WATANIYA PALESTINE MOBILE TELECOMMUNICATION PUBLIC SHAREHOLDING COMPANY

Unaudited Interim Condensed Financial Statements
For the Six Months Period Ended June 30, 2018

AND REPORT ON REVIEW OF INTERIM FINANCIAL STATEMENTS

(Translated from the Original Arabic Version)

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Report on review of interim financial statements

To the board of directors of Wataniya Palestine Mobile Telecommunication, Public Shareholding Company

We have reviewed the accompanying condensed interim statement of financial position of Wataniya Palestine Mobile Telecommunication, Public Shareholding Company (hereinafter the "Company") as at June 30, 2018 and the related condensed interim statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended. The Board of Directors is responsible for the preparation and presentation of this condensed interim financial statements in accordance with International Accounting Standard 34, 'Interim financial reporting'. Our responsibility is to express a conclusion on this condensed interim financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, 'Review of interim financial statements performed by the independent auditor of the entity'. A review of interim financial statements 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 condensed interim financial statements is not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim financial reporting'.

Hazem Sababa
License number 115/2003
July 26, 2018
Ramallah Palestine

INTERIM STATEMENT OF FINANCIAL POSITION
(All amounts in US Dollars)

	Note	As at June 30, 2018 (Unaudited)	As at December 31, 2017 (Audited)
ASSETS			
Non-current assets			
Property and equipment	(3)	82,679,085	56,981,253
Projects in progress	(4)	823,047	30,534,192
Intangible assets	(5)	125,917,079	131,316,610
		209,419,211	**218,832,055**
Current assets			
Advances to contractors		619,311	447,520
Restricted cash		7,170,238	6,041,514
Other current assets		3,182,226	4,046,513
Inventory		2,456,477	4,230,008
Accounts receivable		13,015,481	12,272,509
Cash on hand and at banks	(6)	58,323,949	33,758,276
		84,767,682	**60,796,340**
Total assets		**294,186,893**	**279,628,395**
EQUITY AND LIABILITIES			
Equity			
Share capital		293,000,000	258,000,000
Share premium		11,610,000	11,610,000
Advance payments to increase capital	(7)	-	8,000,000
Accumulated losses		(210,218,865)	(208,090,504)
Net equity		**94,391,135**	**69,519,496**
Liabilities			
Non-current liabilities			
Provision for employees' indemnity		6,648,788	6,395,159
Interest-bearing loans and borrowings	(8)	74,955,712	74,038,352
Other non-current liability	(9)	44,871,337	54,346,654
		126,475,837	**134,780,165**
Current liabilities			
Accounts payable		13,729,894	6,222,226
Current portion of interest-bearing loans and borrowings	(8)	13,740,000	10,620,000
Due to related parties		48,441	252,856
Deferred revenues		3,802,879	3,684,628
Other current liabilities		15,632,834	17,766,226
Accrued project costs		26,365,873	36,782,798
Total current liabilities		**73,319,921**	**75,328,734**
Total liabilities		**199,795,758**	**210,108,899**
Total equity and liabilities		**294,186,893**	**279,628,395**

- The above financial statements should be read in conjunction with accompanying notes on pages 8 to 22.

INTERIM STATEMENT OF PROFIT OR LOSS
(All amounts in US Dollars)

		For the three months period ended June 30,		For the six months period ended June 30,	
		2018	**2017**	**2018**	**2017**
	Note	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**	**(Unaudited)**
Revenue		26,328,036	21,259,237	50,019,027	41,461,181
Cost of service		(10,064,860)	(8,047,205)	(20,552,691)	(17,082,897)
Gross Profit		**16,263,176**	**13,212,032**	**29,466,336**	**24,378,284**
Finance revenue		416,476	70,400	674,310	143,356
Currency exchange (loss) gain		(42,545)	39,106	(103,852)	21,976
General and administrative expenses		(8,720,030)	(7,343,757)	(18,274,470)	(13,586,480)
Depreciation and amortization	(3,5)	(6,138,696)	(5,239,977)	(12,011,445)	(10,406,118)
Provision for doubtful accounts		(166,508)	46,578	(150,806)	121,107
Finance cost, net	(9)	577,336	(1,031,875)	(1,247,767)	(2,047,090)
		(14,073,967)	**(13,459,525)**	**(31,114,030)**	**(25,753,249)**
Profit (Loss) for the period		**2,189,209**	**(247,493)**	**(1,647,694)**	**(1,374,965)**
Basic and diluted earnings per share	(10)	0.008	(0.001)	(0.006)	(0.005)

- The above financial statements should be read in conjunction with accompanying notes on pages 8 to 22.

