

Notes to the condensed consolidated interim financial information for the nine months ended 30 September 2019 (unaudited)

1 Incorporation and activities

Oman Telecommunications Company SAOG (the “Parent Company” or the “Company”) is an Omani joint stock company registered under the Commercial Companies Law of the Sultanate of Oman. The Company’s principal place of business is located at Madinat Al Irfan, Muscat, Sultanate of Oman. The Company’s shares are listed on Muscat Securities Market.

The principal activities of the Company are establishment, operation, maintenance and development of telecommunication services in the Sultanate of Oman.

The Company and its subsidiaries (“the Group”) along with its associates provides telecommunications services in Sultanate of Oman and nine (9) other countries.

2 Basis of preparation

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

The economy of Republic of South Sudan became hyperinflationary in 2016. Accordingly, the results, cash flows and financial position of the Group’s subsidiary in South Sudan have been expressed in terms of the measuring unit current at the reporting date in accordance with IAS 29: Financial Reporting in Hyperinflationary Economies. The methods used to measure the fair value and adjustments made to the account of Group’s entities that operate in the hyperinflationary economies are discussed further in the accounting policies and in the respective notes.

In 2015, the Group noted that the economy of the Republic of Sudan, where the Group has subsidiaries, may be hyperinflationary from the beginning of 2015. This was based on the general price index showing the cumulative three-year rate of inflation exceeding 100% at that time. However, International Accounting Standard, IAS 29: Financial Reporting in Hyperinflationary Economies, does not establish an absolute rate at which hyperinflation is deemed to arise and states that it is a matter of judgment when restatement of financial statements in accordance with this Standard becomes necessary. In addition, the Group noted that in the 2014 International Monetary Fund (IMF) Sudan country report, the cumulative projected three year inflation rate outlook for Sudan in 2017 to be around 57% and thus, applying IAS 29 in 2015, could entail going in and out of hyperinflation within a short period which was confirmed when the Republic of Sudan went out of hyperinflation in 2016. The Republic of Sudan has been again declared as hyperinflationary in 2018. Based on the above matters, the Group believes that there is no definitive basis to apply IAS 29 at this stage. However, the Group will review it on an ongoing basis, accordingly it has not quantified the impact of applying IAS 29 in 2018 and as of 30 September 2019.

This condensed interim financial information does not contain all of the information and disclosures required for complete financial statements prepared in accordance with International Financial Reporting Standards. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Results for the interim period are not necessarily indicative of the results that may be expected for the year ending 31 December 2019, including the impact of the matter stated above regarding application of IAS 29. For further information, refer to the audited consolidated financial statements and notes thereto for the year ended 31 December 2018.

**Notes to the condensed consolidated interim financial information
for the nine months ended 30 September 2019 (unaudited) (continued)**

2 Basis of preparation (continued)

Changes in accounting policy and disclosures

The accounting policies used in the preparation of the condensed consolidated interim financial information are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2018. However, the Group has adopted IFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore, recognised in the opening balance sheet on 1 January 2019.

Other amendments and interpretations apply for the first time in 2019, but do not have an impact on the condensed interim financial information of the Group.

Financial support to associate and group companies

The Group has committed to provide working capital and other financial support to certain subsidiaries including Mobile Telecommunications Company Saudi Arabia (“SMTC”), Zain Jordan, Al Khatem and Zain South Sudan whose working capitals are in deficit. Based on business plans, the Group does not expect these conditions will have a material adverse impact on the operations of these Group companies.

3 Impact of changes in accounting policies due to adoption of new standards

The key changes to the Group’s accounting policies resulting from its adoption of IFRS 16 is summarized below:

From 1 January 2019, the Group recognizes operating leases to which the Group is a lessee as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use. Each lease payment is allocated between liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset’s useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

**Notes to the condensed consolidated interim financial information
for the nine months ended 30 September 2019 (unaudited) (continued)**

**3 Impact of changes in accounting policies due to adoption of new standards
(continued)**

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Payments associated with leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Low-value assets comprise IT-equipment and small items of office furniture.

The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial applications.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as ‘operating leases’ under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee’s incremental borrowing rate as of 1 January 2019.

	RO’000
Operating lease commitments disclosed as at 31 December 2018	318,094
Discounted using the lessee’s incremental borrowing rate of at the date of initial application	279,795
	279,795
Lease liability recognised as at 1 January 2019	279,795
Of which are:	
Current lease liabilities	77,790
Non-current lease liabilities	202,005
	279,795

The weighted average lessee’s incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 6.38%. Interest expense on lease liabilities amounted to RO 12.8 million for the period ended 30 September 2019.

