

Kuwait Telecommunications Company K.S.C.P.



INTERIM CONDENSED FINANCIAL INFORMATION (UNAUDITED)

30 SEPTEMBER 2018

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

Introduction

We have reviewed the accompanying interim condensed statement of financial position of Kuwait Telecommunications Company K.S.C.P. (the "Company") as at 30 September 2018, and the related interim condensed statement of comprehensive income for the three month and nine month periods then ended, and the interim condensed statement of changes in equity and the interim condensed statement of cash flows for the nine months period then ended. The management of the Company is responsible for the preparation and presentation of this interim condensed 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 financial information is not prepared, in all material respects, in accordance with IAS 34.

Other matter

The financial statements of the Company for the year ended 31 December 2017 and the interim condensed financial information for the period ended 30 September 2017 were audited and reviewed by another independent auditor who expressed an unmodified opinion and an unmodified conclusion on these financial statements and the interim condensed financial information dated 1 February 2018 and 1 November 2017 respectively.

Report on Other Legal and Regulatory Requirements

Furthermore, based on our review, the interim condensed financial information is in agreement with the books of account of the 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 Company's Articles of Association and Memorandum of Incorporation, during the nine months period ended 30 September 2018 that might have had a material effect on the business of the Company or on its financial position.



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

29 October 2018
Kuwait

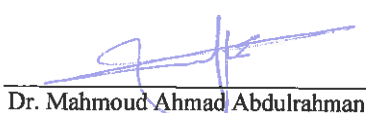
Kuwait Telecommunications Company K.S.C.P.

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION
(UNAUDITED)

As at 30 September 2018

		(Audited) 31 December 2017 Restated*	30 September 2017 Restated*
	Notes	30 September 2018 KD'000	30 September 2017 Restated* KD'000
ASSETS			
Non-current assets			
Property and equipment		149,394	145,009
Intangible assets	5	-	6
		<u>149,394</u>	<u>145,009</u>
Current assets			
Inventories		7,725	12,888
Prepayments and other current assets		4,255	4,653
Trade and other receivables		31,240	31,214
Contract assets		45,854	47,236
Cash and cash equivalents		45,397	32,205
		<u>134,471</u>	<u>128,196</u>
TOTAL ASSETS		<u>283,865</u>	<u>273,205</u>
EQUITY AND LIABILITIES			
Equity			
Share capital		49,937	49,937
Statutory reserve		12,944	12,944
Voluntary reserve		12,943	8,711
Retained earnings		103,427	81,032
Total equity		<u>179,251</u>	<u>156,856</u>
Non-current liability			
Employees' end of service benefits		5,083	3,630
		<u>5,083</u>	<u>3,630</u>
Current liabilities			
Islamic financing facilities	7	-	9,036
Trade and other payables		99,531	103,683
		<u>99,531</u>	<u>112,719</u>
Total liabilities		<u>104,614</u>	<u>116,349</u>
TOTAL EQUITY AND LIABILITIES		<u>283,865</u>	<u>273,205</u>

* Certain amounts shown here do not correspond to the interim condensed financial information as at 31 December 2017 and 30 September 2017. Please refer Note 3a and 3b.


Dr. Mahmoud Ahmad Abdulrahman
Chairman



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The attached notes 1 to 13 form part of this interim condensed financial information.

Kuwait Telecommunications Company K.S.C.P.
INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME
(UNAUDITED)

For the period ended 30 September 2018

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2018 KD'000	2017 KD'000 <i>Restated*</i>	2018 KD'000	2017 KD'000 <i>Restated*</i>
Revenue	4	65,628	70,727	214,751	209,347
Operating expenses		(45,069)	(54,584)	(157,179)	(160,882)
Depreciation and amortization		(6,595)	(6,445)	(18,880)	(17,822)
Finance costs		-	(132)	(223)	(960)
Other income		272	61	675	575
PROFIT BEFORE CONTRIBUTION TO KUWAIT FOUNDATION FOR ADVANCEMENT OF SCIENCES ("KFAS"), NATIONAL LABOR SUPPORT TAX ("NLST") AND ZAKAT		14,236	9,627	39,144	30,258
KFAS		(125)	(84)	(339)	(265)
NLST		(378)	(294)	(1,021)	(851)
Zakat		(151)	(125)	(408)	(348)
NET PROFIT AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD		13,582	9,124	37,376	28,794
BASIC AND DILUTED EARNINGS PER SHARE (FILS)	11	27	18	75	58

* Certain amounts shown here do not correspond to the interim condensed financial information for the period ended 30 September 2017. Please refer Note 3a and 3b.

**INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY
(UNAUDITED)**

For the period ended 30 September 2018

	<i>Share capital KD'000</i>	<i>Statutory reserve KD'000</i>	<i>Voluntary reserve KD'000</i>	<i>Retained earnings KD'000</i>	<i>Total KD'000</i>
Balance at 1 January 2018 (restated)	49,937	12,944	12,943	81,032	156,856
Net profit and other comprehensive income for the period	-	-	-	37,376	37,376
Cash dividends (Note 6)	-	-	-	(14,981)	(14,981)
Balance at 30 September 2018	49,937	12,944	12,943	103,427	179,251
Balance at 1 January 2017, as previously reported	49,940	8,712	8,711	65,350	132,713
Impact of change in accounting policies	-	-	-	(13,659)	(13,659)
Balance at 1 January 2017	49,940	8,712	8,711	51,691	119,054
Net profit and other comprehensive income for the period	-	-	-	28,794	28,794
Adjustments	(3)	-	-	-	(3)
Cash dividends (Note 6)	-	-	-	(4,994)	(4,994)
Restated Balance at 30 September 2017	49,937	8,712	8,711	75,491	142,851

The attached notes 1 to 13 form part of this interim condensed financial information.

**INTERIM CONDENSED STATEMENT OF CASH FLOWS
(UNAUDITED)**

For the period ended 30 September 2018

	<i>Nine months ended 30 September</i>	
	2018	2017
	KD'000	KD'000
		<i>Restated*</i>
OPERATING ACTIVITIES		
Profit before contribution to KFAS, NLST, Zakat	39,144	30,258
Non-cash adjustments to reconcile profit for the period to net cash flows:		
Depreciation and amortization	18,880	17,822
Finance costs	223	960
Expected credit loss - trade and other receivables	958	3,410
Expected credit loss - contract assets	420	937
Reversal of contract assets	12,693	6,783
Provision for employees' end of service benefits	1,728	462
(Reversal of) provision for slow moving inventories	(662)	341
	73,384	60,973
Operating profit before working capital change:		
Decrease (increase) in inventories	5,825	(6,944)
Decrease (increase) in prepayments and other assets	398	(624)
Increase in trade and other receivables	(984)	(8,680)
Increase in contract assets	(11,731)	(12,642)
(Decrease) increase in trade and other payables	(8,432)	16,916
Cash flows from operating activities	58,460	48,999
Employees' end of service benefits paid	(275)	(72)
Net cash flows from operating activities	58,185	48,927
INVESTING ACTIVITIES		
Acquisition of property and equipment	(23,265)	(19,683)
Acquisition of intangible assets	-	(39)
Net cash flows used in investing activities	(23,265)	(19,722)
FINANCING ACTIVITIES		
Payments of cash dividends	(12,569)	(4,137)
Repayments of Islamic financing facilities (Net)	(9,036)	(17,718)
Finance costs	(123)	(751)
Net cash flows used in financing activities	(21,728)	(22,606)
NET CHANGE IN CASH AND CASH EQUIVALENTS	13,192	6,599
Cash and cash equivalents at the beginning of the period	32,205	47,192
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	45,397	53,791

* Certain amounts shown here do not correspond to the interim condensed financial information as at 30 September 2017. Please refer Note 3a and 3b.

The attached notes 1 to 13 form part of this interim condensed financial information.

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION
(UNAUDITED)

As at and for the period ended 30 September 2018

1 CORPORATION INFORMATION

Kuwait Telecommunications Company K.S.C.P. (the “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 Company is primarily engaged in providing cellular mobile telecommunication and data services in Kuwait. The 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 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 and as per the criteria set by Ministry of Communications.

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

The 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 financial information was authorized for issue by the Board of Directors of the Company 29 October 2018.