INTERIM STATEMENT OF COMPREHENSIVE INCOME
(All amounts in US Dollars)

	For the six months period ended June 30,	
	2018	**2017**
	(Unaudited)	**(Unaudited)**
Loss for the period	(1,647,694)	(1,374,965)
Other comprehensive income for the period	**-**	**-**
Total comprehensive loss for the period	**(1,647,694)**	**(1,374,965)**

- The above financial statements should be read in conjunction with accompanying notes on pages 8 to 22.

INTERIM STATEMENT OF CHANGES IN EQUITY
(All amounts in US Dollars)

	Share capital	Share premium	Advance Payments to increase capital	Accumulated losses	Net equity
Balance at January 1, 2017	**258,000,000**	**11,610,000**	**-**	**(201,444,884)**	**68,165,116**
Total comprehensive income for the period	-	-	-	(1,374,965)	(1,374,965)
Balance at June 30, 2017	**258,000,000**	**11,610,000**	**-**	**(202,819,849)**	**66,790,151**
Balance at January 1, 2018	**258,000,000**	**11,610,000**	**8,000,000**	**(208,090,504)**	**69,519,496**
Change in accounting policy (see note 13)	-	-	-	(480,667)	(480,667)
Adjusted Balance as at January 1, 2018	**258,000,000**	**11,610,000**	**8,000,000**	**(208,571,171)**	**69,038,829**
Increase in capital	35,000,000	-	(8,000,000)	-	27,000,000
Total comprehensive loss for the period	-	-	-	(1,647,694)	(1,647,694)
Balance at June 30, 2018	**293,000,000**	**11,610,000**	**-**	**(210,218,865)**	**94,391,135**

- The above financial statements should be read in conjunction with accompanying notes on pages 8 to 22.

INTERIM STATEMENT OF CASH FLOWS
(All amounts in US Dollars)

	Note	For the six months period ended June 30, 2018 (Unaudited)	2017 (Unaudited)
Operating activities			
Loss for the period		(1,647,694)	(1,374,965)
Adjustments:			
Depreciation	(3)	6,420,653	4,911,217
Impairment of property and equipment	(3)	48,613	143,092
Provision for employees' indemnity		1,035,846	951,078
Recovery for doubtful accounts		150,806	(121,107)
Finance revenues		(674,310)	(143,356)
Finance costs	(9)	1,247,767	2,047,090
Amortization	(5)	5,542,179	5,494,901
Gain on disposal of property ,equipment and intangibles	(3,5)	(143,918)	785
Non-cash items	(13)	(480,667)	-
		11,499,275	**11,908,735**
Changes in operational assets and liabilities:			
Accounts receivable		(893,778)	(1,348,743)
Inventory		1,773,531	1,111,937
Other current assets		913,652	(1,049,611)
Accounts payable		7,507,668	(335,394)
Due to related parties		(204,415)	52,396
Deferred revenue		118,251	(636,354)
Other current liabilities		(2,133,392)	(1,076,059)
Employees’ indemnity paid		(782,217)	(203,366)
Net cash flows provided by operating activities		**17,798,575**	**8,423,541**
Investing activities			
Purchase of property and equipment		(31,188,313)	(3,149,353)
Purchase of intangible assets	(5)	(977,515)	(625,607)
Increase (decrease) in projects in progress		19,294,220	(524,843)
Advances to contractors		(171,791)	(3,348,422)
Interest received		624,945	156,087
Net cash flows used in investing activities		**(12,418,454)**	**(7,492,138)**
Financing activities			
Repayment of loans		(3,750,000)	(3,750,000)
Loan transaction costs paid		(21,377)	(218,149)
Interest paid		(2,914,347)	(1,586,121)
Increase in capital		27,000,000	-
Other non-current liability		-	4,559,926
Restricted cash		(1,128,724)	(1,037,192)
Net cash flows provided by (used in) financing activities		**19,185,552**	**(2,031,536)**
Increase (decrease) in cash and cash equivalents		**24,565,673**	**(1,100,133)**
Cash and cash equivalents, beginning of the year		33,758,276	12,263,583
Cash and cash equivalents, end of the year	(6)	**58,323,949**	**11,163,450**

- The above financial statements should be read in conjunction with accompanying notes on pages 8 to 22.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
(All amounts in US Dollars)

NOTE (1) GENERAL

Wataniya Palestine Mobile Telecommunication Company (the Company), located in Ramallah, was registered and incorporated in Palestine on January 27, 2007 as a Private Limited Shareholding Company under registration No. 562499541. On October 25, 2010, the legal form of the Company was changed to a Public Shareholding Company under registration No. 562601328.

