

**Kuwait Telecommunications Company K.S.C.P. and its
Subsidiary**



**INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION
(UNAUDITED)**

30 SEPTEMBER 2019

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF KUWAIT TELECOMMUNICATIONS COMPANY K.S.C.P.

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of Kuwait Telecommunications Company K.S.C.P. (the "Parent Company") and its subsidiary (collectively the "Group") as at 30 September 2019, and the related interim condensed consolidated statement of comprehensive income for the three months and nine months period then ended, and the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the nine months period then ended. The management of the Parent Company is responsible for the preparation and presentation of this interim condensed consolidated financial information in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on this interim condensed consolidated financial information based on our review.

Scope of Review

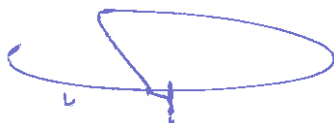
We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial 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.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial information is not prepared, in all material respects, in accordance with IAS 34.

Report on Other Legal and Regulatory Requirements

Furthermore, based on our review, the interim condensed consolidated financial information is in agreement with the books of accounts of the Parent Company. We further report that, to the best of our knowledge and belief, we have not become aware of any violations of the Companies Law No. 1 of 2016, as amended, and its executive regulation, as amended, or the Parent Company's Articles of Association and Memorandum of Incorporation, during the nine months period ended 30 September 2019 that might have had a material effect on the business of the Parent Company or on its financial position.



WALEED A. AL OSAIMI
LICENCE NO. 68 A
EY
AL AIBAN, AL OSAIMI & PARTNERS

28 October 2019
Kuwait

Kuwait Telecommunications Company K.S.C.P. and its Subsidiary
**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL
POSITION (UNAUDITED)**
As at 30 September 2019

		(Audited)	
	30 September 2019	31 December 2018	30 September 2018
Notes	KD'000	KD'000	KD'000
ASSETS			
Non-current assets			
Goodwill	26,497	-	-
Property and equipment	180,729	150,544	149,394
Intangible assets	475	-	-
	<u>207,701</u>	<u>150,544</u>	<u>149,394</u>
Current assets			
Inventories	9,158	6,863	7,725
Prepayments and other current assets	6,276	3,955	4,255
Trade and other receivables	40,568	35,756	31,240
Contract assets	42,067	42,527	45,854
Cash and cash equivalents	82,044	65,710	45,397
	<u>180,113</u>	<u>154,811</u>	<u>134,471</u>
TOTAL ASSETS	<u><u>387,814</u></u>	<u><u>305,355</u></u>	<u><u>283,865</u></u>
EQUITY AND LIABILITIES			
Equity			
Share capital	49,937	49,937	49,937
Statutory reserve	18,244	18,244	12,944
Voluntary reserve	18,243	18,243	12,943
Other reserves	(315)	(315)	-
Retained earnings	117,535	105,872	103,427
Total equity	<u>203,644</u>	<u>191,981</u>	<u>179,251</u>
Non-current liabilities			
Employees' end of service benefits	7,494	5,286	5,083
Islamic financing facilities	12,500	-	-
Trade and other payables	6,025	-	-
	<u>26,019</u>	<u>5,286</u>	<u>5,083</u>
Current liabilities			
Islamic financing facilities	7,500	-	-
Trade and other payables	150,651	108,088	99,531
	<u>158,151</u>	<u>108,088</u>	<u>99,531</u>
Total liabilities	<u>184,170</u>	<u>113,374</u>	<u>104,614</u>
TOTAL EQUITY AND LIABILITIES	<u><u>387,814</u></u>	<u><u>305,355</u></u>	<u><u>283,865</u></u>


Dr. Mahmoud Ahmad Abdulrahman
Chairman


شركة الاتصالات الكويتية

The attached notes 1 to 12 form part of this interim condensed consolidated financial information.