(a) Net impact from the adoption of IFRS 16 on opening retained earnings and non-controlling interests as at 1 January 2019 is as follows:

	RO ’000		
	31 December 2018	Increase/ decrease	1 January 2019
Right of use of assets (including held for sale assets)	-	271,542	271,542
Trade and other receivables	824,668	(41,253)	783,415
Lease liabilities	-	279,795	279,795
Accrued expenses	977,910	(437)	977,473
Retained earnings	412,844	(6,991)	405,853
Non- controlling interests	2,066,039	(42,072)	2,023,967

**Notes to the condensed consolidated interim financial information
for the nine months ended 30 September 2019 (unaudited) (continued)**

**3 Impact of changes in accounting policies due to adoption of new standards
(continued)**

The following table summarizes the impact on Group's condensed consolidated statement of financial position as of 30 September 2019:

Statement of financial position	As reported RO'000	IFRS 16 RO'000	Amounts without adoption of IFRS 16 RO'000
Current assets			
Cash and bank balances	503,806	-	503,806
Trade and other receivables	820,259	27,182	847,441
Contract assets	98,112	-	98,112
Inventories	62,180	-	62,180
Investment securities at FVTPL	18,803	-	18,803
Investment securities at amortised cost	1,000	-	1,000
Assets of disposal group held for sale	20,171	(10,730)	9,441
	<u>1,524,331</u>	<u>16,452</u>	<u>1,540,783</u>
Non-current assets			
Contract assets	25,437	-	25,437
Investment securities at FVTPL	30,582	-	30,582
Investment securities at FVOCI	6,349	-	6,349
Investment securities amortised cost	2,000	-	2,000
Investments in associates and joint ventures	106,177	-	106,177
Other assets	19,923	-	19,923
Property and equipment	2,046,455	-	2,046,455
Right of use assets	236,339	(236,339)	-
Intangible assets and goodwill	3,574,456	-	3,574,456
	<u>6,047,718</u>	<u>(236,339)</u>	<u>5,811,379</u>
Total assets	<u>7,572,049</u>	<u>(219,887)</u>	<u>7,352,162</u>
Current liabilities			
Trade and other payables	1,361,707	-	1,361,707
Contract liability	138,491	-	138,491
Lease liabilities	55,542	(55,542)	-
Liabilities of disposal group held for sale	6,209	(6,209)	-
Borrowings	352,152	-	352,152
	<u>1,914,101</u>	<u>(61,751)</u>	<u>1,852,350</u>
Non-current liabilities			
Other non-current liabilities	603,904	-	603,904
Lease liabilities	197,836	(197,836)	-
Borrowings	2,280,515	-	2,280,515
	<u>3,082,255</u>	<u>(197,836)</u>	<u>2,884,419</u>

**Notes to the condensed consolidated interim financial information
for the nine months ended 30 September 2019 (unaudited) (continued)**

**3 Impact of changes in accounting policies due to adoption of new standards
(continued)**

Impact of adoption of IFRS 16 on the condensed consolidated interim statement of financial position as of 30 September 2019 (continued) :

Balance Sheet	As reported RO'000	IFRS 16 RO'000	Amounts without adoption of IFRS 16 RO'000
Equity			
Attributable to the Group's shareholders			
Share capital	75,000	-	75,000
Legal reserve	25,000	-	25,000
Voluntary reserve	49,875	-	49,875
Capital reserve	36,893	-	36,893
Capital contribution	7,288	-	7,288
Foreign currency translation reserve	(59,961)	-	(59,961)
Investment fair valuation reserve	(1,432)	-	(1,432)
Hedging reserve	(3,475)	-	(3,475)
Other reserves	39	-	39
Retained earnings	421,033	4,746	425,779
	<hr/>	<hr/>	<hr/>
	550,260	4,746	555,006
Non-controlling interests	2,025,433	34,954	2,060,387
	<hr/>	<hr/>	<hr/>
Total equity	2,575,693	39,700	2,615,393
	<hr/>	<hr/>	<hr/>
Total liabilities and equity	7,572,049	(219,887)	7,352,162
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**Notes to the condensed consolidated interim financial information
for the nine months ended 30 September 2019 (unaudited) (continued)**

**3 Impact of changes in accounting policies due to adoption of new standards
(continued)**

The following table summarizes the impact on the condensed consolidated statement of profit or loss for the nine-month period ended 30 September 2019.