The Company was formed with an authorized share capital of 5,000,000 shares with USD 1 par value each. During 2008, the Company's authorized and paid-in share capital was increased to 170,000,000 shares with USD 1 par value each. The Company's General Assembly in its extraordinary meeting held on October 25, 2010 resolved to increase the Company's authorized share capital to 258,000,000 shares with USD 1 par value each. The existing shareholders Wataniya International FZ - LLC (WIL) and Palestine Investment Fund, PLC (PIF) subscribed for 49,300,000 shares through capitalizing a portion of the shareholders' loans and the related accrued interest. The remaining 38,700,000 shares were offered to the public at an offer price of USD 1.3 per share, resulting in a share premium of USD 11,610,000. The public offering took place during the period from November 7, 2010 to December 2, 2010. On January 23, 2018 and during the extraordinary meeting of the General Assembly of the Company, shareholders approved increasing the capital of Wataniya Palestine Mobile Telecommunication Limited Company through offering 35,000,000 more shares for public subscription to increase the capital from USD 258,000,000 to USD 293,000,000 with USD 1 par value each.
On March 14, 2007, the Company entered into a license agreement (the License) with the Ministry of Telecommunications and Information Technology (the MTIT) to provide 2G and 3G mobile services in the West Bank and Gaza. The term of the License is for fifteen years from the effective date being the date on which the MTIT makes the frequencies available to the Company. The effective date was originally set on August 6, 2008. On December 16, 2009, the MTIT approved the Company's request to determine September 10, 2009 as the effective date, instead of August 6, 2008, since it represents the date on which only 2G frequencies were allocated. On March 16, 2015, the MTIT approved to extend the terms of the license useful life for additional five years.

The Company started its operations on November 1, 2009.

The Company's main activities are offering, managing, and selling wireless telecommunication services, as well as constructing and operating wireless telecommunication stations and telephone networks.
The interim condensed financial statements of the Company as of June 30, 2018 were authorized for issue in accordance with the Board of Directors resolution on July 24, 2018.

The accompanying interim condensed financial statements were reviewed and not audited.

NOTE (2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The interim condensed financial statements of the Company for the six months period ended June 30, 2018 have been prepared in accordance with International Accounting Standard 34, "Interim financial reporting".

The interim condensed financial statements have been prepared under the historical cost basis.

The interim condensed financial statements are presented in United States Dollar, which is the functional currency of the Company.

The interim condensed financial statements do not include all information and disclosures required in the annual financial statements, and should be read in conjunction with the Company's annual financial statements as at December 31, 2017. The results for the period ended June 30, 2018 are not necessarily indicative of the results that may be expected for the financial year ending December 31, 2018.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
(All amounts in US Dollars)

Changes in accounting policies and disclosures
Except for the changes below, the accounting policies used in the preparation of the interim condensed financial statements are consistent with those used in the presentation of the annual financial statement in the previous year.

New standards and interpretations are mandatory for the financial year commencing on January 1, 2018:

1- **IFRS 9 - Financial Instruments**

IFRS 9 'Financial instruments': effective on 1 January 2018. This standard addresses the classification, measurement and derecognition of financial assets and financial liabilities and introduces new rules for hedge accounting and also introduces a new impairment model. For further details see note 13.

2- **IFRS 15 – Revenue from contracts with customers**
IFRS 15, "Revenue from Contracts with Customers", effective from 1 January 2018. This standard will replace IAS 18 which covers goods and services contracts and IAS 11 which covers construction contracts. Based on the new standard, revenues are recognised upon the transfer of control of the goods or services to the customer - thus the idea of control replaces the idea of risks and returns. For further details see note 13.

New standards and interpretations are mandatory for the financial year commencing on January 1, 2019 but have not been early adopted by the Company:

- IFRS 16, 'Leases' Effective 1 January 2019. This standard will replace IAS 17 "Leases", and requires the lessor to record the future lease liabilities of all leases including "the right to use the asset".