Kuwait Telecommunications Company K.S.C.P. and its Subsidiary
INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE
INCOME (UNAUDITED)
For the period ended 30 September 2019

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2019 KD'000	2018 KD'000	2019 KD'000	2018 KD'000
Revenue	5	76,082	65,628	215,633	214,751
Operating expenses		(40,529)	(28,795)	(110,233)	(104,911)
Staff costs		(5,912)	(5,061)	(17,718)	(16,072)
Expected credit losses on trade and other receivables and contract assets		(2,404)	(4,075)	(9,445)	(14,071)
Depreciation and amortization		(9,309)	(6,595)	(27,300)	(18,880)
General and administrative expenses		(5,776)	(7,584)	(18,671)	(26,183)
Finance costs		(276)	-	(526)	(223)
Other income		364	756	1,576	4,846
PROFIT BEFORE CONTRIBUTION TO KUWAIT FOUNDATION FOR ADVANCEMENT OF SCIENCES ("KFAS"), NATIONAL LABOR SUPPORT TAX ("NLST") AND ZAKAT AND BOARD OF DIRECTORS' (BOD) REMUNERATION		12,240	14,274	33,316	39,257
KFAS		(98)	(125)	(284)	(339)
NLST		(298)	(378)	(915)	(1,021)
Zakat		(119)	(151)	(366)	(408)
BOD remuneration		(38)	(38)	(113)	(113)
NET PROFIT AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD		11,687	13,582	31,638	37,376
BASIC AND DILUTED EARNINGS PER SHARE (FILS)	10	23	27	63	75

The attached notes 1 to 12 form part of this interim condensed consolidated financial information.

Kuwait Telecommunications Company K.S.C.P. and its Subsidiary
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the period ended 30 September 2019

	<i>Share capital</i> <i>KD'000</i>	<i>Statutory reserve</i> <i>KD'000</i>	<i>Voluntary reserve</i> <i>KD'000</i>	<i>Other reserves</i> <i>KD'000</i>	<i>Retained earnings</i> <i>KD'000</i>	<i>Total</i> <i>KD'000</i>
Balance at 1 January 2019	49,937	18,244	18,243	(315)	105,872	191,981
Net profit for the period	-	-	-	-	31,638	31,638
Total comprehensive income for the period					31,638	31,638
Cash dividends (Note 7)	-	-	-	-	(19,975)	(19,975)
Balance at 30 September 2019	49,937	18,244	18,243	(315)	117,535	203,644
Balance at 1 January 2018 (restated)	49,937	12,944	12,943	-	81,032	156,856
Net profit for the period	-	-	-	-	37,376	37,376
Total comprehensive income for the period					37,376	37,376
Cash dividends (Note 7)	-	-	-	-	(14,981)	(14,981)
Balance at 30 September 2018	49,937	12,944	12,943	-	103,427	179,251

The attached notes 1 to 12 form part of this interim condensed consolidated financial information.

Kuwait Telecommunications Company K.S.C.P. and its subsidiary
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(UNAUDITED)

For the period ended 30 September 2019

	<i>Nine months ended 30 September</i>	
Note	2019	2018
	KD'000	KD'000
OPERATING ACTIVITIES		
Profit before contribution to KFAS, NLST, Zakat and BOD remuneration	33,316	39,257
Non-cash adjustments to reconcile profit for the period to net cash flows:		
Depreciation and amortization	27,300	18,880
Finance costs	526	223
Expected credit loss - trade and other receivables	2,966	958
Expected credit loss - contract assets	151	420
Write offs of contract assets	6,328	12,693
Provision for employees' end of service benefits	1,008	1,728
Write offs of property and equipment	372	-
Provision (reversal of provision) for slow moving inventories	354	(662)
Operating profit before working capital changes:	72,321	73,497
Inventories	(2,429)	5,825
Prepayments and other assets	(4,855)	398
Trade and other receivables	(1,466)	(984)
Contract assets	(5,881)	(11,731)
Trade and other payables	18,407	(8,545)
Cash flows from operating activities	76,097	58,460
End of service benefits paid	(769)	(275)
Net cash flows from operating activities	75,328	58,185
INVESTING ACTIVITIES		
Additions to property and equipment	(36,530)	(23,265)
Net cash outflow on business combination	(17,716)	-
Net cash flows used in investing activities	(54,246)	(23,265)
FINANCING ACTIVITIES		
Cash dividends paid	(17,245)	(12,569)
Payment of lease obligations	(6,999)	-
Proceeds from (repayments) of islamic financing facilities	20,000	(9,036)
Finance costs paid	(504)	(123)
Net cash flows used in financing activities	(4,748)	(21,728)
NET INCREASE IN CASH AND CASH EQUIVALENTS	16,334	13,192
Cash and cash equivalents at the beginning of the period	65,710	32,205
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	82,044	45,397
NON-CASH ITEMS		
Adjustment to prepayments and other current assets on adoption of IFRS 16	2,534	-
Adjustment to trade and other payables on adoption of IFRS 16	16,219	-
Adjustment to property and equipment on adoption of IFRS 16	(18,753)	-
TOTAL NON-CASH ITEMS	-	-

The attached notes 1 to 12 form part of this interim condensed consolidated financial information.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2019

1 CORPORATION INFORMATION

The Group comprises of Kuwait Telecommunications Company K.S.C.P. (the “Parent Company”) and its subsidiary (collectively the “Group”). The Parent Company is a Kuwaiti Shareholding Company incorporated pursuant to Amiri decree No. 187 on 22 July 2008 to operate and manage the third GSM mobile network in Kuwait as per Law No. 2 of 2007.