2 BASIS OF PREPARATION

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

The accounting policies used in the preparation of this interim financial information are consistent with those used in the most recent annual audited financial statements for the year ended 31 December 2017, except for changes of the accounting policies as mentioned in Note 3 below on account of adoption of IFRS 9 ‘*Financial Instruments*’, IFRS 15 ‘*Revenue from Contracts with Customers*’ from 1 January 2018 and the adoption of new accounting policy relating to measurement of derivative financial instruments. The Company applies, for the first time, IFRS 9 and IFRS 15 that require restatement of the previous period’s financial information. As required by IAS 34, the nature and effect of these changes are disclosed in Note 3.

The Company 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 2018 did not have any material impact on the accounting policies, financial position or performance of the Company.

Operating results for the nine months period ended 30 September 2018 are not necessarily indicative of the results that may be expected for the year ending 31 December 2018. 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 2017.

The interim condensed financial information does not include all the information required for full annual financial statements and should be read in conjunction with the financial statements of the Company as at and for the year ended 31 December 2017.

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION
(UNAUDITED)

As at and for the period ended 30 September 2018

3 IMPACT OF CHANGES IN ACCOUNTING POLICIES DUE TO ADOPTION OF NEW STANDARDS

The key changes to the Company's accounting policies resulting from its adoption of IFRS 9 and IFRS 15 are summarised below:

a) IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and is effective for annual periods commencing on or after 1 January 2018. IFRS 15 outlines a single comprehensive model of accounting for revenue arising from contracts with customers and supersedes current revenue guidance, which is found currently across several Standards and Interpretations within IFRS. It established a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires the Company to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Company applied IFRS 15 and opted for a full retrospective application. The quantitative impact and details of the changes in accounting policies are discussed below.

Impact on the statement of financial position (increase/ (decrease)) as at 31 December 2017 and 30 September 2017:

	<i>31 December 2017 KD'000</i>	<i>30 September 2017 KD'000</i>
Assets		
Intangible assets	(49,086)	(47,752)
Trade and other receivables	(26,785)	(21,490)
Contract assets	52,845	45,177
Total assets	<u>(23,026)</u>	<u>(24,065)</u>
Equity		
Retained earnings	<u>(23,582)</u>	<u>(24,675)</u>
Liabilities		
Trade and other payables	556	610
Total equity and liabilities	<u>(23,026)</u>	<u>(24,065)</u>

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION
(UNAUDITED)

As at and for the period ended 30 September 2018

3 IMPACT OF CHANGES IN ACCOUNTING POLICIES DUE TO ADOPTION OF NEW STANDARDS (continued)**a) IFRS 15 Revenue from Contracts with Customers (continued)**

Impact on the interim condensed statement of comprehensive income for the period ended 30 September 2017:

	<i>Nine months ended 30 September 2017 KD'000</i>
Revenue	5,122
Operating expenses	(52,509)
Depreciation and amortization	46,189
Profit before Board of Directors' remuneration, KFAS, NLST and Zakat	(1,198)

There is no material impact on the interim condensed statement of cashflows. The impact on basic earnings per share for the nine months period ended 30 September 2017 is decrease of 2.4 fils.

Sales of goods and services

The Company is primarily engaged in providing cellular mobile telecommunication and data services in the State of Kuwait. The services are rendered both on their own in separate identified contracts with customers and together as a bundled package of goods and services.

For revenue from telecommunication services, the Company previously recognized revenue when services had been rendered. Revenue was recorded net of discounts and rebates. For revenue from sale of equipment, handsets etc., revenue was recognized when the significant risks and rewards of ownership of the goods were transferred to the buyer and when the revenue could be reliably estimated. Prepaid revenue collected in advance was deferred and recognized based on actual usage or upon expiry of the usage period, whichever came first. Upon termination of the customer contract, all deferred revenue for unused airtime was recognized in the interim condensed statement of comprehensive income.

Under IFRS 15, the Company has concluded that performance obligations in contract are typically identified as for devices (mobile handsets and any other equipment) and for services provided to customers (data and voice) and revenue from these performance obligations are recognized either at a point in time or over time when the respective performance obligations in a contract are delivered to the customer.