Use of estimates
The preparation of financial statements in conformity with IFRS requires the use of accounting estimates and assumptions. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The Company's management continually evaluate its estimates, assumptions and judgements based on available information and experience. As the use of estimates is inherent in financial reporting, actual results could differ from these estimates.

The areas involving a higher degree of judgement or complexity are described below:

Interconnection revenue and costs:
The Company's management uses certain estimates to determine the amount of interconnection revenues, costs, receivables and payables.

Useful life of tangible and intangible assets:
The Company's management reassesses the useful lives of tangible and intangible assets, and adjusts if applicable, at each financial year-end.

Impairment of accounts receivable:
The Company provides services to broad based clients, mainly on credit terms. Estimates, based on the estimated credit loss, are used in determining the level of debts that the Company believes will not be collected. For further details see note (13.c).

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
(All amounts in US Dollars)

Risk management

The Company manages various risks through a strategy that identifies those risks and the procedures to mitigate them by applying a reporting systems aiming to review and adopt appropriate risk mitigating procedures. In addition, the business units are responsible for identifying risks associated with their operations and to apply and monitor appropriate control procedures. The overall responsibility of managing and monitoring the risks of the Company rests with the Board of Directors. The interim condensed financial statements do not include all information and disclosures required in the annual financial statements under risk management, and should be read in conjunction with the Company's annual financial statements as at December 31, 2017 which were prepared under the international financial reporting standards.

Fair value of financial instruments

The table below presents a comparison between the book values and the fair values of the financial instruments as classified on June 30, 2018 and December 31, 2017:

	Book value		**Fair value**	
Financial Assets	**June 30, 2018**	**December 31, 2017**	**June 30, 2018**	**December 31, 2017**
Cash on hand and cash at banks	58,323,949	33,758,276	58,323,949	33,758,276
Restricted cash	7,170,238	6,041,514	7,170,238	6,041,514
Accounts receivable	13,015,481	12,272,509	13,015,481	12,272,509
Other current assets	142,425	261,692	142,425	261,692
	78,652,093	**52,333,991**	78,652,093	**52,333,991**
Financial Liabilities				
Interest-bearing loans and borrowings	88,695,712	84,658,352	88,695,712	84,658,352
Other non-current liability	44,871,337	54,346,654	44,871,337	54,346,654
Accounts payable	13,729,894	6,222,226	13,729,894	6,222,226
Due to related parties	48,441	252,856	48,441	252,856
Other current liabilities	12,284,451	16,980,564	12,284,451	16,980,564
Accrued project cost	26,365,873	36,782,798	26,365,873	36,782,798
	185,995,708	**199,243,450**	**185,995,708**	**199,243,450**

The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

- The fair values of accounts receivable, other financial assets, cash and cash equivalents, accounts payable, due to related parties, accrued project costs and other financial liabilities largely approximate their carrying amounts due to the short-term maturities of these instruments.
- The fair value of other current assets was calculated after excluding prepaid expenses.
- The fair value of other current liabilities was calculated after excluding the due to VAT and employees vacations provision.
- The fair value of interest-bearing loans and borrowings and non-current liabilities is estimated by discounting future cash flows using rates currently available for debt.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
(All amounts in US Dollars)

Fair value hierarchy
The Company uses the following hierarchy for determining and disclosing the fair value of its financial instruments:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
(All amounts in US Dollars)

NOTE (3) PROPERTY AND EQUIPMENT

Details:

	Network equipment	Network infrastructure	Computers	Office equipment	Furniture and fixtures	Leasehold improvements	Others	Total
2018								
Cost								
Balance as of January 1, 2018	**74,730,949**	**39,269,843**	**18,672,963**	**3,055,825**	**2,605,273**	**8,615,017**	**51,493**	**147,001,363**
Additions	31,351,395	1,724,790	459,417	548,472	119,878	296,730	273	**34,500,955**
Disposals	(34,526,067)	(272,497)	(6,462,329)	(7,048)	(102,138)	(201,038)	(856)	**(41,571,973)**
Balance as of June 30, 2018	**71,556,277**	**40,722,136**	**12,670,051**	**3,597,249**	**2,623,013**	**8,710,709**	**50,910**	**139,930,345**
Accumulated depreciation:								
Balance as of January 1, 2018	**49,269,637**	**15,698,329**	**15,218,301**	**1,949,358**	**1,659,990**	**6,190,218**	**34,277**	**90,020,110**
Impairment loss	-	5,240	-	9,016	-	34,357	-	**48,613**
Depreciation for the period	3,828,064	1,144,022	687,251	310,644	101,798	347,724	1,150	**6,420,653**
Disposals	(32,212,279)	(266,559)	(6,454,036)	(7,048)	(97,761)	(199,577)	(856)	**(39,238,116)**
Balance as of June 30, 2018	**20,885,422**	**16,581,032**	**9,451,516**	**2,261,970**	**1,664,027**	**6,372,722**	**34,571**	**57,251,260**
Net book value:								
As at June 30, 2018	**50,670,855**	**24,141,104**	**3,218,535**	**1,335,279**	**958,986**	**2,337,987**	**16,339**	**82,679,085**
As at December 31, 2017	**25,461,312**	**23,571,514**	**3,454,662**	**1,106,467**	**945,283**	**2,424,799**	**17,216**	**56,981,253**

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

(All amounts in US Dollars)

NOTE (4) PROJECTS IN PROGRESS

Details:

	June 30, 2018	December 31, 2017
Balance, beginning of the year	**30,534,192**	**18,883,868**
Additions	524,690	35,749,489
Transferred to property and equipment and intangible assets	(29,928,863)	(23,689,660)
Cost adjustment	(306,972)	(409,505)
Ending Balance	**823,047**	**30,534,192**

NOTE (5) INTANGIBLE ASSETS

Details:

	License *	Software	Total
Cost			
Balance as of January 1, 2018	184,871,337	36,616,456	221,487,793
Additions during the year	-	977,515	977,515
Disposals during the year	-	(7,554,229)	(7,554,229)
Balance as of June 30, 2018	**184,871,337**	**30,039,742**	**214,911,079**
Accumulated Amortization			
Balance as of January 1, 2018	69,315,087	20,856,096	90,171,183
Amortization for the year	2,996,246	2,545,933	5,542,179
Disposals during the year	-	(6,719,362)	(6,719,362)
Balance as of June 30, 2018	**72,311,333**	**16,682,667**	**88,994,000**
Net Book Value			
As at June 30, 2018	**112,560,004**	**13,357,075**	**125,917,079**
As at December 31, 2017	**115,556,250**	**15,760,360**	**131,316,610**

(*) The license amount recorded in the Financial Statement represents the best estimate by the company made in 2008 based on expected dates of the Gaza operations and 3G launch. The portion of the license price relating to West Bank was estimated at U.S $212,400,000, of which U.S $140,000,000 was paid on August 6, 2008. The remaining amount of U.S $72,400,000 was deferred. The portion of the license price of U.S $141,600,000 relating to Gaza was not recognized in the financial statements as the Company was not granted access to launch services in Gaza. The deferred portion was initially recorded as other non- current liability at its fair value of U.S $44,871,337 calculated by discounting the U.S $72,400,000 to its present value using an interest rate of 8%, which approximated the company's borrowing interest rate. The deferred portion of the price was subsequently measured at amortized cost using the effective interest method. The intangible asset was initially recorded at U.S $184,871,337 being the total of the payment made on the effective date of U.S $140,000,000 and the present value of the deferred portion of U.S $44,871,337.

The company wasn't able to launch its services as anticipated originally due to MTIT's inability to meet its obligation under the license by allocating the needed frequencies and securing the necessary approvals for equipment entry, the fact that delayed 2G services by 3 years in West Bank and by 10 years in Gaza in addition to a delay of more than 10 years for 3G services in the West Bank while the permissions and frequency needed to launch 3G services in Gaza are still pending.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
(All amounts in US Dollars)

Based on the fact that the company is unable to utilize all the benefits granted in the license agreement resulting from MTIT not fulfilling its obligations related to 3G frequencies and international Gateways portion of the license, the Company prospectively changed its accounting estimates related to the remaining license cost as of January 1, 2011. Accordingly, the company started to amortize only the paid amount of the license less accumulated amortization as of December 31, 2010 over the remaining useful life of the license. Further, the Company stopped calculating interest on the deferred liability until the time it reaches an agreement with MTIT regarding the 3G frequencies and international Gateways portion of the license. On that date the total calculated accrued interest reached USD 9,475,317 and that increased the non-current liability from USD 44,871,337 to USD 54,346,654.