The Parent Company is primarily engaged in providing cellular mobile telecommunication and data services in Kuwait. The Parent Company was registered in the commercial register on 9 November 2008 under registration number 329673 and commenced its commercial operations branded as VIVA on 3 December 2008.

The objectives for which the Parent Company was incorporated are the provision of all cellular mobile telecommunication and calling system services in Kuwait in accordance with the provisions of Islamic Sharia’a and as per the criteria set by Ministry of Communications.

The shares of the Parent Company are listed on the Boursa Kuwait. It is a subsidiary of Saudi Telecommunications Company (“STC” or the “Ultimate Parent Company”), which is listed on the Saudi Stock Exchange.

The Parent Company is domiciled in the State of Kuwait and its registered address is Olympia Building, P.O. Box. 181, Salmiya 22002, State of Kuwait.

This interim condensed consolidated financial information for the period ended 30 September 2019 were authorized for issue by the Board of Directors of the Parent Company on 28 October 2019.

2 BASIS OF PREPARATION

The interim condensed consolidated financial information of the Group have been prepared in accordance with International Accounting Standard (“IAS”) 34: *Interim Financial Reporting*.

The accounting policies used in the preparation of this interim condensed consolidated financial information are consistent with those used in the most recent annual audited financial statements for the year ended 31 December 2018, except for the changes of the accounting policies as mentioned in Note 3 below with respect to adoption of IFRS 16 ‘Leases’ and a new accounting policy relating to acquisition of a subsidiary during the period.

The Group has not early adopted any other standard, interpretation or amendment that has been issued or not yet effective. Other amendments to IFRSs which are effective for annual accounting period starting from 1 January 2019 did not have any material impact on the accounting policies, financial position or performance of the Group.

Operating results for the nine months period ended 30 September 2019 are not necessarily indicative of the results that may be expected for the year ending 31 December 2019. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. For further information, refer to the audited financial statements and notes thereto for the year ended 31 December 2018.

The interim condensed consolidated financial information does not include all the information required for full annual consolidated financial statements and should be read in conjunction with the financial statements of the Company for the year ended 31 December 2018.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2019

3 IMPACT OF CHANGES IN ACCOUNTING POLICIES AND ADOPTION OF NEW STANDARDS**a. Basis of consolidation**

The interim condensed consolidated financial information comprise the financial information of the Parent Company and its subsidiary (investee which is controlled by the Parent Company). Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

The Group re-assesses at each reporting date whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired during the period are included in the interim condensed consolidated financial information from the date the Group gains control until the date the Group ceases to control the subsidiary.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in the consolidated statement of income. Any investment retained is recognised at fair value.

The details of the subsidiary of the Group are as follows:-

<i>Name of subsidiary</i>	<i>Equity interest as at 30 September 2019</i>	<i>Principal activities</i>	<i>Country of incorporation</i>
Qualitynet General Trading and Contracting Company W.L.L. (Note 4)	100%	Internet and Data communication Services	Kuwait

The financial statements of the subsidiary are prepared for the same reporting dates as of the Parent Company, using consistent accounting policies. All inter-group balances and transactions, including inter-group profits and unrealised profits and losses and dividends are eliminated on consolidation.