The Company determines the stand alone selling prices to be allocated to the performance obligations under the contracts based on observable sale prices. The Company performs an assessment of whether a contract meets the criteria under IFRS 15; and when the criteria is not met, the revenue is recognized when the consideration is received and it is non-refundable based on the contractual terms.

For bundled contracts, the revenue is allocated to the sale of devices and services separately if they are distinct, that is, if a product or service is separately identifiable from other items in the bundled contract and if a customer can benefit from it. The Company recognizes the amount allocated for the sale of the device as revenue when it transfers control of the device and recognizes that allocated revenue to service as revenue over time when the services are rendered.

**NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION
(UNAUDITED)**

As at and for the period ended 30 September 2018

3 IMPACT OF CHANGES IN ACCOUNTING POLICIES DUE TO ADOPTION OF NEW STANDARDS (continued)**a) IFRS 15 Revenue from Contracts with Customers (continued)****Contract costs**

The Company previously recognized the incremental costs incurred in acquiring a contract with a customer as an expense in the period in which it was incurred.

Under IFRS 15, incremental cost incurred in acquiring a contract with a customer are deferred and amortized over the life of the related contract. Such deferred costs are classified as an asset in the interim condensed statement of financial position.

Value added services - Principal vs. agent

The Company provides certain value added services to its customers which are of direct carrier billing in nature. Under the previous accounting policy, based on the existence of credit risk and the nature of the consideration in the contract, the Company concluded that it had an exposure to the significant risks and rewards associated with the sale of services to its customers, and accounted for the contracts as if it is a principal.

Under IFRS 15, the Company has assessed whether it controls a specified good or service before it is transferred to the customer. The Company has determined that it does not control the services before they are transferred to customers, and hence, is an agent rather than principal in these contracts.

Presentation and disclosure

As required for the interim condensed financial information, the Company has disaggregated the revenue recognized from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. This did not result in any impact on the segment reporting given the Company only has one reporting segment accordingly, no reconciliation of the disaggregated revenue to the operating segments has been disclosed in this interim condensed financial information.

b) IFRS 9 – Financial Instruments

The Company has adopted IFRS 9 - Financial Instruments which was issued in July 2014 with a date of initial application of 1 January 2018. The requirements of IFRS 9 represent a significant change from IAS 39 Financial Instruments: Recognition and Measurement. The new standard brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities. The Company has adopted full retrospective approach in respect to IFRS 9 and accordingly, the financial information relating to prior periods have been restated in order to reflect the changes resulting from adoption of IFRS 9.

**NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION
(UNAUDITED)**

As at and for the period ended 30 September 2018

3 IMPACT OF CHANGES IN ACCOUNTING POLICIES DUE TO ADOPTION OF NEW STANDARDS (continued)
b) IFRS 9 – Financial Instruments (continued)

The quantitative impact and details of the changes in accounting policies are discussed below.

Impact on the statement of financial position (increase/ (decrease)) as at 31 December 2017 and 30 September 2017:

	<i>31 December 2017 KD'000</i>	<i>30 September 2017 KD'000</i>
Assets		
Trade and other receivables*	18,246	16,761
Contract assets	(5,609)	(5,216)
Cash and cash equivalents	(7)	(12)
Total assets	<u>12,630</u>	<u>11,533</u>
Equity		
Retained earnings	<u>12,630</u>	<u>11,533</u>

*The impact on trade and other receivables is mainly due to reversal of provision on termination receivable on account of adoption of IFRS 15.

Impact on the interim condensed statement of comprehensive income for the period ended 30 September 2017:

	<i>Nine months ended 30 September 2017 KD'000</i>
Operating expenses	1,715
Profit before Board of Directors' remuneration, contribution to KFAS, NLST and Zakat	<u>1,715</u>

There is no material impact on the interim condensed statement of cashflows. The impact on basic earnings per share for the period ended 30 September 2017 is increase of 3.43 fils.

Classification of financial assets and financial liabilities

The Company previously recognized non-derivative financial assets into the loans and receivables category under IAS 39. This category included financial assets with fixed or determinable payments that were not quoted in an active market. These were initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables were measured at amortized cost using the effective profit method, less any impairment losses.