	As reported RO'000	IFRS 16 RO'000	Amounts without adoption of IFRS 16 RO'000
Revenue	1,893,360	-	1,893,360
Cost of sales	(519,714)	(2,645)	(522,359)
	<u>1,373,646</u>	<u>(2,645)</u>	<u>1,371,001</u>
Operating and administrative expenses	(522,805)	(73,936)	(596,741)
Depreciation and amortization	(460,177)	54,282	(405,895)
Expected credit loss on financial assets	(35,452)	-	(35,452)
Operating profit	<u>355,212</u>	<u>(22,299)</u>	<u>332,913</u>
Interest income	10,401	-	10,401
Investment income	(76)	-	(76)
Share of results of associates and joint ventures	2,244	-	2,244
Other (expense) / income	6,794	-	6,794
Finance costs	(145,313)	12,840	(132,473)
Loss from currency revaluation	(9,814)	-	(9,814)
Net monetary gain	6,712	-	6,712
Profit before taxation	<u>226,160</u>	<u>(9,459)</u>	<u>216,701</u>
Taxation	(27,907)	96	(27,811)
Profit for the period	<u>198,253</u>	<u>(9,363)</u>	<u>188,890</u>
Attributable to:			
Shareholders of the Company	52,682	(2,245)	50,437
Non-controlling interest	145,571	(7,118)	138,453
	<u>198,253</u>	<u>(9,363)</u>	<u>188,890</u>

The recognized right-of-use assets relate to the following types of assets:

	Land and building RO'000	Cellular and other equipment RO'000
Balance as of 1 January 2019	224,551	39,546
Add: additions	29,692	1,944
Less: amortisations	(43,081)	(11,201)
Retirement	(3,855)	(1,257)
Closing balance as at 30 September 2019 (excluding assets of disposal group classified as held for sale)	<u>207,307</u>	<u>29,032</u>

Land and building comprises mainly of telecommunication sites on lease.

**Notes to the condensed consolidated interim financial information
for the nine months ended 30 September 2019 (unaudited) (continued)**

**3 Impact of changes in accounting policies due to adoption of new standards
(continued)**

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application;
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17 and IFRIC 4 *Determining whether an Arrangement contains a Lease*.

The net impact on retained earnings on 1 January 2019 was a decrease of RO 6.99 million.

The Group's leasing activities and how these are accounted for

The Group mostly leases indoor and outdoor spaces for installation of its telecommunications sites. Rental contracts are typically made for fixed periods of 1 to 8 years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until the 2018 financial year, these leases were classified as operating leases. Payments made under operating leases were charged to profit or loss on a straight-line basis over the period of the lease.

Significant judgments and estimates

The preparation of the condensed consolidated interim financial information requires management to make judgments, estimates and assumptions that affects the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. The significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Group's annual consolidated financial statements for the year ended 31 December 2018, except as mentioned below:

Extension and termination options in lease contracts

Extension and termination options are included in a number of leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable both by the Group and the respective lessor.

**Notes to the condensed consolidated interim financial information
for the nine months ended 30 September 2019 (unaudited) (continued)**

**3. Impact of changes in accounting policies due to adoption of new standards
(continued)**

Extension and termination options in lease contracts (continued)

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

Discounting of lease payments

The lease payments are discounted using the Group's incremental borrowing rate ("IBR") of the Company or the subsidiary, as applicable. Management has applied judgments and estimates to determine the IBR at the commencement of lease.

4. Cash and bank balances

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

	Unaudited 30 September 2019 RO'000	Audited 31 December 2018 RO'000
Cash on hand and at banks	284,703	290,333
Short-term deposits with banks	223,196	217,851
Government certificates of deposits held by subsidiaries	133	126
	508,032	508,310
Expected credit loss	(4,226)	(4,887)
	503,806	503,423
Cash at bank under lien	(9,370)	(9,355)
Deposits with maturity exceeding three months	(3,674)	(3,000)
Government certificates of deposits with maturities exceeding three months	(133)	(126)
Cash and cash equivalent in the condensed consolidated statement of cash flows	490,629	490,942

5. Assets and liabilities of disposal group held-for-sale

This represents the carrying value of telecom tower assets amounting to RO 9.441 million (31 December 2018 – RO 9.453 million) and right of use of assets amounting to RO 10.730 million (31 December 2018 – Nil) in Kuwait and its related lease liabilities amounting to RO 6.209 million (31 December 2018 – Nil), classified as held for sale, on the basis that management is committed to a plan to sell these assets to a Tower Company. The Company will be the anchor tenant on commercial terms on each of the towers being sold and the transaction is expected to close in 2019, subject to customary closing conditions.