On October 23, 2017 the MTIT requested the second payment of the license for an amount of USD 60,000,000. However, due to the MTIT delay in fulfilling its obligations in relation with launching 2G in Gaza and 3G in west bank and not fulfilling its obligations yet in relation with launching 3G in Gaza which resulted in accumulated losses incurred by the Company, the Company's management believes that this amount will not become due and is still in discussion with the Government in this regard.

During the second quarter of 2018, The Company decided to reverse the accumulated interest on the deferred amount totalled USD 9,475,317 in the Interim statement of profit or loss as this amount does not represent the actual fair value of the liability to be paid by Wataniya Mobile.

NOTE (6) CASH ON HAND AND AT BANKS

Details:

	June 30, 2018	December 31, 2017
Cash on hand	195,560	230,340
Cash at banks and short term deposits	58,128,389	33,527,936
	58,323,949	**33,758,276**

As of June 30, 2018, the Company has eleven short-term deposits amounting to USD 56,207,018 (2017: eleven deposits amounting to USD 31,535,563) at local banks with an average interest rate of 3.54% (2017: 3.38%).

NOTE (7) ADVANCE PAYMENTS ON CAPITAL
This amount represents the advance payments from the main shareholders to increase capital.

	December 31, 2017
Wataniya International FZ – LLC (WIL)	4,560,000
Palestine Investment Fund, PLC (PIF)	3,440,000
	8,000,000

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

(All amounts in US Dollars)

NOTE (8) INTEREST BEARING LOANS AND BORROWINGS

Details:

	June 30, 2018	December 31, 2017
Shareholders' loans		
Wataniya International FZ - LLC (WIL)	2,850,000	2,850,000
Palestine Investment Fund, PLC (PIF)	2,150,000	2,150,000
Accrued interest (WIL)	1,394,309	1,310,483
Accrued interest (PIF)	1,051,403	988,166
	7,445,712	**7,298,649**
Third parties' loans		
Local banks' loans	42,250,000	43,347,200
IFC loan	39,000,000	41,652,800
	81,250,000	**85,000,000**
Less: transaction costs directly attributable to third parties' loans (*) (see note 9)	-	(7,640,297)
	88,695,712	**84,658,352**
Non-current portion	74,955,712	74,038,352
Current portion	13,740,000	10,620,000
	88,695,712	**84,658,352**

(*) This item represents legal and other fees directly attributable to loans and borrowings that were incurred in relation to the loan agreements with respective financial institutions.

NOTE (9) FINANCE COST - NET

Details:

	June 30, 2018	June 30, 2017
Interest on loans and borrowings	3,061,410	1,733,184
Amortization of transaction costs *	7,661,674	313,906
Recovery of provision**	(9,475,317)	-
	1,247,767	**2,047,090**

(*) During the second quarter of 2018 the Company signed a new loan agreement with a local bank to refinance the existing syndicated loan and accordingly transaction costs related to the old syndicated loan accumulated as of June 28, 2018 (being the date of signature of the loan) amounting to USD 7,661,674 were fully amortized.

(**) During the second quarter of 2018, The Company decided to reverse the accumulated interest on the deferred amount totalled USD 9,475,317 in the Interim statement of profit or loss as this amount does not represent the actual fair value of the liability to be paid by Wataniya Mobile.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
(All amounts in US Dollars)

NOTE (10) BASIC AND DILUTED EARNINGS PER SHARE

Details:

	June 30, 2018	June 30, 2017
Loss for the period	(1,647,694)	(1,374,965)
Weighted average number of shares (Share)	288,722,222	258,000,000
Basic and diluted loss per share	**(0.006)**	**(0.005)**

NOTE (11) COMMITMENTS AND CONTINGENCIES

As at financial statements date, the Company has outstanding contractual commitments resulting from purchases, services and construction contracts as well as its license.

Following is a summary of the outstanding commitments:

	June 30, 2018	December 31, 2017
Contracts and purchase orders	13,507,778	35,294,055
License *	169,128,663	159,653,346

* The Company entered into a license agreement with MTIT for a total amount of USD 354,000,000. The unpaid portion of the license cost, net of the related non-current liability, of USD 169,128,663 represents the unrecognized liability in the financial statements resulting from MTIT not fulfilling its obligations in relation with granting the Company access to Gaza and 3G frequencies amongst other things.

The Company entered into an agreement to lease the office building on January 27, 2007. During 2012, the Company renewed the contract for additional 5 years for a total amount of USD 2,633,046 with an option to renew the contract. The Company has renewed the contract for additional five years during February 2017.

