court decision and the case now is before the court of cassation.

In the opinion of the legal advisor, Pella's position is still good, and reference to the court's decision made on June 9, 2021, Pella has a good opportunity to challenge the same before the court of cassation. A request has been made to defer the ruling on the case due to ongoing negotiations between Pella and TRC. However, in case the lawsuit is lost by Pella, it is expected that the claim is going to be significantly higher considering similar claims in the years from 2006 to 2021 and the interest and/or penalties that may arise as a result of lapse of time.

During Q1 2022, a letter was issued by the Telecommunications Regulatory Commission that included an extract from a decision that was issued by the cabinet of the Hashemite Kingdom of Jordan aiming to reform the telecom sector and boost the operators' appetite to introduce 5G technology in Jordan. The extract included certain recommendations and directions to the TRC to initiate the negotiations with the operators in Jordan to reform the deformity in the telecom sector through several motivational packs, including extending the term of the licenses, adding neutrality capacity to all frequencies, and settling the current disputes between the operators and the TRC, to name a few. The cabinet was also advised to hire a consultant to calculate the settlement figures, in addition to a law firm which is going to be involved in the negotiation process. Management believes that there are still several variables which have to be taken into consideration before making a final decision on the possible outcome of the above, and thus has concluded that the portion of the settlement that relates to the pending litigation with the TRC cannot be reliably estimated at this stage.

- b. Pella has also initiated legal proceedings against the regulatory authorities claiming refund of excess revenue share paid amounting to KD 9.659 million (31 December 2021 - KD 9.616 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.
- c. Pella is a defendant in lawsuits amounting to KD 22.364 million (31 December 2021 – KD 22.292 million). Based on the report of its attorneys, the Group expects the outcome of these proceedings to be favorable to Pella.

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.

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17. Financial instruments

17.1 Categories of financial assets and liabilities

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

	Unaudited 31 March 2022	Audited 31 December 2021	Unaudited 31 March 2021
	KD'000		
<b>Amortised costs:</b>			
Cash and bank balances	227,843	231,884	334,889
Trade and other receivables	580,273	542,923	433,446
<b>Investment securities –FVTPL</b>	29,499	28,423	9,736
<b>Investment securities – FVOCI</b>	19,339	18,165	17,024

All financial liabilities are categorized as 'at amortized cost'.

17.2 Fair value hierarchy for financial instruments measured at fair value

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

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

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

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

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

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

31 March 2022

	Level 1	Level 2	Level 3	Total
	KD'000			
<b>Financial assets at fair value:</b>				
Investments securities at FVTPL	-	10,660	18,839	29,499
Investments securities at FVOCI	2,368	2,856	14,115	19,339
Total assets	2,368	13,516	32,954	48,838

31 December 2021

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

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31 March 2021

	Level 1	Level 2	Level 3	Total
				KD'000
<b>Financial assets at fair value:</b>				
Investments securities at FVTPL	796	8,940	-	9,736
Investments securities at FVOCI	1,866	1,893	13,265	17,024
Total assets	2,662	10,833	13,265	26,760

Measurement at fair value

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

18. Hyperinflation – Zain South Sudan

Net monetary loss

The Republic of South Sudan economy had become hyperinflationary in 2016. Accordingly, the results, cash flows and financial position of the Group's subsidiary in South Sudan have been expressed in terms of the measuring unit current at the reporting date in accordance with IAS 29 Financial Reporting. The impact of Net monetary loss for the period is not material to the interim financial information.

19. Derivative financial instruments

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

At 31 March 2022

	Notional amounts by term to maturity		
	Positive fair value	Negative fair value	Notional amount
			KD '000
<i>Derivatives held for hedging:</i>			
<i>Cash flow hedges</i>			
Profit rate swaps	627	-	259,328

At 31 December 2021

	Notional amounts by term to maturity		
	Positive fair value	Negative fair value	Notional amount
			KD '000
<i>Derivatives held for hedging:</i>			
<i>Cash flow hedges</i>			
Profit rate swaps	-	8,895	258,464

At 31 March 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	-	14,426	147,530

**20. Impact of Covid-19**

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