As at and for the period ended 30 September 2019

3 IMPACT OF CHANGES IN ACCOUNTING POLICIES AND ADOPTION OF NEW STANDARDS (continued)

b. Accounting for business combination and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 'Financial Instruments', is measured at fair value with the changes in fair value recognised in the statement of comprehensive income in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests and any previous interest held over the net identifiable assets acquired and liabilities assumed). If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

c. IFRS 16 'Leases'

The Group has adopted IFRS 16 issued in January 2016 with a date of initial application of 1 January 2019. IFRS 16 replaces IAS 17, IFRIC 4, SIC-15 and SIC-27. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. The Group, as a lessee, has adopted the following accounting policy in respect of its leases:

At inception of a contract, the Group assesses whether the contract is a lease. A contract is a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for a consideration. If the contract is identified as a lease, the Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred. The right-of-use asset is subsequently depreciated using the straight-line method over the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Parent Company's incremental borrowing rate. The lease liability is subsequently measured at amortised cost using the effective interest method.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2019

3 IMPACT OF CHANGES IN ACCOUNTING POLICIES DUE TO ADOPTION OF NEW STANDARDS (continued)**IFRS 16 'Leases' (continued)**

The Group has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated. Lease liabilities and right-of-use of assets were both recorded at the present value of future lease payments, thus no impact was recorded on the retained earnings as at 1 January 2019. The Group presents right-of-use assets in 'property and equipment' and lease liabilities in 'trade and other payables' in the interim condensed consolidated financial information.

The impact on the consolidated statement of financial position (increase/ (decrease)) as at 1 January 2019 is as follows:

	<i>KD 000's</i>
Assets	
Property and equipment	13,880
Prepayments and other current assets	(2,534)
Total assets	<u>11,346</u>
Liabilities	
Trade and other payables	11,346
Total liabilities	<u>11,346</u>

The Group has discounted its future lease obligations using its incremental borrowing rate which is determined at 3.5% at the reporting date.

	<i>Nine months ended 30 September 2019 KD 000's</i>
Depreciation expense of right-of-use assets	6,115
Finance cost on lease liabilities	236
Rent expense – Short term leases	92
Total amounts recognised in interim condensed consolidated statement of comprehensive income	<u>6,443</u>

As a result of adoption of IFRS 16, the general and administrative expenses are lower, and depreciation and amortization expenses are higher to the extent of KD 6,115 thousand.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2019

4 BUSINESS COMBINATION

On 6 May 2019, the Parent Company acquired 100% equity interest in Qualitynet General Trading and Contracting Company W.L.L. (the "Subsidiary"), a company domiciled in Kuwait.

The consideration paid and the provisional values of the assets acquired and liabilities assumed recognized, equivalent to their carrying values, at the acquisition date, in the subsidiary are summarised as follows:

	<i>KD 000's</i>
Assets	
Property and equipment	2,550
Intangible assets	499
Contract assets	138
Cash and cash equivalents	10,614
Trade and other receivables	6,312
Inventories	220
	<u>20,333</u>
Liabilities	
Employees' end of service benefits	1,969
Trade and other payables	15,454
	<u>17,423</u>
Net asset acquired	<u><u>2,910</u></u>
Purchase consideration	29,407
Less: net asset acquired	(2,910)
Provisional goodwill	<u><u>26,497</u></u>
Cash flows on business combination	
Cash and bank balances in subsidiary acquired	10,614
Cash consideration paid	(28,330)
Net cash outflow on business combination	<u><u>(17,716)</u></u>

The interim condensed consolidated statement of comprehensive income of the Group includes an operating profit of KD 381 thousand relating to the subsidiary.

Kuwait Telecommunications Company K.S.C.P. and its Subsidiary
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
 INFORMATION (UNAUDITED)



As at and for the period ended 30 September 2019

5 REVENUE

The following table disaggregates revenue by major sources and timing of revenue recognition.

	<i>Three months ended 30 September</i>		<i>Nine months ended 30 September</i>	
	<i>2019 KD'000</i>	<i>2018 KD'000</i>	<i>2019 KD'000</i>	<i>2018 KD'000</i>
Sources of revenue				
Sale of goods	17,453	12,356	44,655	51,374
Rendering of services	58,629	53,272	170,978	163,377
	<u>76,082</u>	<u>65,628</u>	<u>215,633</u>	<u>214,751</u>
Timing of revenue recognition				
Products transferred at a point in time	17,453	12,356	44,655	51,374
Products and services transferred over time	58,629	53,272	170,978	163,377
	<u>76,082</u>	<u>65,628</u>	<u>215,633</u>	<u>214,751</u>

6 RELATED PARTY BALANCES AND TRANSACTIONS

Related parties primarily comprise of major shareholders of the Parent Company, its directors, key management personnel and entities on which they either have control or exercise significant influence.