Following is the future minimum rentals payable under operating lease:

	June 30, 2018	December 31, 2017
Within one year	478,958	471,897
After one year but not more than five years	1,259,908	1,502,344
	1,738,866	**1,974,241**

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
(All amounts in US Dollars)

NOTE (12) RELATED PARTY TRANSACTIONS

Related parties represent associated companies, shareholders, directors and key management personnel of the Company, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Company's Board of Directors.

Balances with related parties included in the interim statement of financial position were as follows:

	Nature of relationship	June 30, 2018	December 31, 2017
Interest-bearing loans and borrowings	Shareholder	5,000,000	5,000,000
Accrued interest	Shareholder	2,445,712	2,298,649
Due to related parties	Shareholder	48,441	252,856
Advance payments to increase capital	Shareholder	-	8,000,000
Accrued key management personnel compensation	Key management	3,372,646	3,215,951

Transactions with related parties included in the interim statement of profit or loss were as follows:

	June 30, 2018	June 30, 2017
Finance costs	147,063	147,063
Key management personnel compensation	686,242	535,242
Revenue from shareholders	9,567	11,984

NOTE (13) CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of IFRS 9 “Financial Instruments” and IFRS 15 “Revenue from Contracts with Customers” on the Company’s financial statements and also discloses the new accounting policies that have been applied from 1 January 2018, where they are different to those applied in prior periods.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

(All amounts in US Dollars)

NOTE (13. a) IMPACT ON THE FINANCIAL STATAMENTS

As a result of the changes in the entity's accounting policies, prior year financial statements had not to be restated. As explained in note 13.b.1 and 13.b.2 below, IFRS 9 and IFRS 15 was generally adopted without restating comparative information. The adjustments arising from the new rules are therefore not reflected in the restated balance sheet as at 31 December 2017, but are recognised in the opening balance sheet on 1 January 2018.

The following tables show the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. The adjustments are explained in more detail by standard below.

	December 31, 2017 As originally presented (Audited)	IFRS 9	IFRS 15	January 1, 2018 (Audited)
ASSETS				
Accounts receivable	**12,272,509**	(205,220)	-	**12,067,289**
Equity				
Accumulated losses	**(208,090,504)**	(205,220)	(275,447)	**(208,571,171)**
Current liabilities				
Deferred revenues	**3,684,628**	-	275,447	**3,960,075**

NOTE (13. b) IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers – Impact of adoption

IFRS 9 "Financial Instruments"

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of IFRS 9 "Financial Instruments" from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out in note 13 (c) below. In accordance with the transitional provisions in IFRS 9 comparative figures have not been restated.

There is no impact on the Company's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Company does not have any such liabilities. The derecognition rules have been transferred from IAS 39 Financial Instruments: Recognition and Measurement and have not been changed. Regarding financial assets, the only type that was impacted by IFRS 9 was accounts receivable, taking into consideration that other types of financial assets are also subject to the impairment requirements of IFRS 9. However, the identified impairment loss was immaterial.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
(All amounts in US Dollars)

IFRS 15 "Revenue from Contracts with Customers"

IFRS 15 replaces IAS 18 which covers goods and services contracts and IAS 11 which covers construction contracts. Based on the new standard, revenues are recognised upon the transfer of control of the goods or services to the customer - thus the idea of control replaces the idea of risks and returns.

The adoption of IFRS 15 from January 1, 2018 resulted in changes in accounting policies adjustments to the amounts recognized in the financial statements. The new accounting policies are set out in note 13 (d). In accordance with the transitional provisions in IFRS 15 comparative figures have not been restated.

The only revenue stream that was impacted by IFRS 15 was multi elements arrangements revenues, taking into consideration that other revenue streams such as connection fees and any other revenue recognised over period of time, are also subject to the requirements of IFRS 15. However, the identified change was immaterial.