A financial asset is carried at amortised cost if it meets both of the following conditions:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

**NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION
(UNAUDITED)**

As at and for the period ended 30 September 2018

3 IMPACT OF CHANGES IN ACCOUNTING POLICIES DUE TO ADOPTION OF NEW STANDARDS (continued)**b) IFRS 9 – Financial Instruments (continued)**

Under IFRS 9, the Company has performed an assessment of its financial assets, being contract assets and trade receivables and has concluded that these are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. The Company analyzed the contractual cash flow characteristics of those instruments and concluded that they meet the criteria for measurement under the amortized cost method. Accordingly, there is no change in the classification of these instruments.

The subsequent measurement of contract assets and trade receivables will be at undiscounted original invoiced amount less any expected credit losses. Any gain or loss upon derecognition is recognized in the interim condensed statement of comprehensive income.

The accounting for financial liabilities remains largely the same as it was under IAS 39, except for the treatment of gains or losses arising from Company's own credit risk relating to liabilities designated at fair value through profit or loss. Such movements are presented in other comprehensive income with no subsequent reclassification to the interim condensed statement of comprehensive income.

Derivative financial instruments*Initial recognition and subsequent measurement*

The Company uses derivative financial instruments, such as forward currency contracts to hedge its foreign currency risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Derivatives are classified as held for trading instruments unless they are designated as effective hedging instruments. These are carried at fair value through profit or loss in the interim condensed financial information. The principles of de-recognition of derivative financial instruments are similar to other financial instruments in line with the related accounting policies disclosed in the financial statements of the Company for the year ended 31 December 2017.

Impairment

The Company previously recognized impairment losses on financial assets based on incurred loss model, under IAS 39.

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model. The adoption of IFRS 9 has fundamentally changed the Company's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach.

For contract assets and trade and other receivables, the Company has applied the simplified approach and has calculated ECLs based on lifetime expected credit losses. The Company has established a provision matrix that is based on the Company's historical credit loss experience, adjusted for forward-looking factors specific to the receivables and the Company's economic environment. The management has considered the segmentations in respect to the trade receivables and contract assets based on demographic factors of the underlying portfolios.

The management considers a financial asset in default when the contractual payments are 90 days past due. However, in certain cases, the management may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full.

Hedge accounting

The Company did not have any impact resulting from the new guidance relating to hedge accounting included in IFRS 9, as the Company has not designated any derivative financial instruments as hedging instruments and hence, they do not meet the qualifying criteria for hedge accounting.

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION
(UNAUDITED)

As at and for the period ended 30 September 2018

4 REVENUE

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

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	<i>2018</i>	<i>2017</i>	<i>2018</i>	<i>2017</i>
	<i>KD'000</i>	<i>KD'000</i>	<i>KD'000</i>	<i>KD'000</i>
		<i>Restated*</i>		<i>Restated*</i>
Sources of revenue				
Sale of goods	12,356	15,615	51,374	43,780
Rendering of services	53,272	55,111	163,377	165,567
	<u>65,628</u>	<u>70,726</u>	<u>214,751</u>	<u>209,347</u>
Timing of revenue recognition				
Products transferred at a point in time	12,356	15,615	51,374	43,780
Products and services transferred over time	53,272	55,111	163,377	165,567
	<u>65,628</u>	<u>70,726</u>	<u>214,751</u>	<u>209,347</u>

* Certain amounts shown here do not correspond to the interim condensed financial information as at 30 September 2017. Please refer Note 3a and 3b.

5 INTANGIBLE ASSETS

Intangible assets, reported for prior periods, mainly include subscriber acquisition costs incurred for acquiring the customers. Under the accounting standards applicable in the prior periods, subscriber acquisition costs were considered integral to the rendering of telecom services and were amortized over the commitment period of the customer contract. Upon adoption of IFRS 15, the management has written down the entire carrying value of intangible assets to the interim condensed statement of comprehensive income as these are no longer allowed to be capitalized (Note 3a).

6 ANNUAL GENERAL ASSEMBLY

The Annual General Assembly meeting of the shareholders held on 28 March 2018 approved distribution of cash dividends of 30 fils per share (31 December 2016: 10 fils per share) amounting to KD 14,981 thousand (31 December 2016: KD 4,994 thousand). The cash dividends were paid on 22 April 2018, to the registered shareholders as of the record date of 16 April 2018.