Significant transactions with the Ultimate Parent Company included in the interim condensed consolidated statement of comprehensive income are as follows:

	<i>Three months ended 30 September</i>		<i>Nine months ended 30 September</i>	
	<i>2019 KD'000</i>	<i>2018 KD'000</i>	<i>2019 KD'000</i>	<i>2018 KD'000</i>
Transactions				
Revenue	2,286	-	3,477	-
Management fees	2,444	2,297	7,175	7,513
Other operating expenses	30	1	90	2

Balances with related parties amounting to KD 26,341 thousand as at 30 September 2019 (31 December 2018: KD 21,563 thousand and 30 September 2018: KD 23,424 thousand) are included in trade and other payables in the interim condensed consolidated statement of financial position. Balance with related parties do not carry any profit and are repayable on demand.

7 ANNUAL GENERAL ASSEMBLY

The Annual General Assembly meeting of the shareholders held on 27 March 2019 approved distribution of cash dividends of 40 fils per share (31 December 2017: 30 fils per share) amounting to KD 19,975 thousand (31 December 2017: KD 14,981 thousand). The cash dividend payable has been included in 'trade and other payables' in the interim condensed consolidated statement of financial position.

8 ISLAMIC FINANCING FACILITIES

During the period, the Parent Company signed an Islamic financing arrangement amounting to KD 40,000 thousand. As at 30 September 2019, KD 20,000 thousand (31 December 2018: KD Nil and 30 September 2018: KD Nil) is outstanding against these facilities, out of which KD 5,000 thousand is repayable on 28 February 2020 and KD 15,000 thousand is repayable over 3 years starting from April 2020 in equal quarterly installments.

Kuwait Telecommunications Company K.S.C.P. and its Subsidiary
 NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
 INFORMATION (UNAUDITED)



As at and for the period ended 30 September 2019

9 COMMITMENTS AND CONTINGENCIES

	30 September 2019	<i>(Audited)</i> 31 December 2018	30 September 2018
	KD'000	KD'000	KD'000
Capital commitments	24,412	22,761	23,214
Contingent liabilities			
Letters of guarantee	7,515	6,074	5,730

Letters of guarantee are those which are issued by the banks on behalf of the Group.

Contingent asset

In April 2017, Kuwait's Cassation Court invalidated a portion of the regulatory tariff levied on Kuwaiti mobile telecommunication companies since 26 July 2011 by Kuwait's Ministry of Communications. Accordingly, the Group has a contingent asset in the form of a claim for the recovery of the excess amount paid from change in regulation date till date. The Group has received the final Cassation Court's judgement and is currently estimating the recoverable amount, which could possibly be material, and is subject to approval of the judicial authorities.

Operating lease commitments as a lessee

The Group enters into non-cancellable operating lease agreements in the normal course of business, which are principally in respect of property and equipment.

The future minimum operating lease commitments under these non-cancellable operating leases are as follows:

	30 September 2019	<i>(Audited)</i> 31 December 2018	30 September 2018
	KD'000	KD'000	KD'000
Less than one year	13	3,640	4,592
Between one and five years	-	1,523	1,170
	13	5,163	5,762

10 BASIC AND DILUTED EARNINGS PER SHARE

	<i>Three months ended</i> <i>30 September</i>		<i>Nine months ended</i> <i>30 September</i>	
	2019	2018	2019	2018
	KD'000	KD'000	KD'000	KD'000
Net profit for the period (KD'000)	11,687	13,582	31,638	37,376
Weighted average number of shares	499,366,582	499,366,582	499,366,582	499,366,582
Basic and diluted earnings per share (fils)	23	27	63	75

Basic and diluted earnings per share is calculated by dividing the net profit for the period by the weighted average number of ordinary shares outstanding during the period.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL
INFORMATION (UNAUDITED)

As at and for the period ended 30 September 2019

11 OPERATING SEGMENTS

The Group provides telecommunication and data communication services in Kuwait from which it earns revenues and incurs expenses and whose results are regularly reviewed by the Board of Directors of the Group. Accordingly, the Group has only one reportable segment and information relating to the reporting segment is set out in the interim condensed consolidated statement of financial position and the interim condensed consolidated statement of comprehensive income.

12 FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, i.e. an exit price. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability

Financial instruments comprise financial assets and financial liabilities.

Financial assets consist of cash and cash equivalents and trade and other receivables. Financial liabilities consist of trade and other payables and Islamic financing facilities.

The fair values of the financial assets and liabilities are not significantly different from their carrying value. For financial assets and financial liabilities that are liquid or having short term maturity (less than twelve months) it is assumed that the carrying amounts approximate to their fair valuation.