The total impact of IFRS 9 and IFRS 15 of the company's accumulated losses as at January 1, 2018 is as follows:

	Sub-Notes	
Closing accumulated losses as of December 31, 2017		**(208,090,504)**
Adjustments		
Increase in provision for accounts receivable from adoption of IFRS 9	**13 b 1**	(205,220)
Increase in deferred revenue from adoption of IFRS 15	**13 b 2**	(275,447)
Total adjustments from adoption of IFRS 9 and IFRS 15		**(480,667)**
Opening accumulated losses as of January 1, 2018		**(208,571,171)**

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
(All amounts in US Dollars)

13. b.1 IFRS 9 IMPACT OF ADOPTION – Impairment of financial assets

The only type of financial assets that was subject to IFRS 9's new expected credit loss model was Accounts receivable. The Company was required to revise its impairment methodology under IFRS 9 for accounts receivable. The impact of the change in impairment methodology on the company's accumulated losses and equity is disclosed in the note above. While other types of financial assets are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

The company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all accounts receivable.
To measure the expected credit losses, accounts receivable have been grouped based on share credit risk characteristics and the days past due.

The loss allowance for accounts receivable as at December 31, 2017 reconcile to the opening loss allowances on January 1, 2018 as follows:

As at December 31, 2017-calculated under IAS 39	**6,435,072**
Amounts restated through opening accumulated losses	205,220
Opening loss allowance as at January 1, 2018- calculated under IFRS 9	**6,640,292**

The loss allowance for accounts receivable increased by a further USD 205,220. The loss allowance would have been USD 205,220 lower under the incurred loss model of IAS 39.

Accounts receivable are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Company, and failure to make contractual payments for a period of greater than 360 days past due.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
(All amounts in US Dollars)

13. b.2 IFRS 15 IMPACT OF ADOPTION

The Company adopted IFRS 15 "Revenue from Contracts with Customers" from January 1, 2018 which resulted in changes in accounting policies and adjustments to the amount recognized in the financial statements. In accordance with the transition provision in IFRS 15, the Company has adopted the modified retrospective approach which means that the cumulative impact of the adoption is recognised in retained earnings as of 1 January 2018 and that comparatives will not be restated. The only revenue stream that was impacted by IFRS 15 was multi elements arrangements revenues, taking into consideration that other revenue streams such as connection fees and any other revenue recognised over period of time, are also subject to the requirements of IFRS 15. However, the identified change was immaterial. In summary, the following adjustment was made to the amounts recognised in the balance sheet at the date of initial application January 1, 2018:

Particulars	**Accumulated losses**
Closing balance under IAS 18 (31 December 2017)	**(208,090,504)**
Impact on revenue recognition	
- Multi elements arrangements	(275,447)
- Transit services & value added services	-
- Customer loyalty programme	-
- Connection fees	-
- Any other revenue recognised over period of time	-
Impact on cost recognition	
- Installation cost, commission to third party dealers, marketing expense	-
- Any other cost recognised over period of time	-
Impact on other recognition	
- Royalties & fees on net impact	-
- Related tax impact on net impact	-
Opening balance under IFRS 15 on date of initial application of 1 January 2018	**(208,365,951)**

The deferred revenue increased by a further USD 275,447. The revenues would have been USD 275,447 higher under IAS 18.

NOTE (13. c) IFRS 9 "Financial Instruments" –Accounting policies applied from January 1, 2018

Financial Assets

Classification

From January 1, 2018, the company classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value (either through Other Comprehensive Income (OCI), or through profit or loss), and
- Those to be measured at amortised cost

The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses with either be recorded in profit or loss or OCI.

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS
(All amounts in US Dollars)

Measurement
At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Impairment
From 1 January 2018 and for accounts receivable, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

NOTE (13. d) IFRS 15 Revenue from Contracts with Customers –Accounting policies applied from January 1, 2018

Under IFRS 15, revenue is recognized when a customer obtains control of the goods or service. Determining the timing of transfer of control at the point in time or over time requires judgement. Any other revenue and cost which did not have significant impact on financial statements have not been narrated below as a key changes in accounting policies of the Company.

Connection fees
The Company has determined that connection fee charged for the activation of services will be recognized over the contract period .However, revenue from connection fees which relates at or near contract inception to fulfil that contract, will be recognized when services are provided (i.e. as the identified performance obligations are satisfied). The identified change was immaterial.

Multi elements arrangements (Mobile contract plus handset)
The Company has determined to recognize contract asset on these types of arrangements since its identified performance obligation are satisfied over time (i.e. a receivable arising from the customer contract that has not yet legally come into existence).

Commissions to third party dealers, marketing expenses
The Company has determined that above expenses are incremental in nature while obtaining the contract will be capitalized and amortized as per IFRS 15. Recognized contract assets will be subject to impairment assessment under IFRS 9 requirements. The identified change was immaterial.