7 ISLAMIC FINANCING FACILITIES

During the year 2013, the Company signed Islamic financing arrangement amounting to KD 76,000 thousand (approximately USD 258,000 thousand) repayable over 3 years starting from September 2015 in equal quarterly installments. As at 30 September 2018, KD nil (31 December 2017: KD 9,190 thousand and 30 September 2017: KD 16,295 thousand) is outstanding against these facilities. The amount disclosed on the face of the interim condensed statement of financial position is net of finance costs, processing fees paid in advance and foreign currency translation differences.

**NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION
(UNAUDITED)**

As at and for the period ended 30 September 2018

8 RELATED PARTY BALANCES AND TRANSACTIONS

Related parties primarily comprise of major shareholders of the Company, its directors, key management personnel and entities over which they exercise significant influence.

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

	<i>Three months ended 30 September</i>		<i>Nine months ended 30 September</i>	
	<i>2018</i>	<i>2017</i>	<i>2018</i>	<i>2017</i>
Transactions	<i>KD'000</i>	<i>KD'000</i>	<i>KD'000</i>	<i>KD'000</i>
Management fees	2,297	2,491	7,513	7,148
Other operating expenses	1	65	2	208

Balances with related parties amounting to KD 23,424 thousand as at 30 September 2018 (31 December 2017: KD 13,157 thousand and 30 September 2017: KD 13,413 thousand) are included in trade and other payables in the interim condensed statement of financial position. Balance with related parties are do not carry any profit and are repayable on demand.

9 DERIVATIVE FINANCIAL INSTRUMENTS

During the period, the Company has entered into foreign currency forward contracts with notional amount of KD 15,155 thousand resulting in a positive fair value of KD 61 thousand. The notional amount indicates the volume of transactions outstanding at the reporting date and is not indicative of either market or credit risk. These instruments have been fair valued based on market observable data.

10 COMMITMENTS AND CONTINGENCIES

	<i>30 September 2018</i>	<i>(Audited) 31 December 2017</i>	<i>30 September 2017</i>
	<i>KD'000</i>	<i>KD'000</i>	<i>KD'000</i>
Capital commitments	23,214	17,631	27,037
Contingent liabilities			
Letters of guarantee	5,730	5,771	5,720

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

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 Company 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 Company 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.

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION
(UNAUDITED)

As at and for the period ended 30 September 2018

10 COMMITMENTS AND CONTINGENCIES (continued)**Operating lease commitments as a lessee**

The Company 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:

	<i>30 September</i> <i>2018</i> <i>KD'000</i>	<i>(Audited)</i> <i>31 December</i> <i>2017</i> <i>KD'000</i>	<i>30 September</i> <i>2017</i> <i>KD'000</i>
Less than one year	4,592	4,354	4,964
Between one and five years	1,170	6	7
	<u>5,762</u>	<u>4,360</u>	<u>4,971</u>

11 BASIC AND DILUTED EARNINGS PER SHARE

	<i>Three months ended</i> <i>30 September</i>		<i>Nine months ended</i> <i>30 September</i>	
	<i>2018</i>	<i>2017</i>	<i>2018</i>	<i>2017</i>
	<i>KD'000</i>	<i>KD'000</i>	<i>KD'000</i>	<i>KD'000</i>
		<i>Restated</i>		<i>Restated</i>
Net profit for the period (KD'000)	13,582	9,123	37,376	28,794
Weighted average number of shares	499,366,582	499,366,582	499,366,582	499,366,582
Basic and diluted earnings per share (fils)	27	18	75	58

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

Basic and diluted earnings per share for the comparative period presented has been restated to reflect the effect of retrospective adoption of IFRS 9 and IFRS 15 (Note 3a and 3b).

12 OPERATING SEGMENTS

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

NOTES TO THE INTERIM CONDENSED FINANCIAL INFORMATION
(UNAUDITED)

As at and for the period ended 30 September 2018

13 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, trade and other receivables and foreign exchange forward contracts. Financial liabilities consist of trade and other payables and Islamic financing facilities.

Derivative assets and liabilities are valued based on counterparty bank's quotes. The management considers the counterparty bank's quotes as a fair indication of the fair value of these financial instruments. These instruments have been classified under level 2 of the fair value hierarchy.

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.