**Notes to the condensed consolidated interim financial information
for the nine months ended 30 September 2019 (unaudited) (continued)**

6. Investments in associates and joint ventures

6.1 Investments in associates

The Group has interests in associates with a carrying value of RO 13.800 million (31 December 2018- RO 9.818 million).

Carrying value of RO 13.800 million includes an amount of RO 5.132 million representing a 40% interest acquired in Majan Telecommunications LLC (Renna) on 25 June 2019. Pursuant to a shareholder agreement with the Company has a right to cast 40% of the votes at shareholder meetings and a right to appoint two out of five directors in the Board of directors of Renna.

6.2 Interest in joint ventures

The Group's interest in joint ventures comprise the following:

- a) Carrying amount of RO 89.000 million (31 December 2018 - RO 86.200 million) represents interest in the joint venture, Zain Al Ajial S.A. that owns 31% of the equity shares and voting rights of Wana Corporate (a Moroccan joint stock company that is specialized in the telecom sector in that country).
- b) Carrying amount of RO 3.300 million (31 December 2018-RO 3.851 million) represents interest in Equinox Muscat LLC.

7. Property and equipment

	Unaudited 30 September 2019 RO'000	Audited 31 December 2018 RO'000
Net fixed assets	1,910,106	1,793,727
Capital work in progress	136,349	226,259
	2,046,455	2,019,986

During the nine months period ended 30 September 2019, the Group acquired property and equipment amounting to RO 236.100 million (30 September 2018: RO 180.400 million). Depreciation charged for the period amounted to RO 256.500 million (30 September 2018: RO 196.900 million).

8. Intangible assets and goodwill

	Unaudited 30 September 2019 RO'000	Audited 31 December 2018 RO'000
Intangible assets	2,533,435	2,539,627
Goodwill	1,041,021	1,040,037
	3,574,456	3,579,664

During the nine months period ended 30 September 2019, the Group acquired intangible assets amounting to RO 158.9 million (30 September 2018: RO 27.1 million). Amortisation charged for the period amounted to RO 149.54 million (30 September 2018: RO 107.399 million)

Oman Telecommunications Company SAOG and its subsidiaries

17

Notes to the condensed consolidated interim financial information for the nine months ended 30 September 2019 (unaudited) (continued)

9. Borrowings

	Unaudited 30 September 2019	Audited 31 December 2018
	RO'000	RO'000
Borrowings from Banks		
<u>Parent Company</u>		
Long term loans (Note 9.1)	134,937	132,221
<u>Oztel</u>		
Long term loan (Note 9.1)	139,910	139,284
<u>Oman Data Park</u>		
Long term loan	7,076	7,165
Finance lease obligation	27	33
Zain Group		
<u>Mobile Telecommunications Company – Kuwait (Note 9.3)</u>		
Short term loans	99,642	136,966
Long term loans	786,351	753,311
<u>Zain Jordan</u>		
Long term loan	-	5,278
<u>SMTC</u>		
Long term loans (Note 9.4)	670,927	701,465
<u>Atheer – Iraq</u>		
Long term loans (Note 9.5)	210,983	188,991
Others	16	27
Total borrowings from banks	2,049,869	2,064,741
Oztel - bonds - long term loan (Note 9.2)	582,798	572,935
Total borrowings	2,632,667	2,637,676
The current and non-current amounts for the Group are as follows:		
Current liabilities	352,152	555,941
Non-current liabilities	2,280,515	2,081,735
	2,632,667	2,637,676

**Notes to the condensed consolidated interim financial information
for the nine months ended 30 September 2019 (unaudited) (continued)**

9. Borrowings (continued)

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

	Unaudited 30 September 2019 RO'000	Audited 31 December 2018 RO'000
US Dollar	2,008,657	2,263,015
Saudi Riyals	553,998	337,462
Kuwaiti Dinar	62,893	24,694
Omani Rial	7,103	12,505
Others	16	-
	<u>2,632,667</u>	<u>2,637,676</u>

The effective interest rate of the Group as at 30 September 2019 was 2.22% to 6.99% (31 December 2018 - 2.42% to 6.99%) per annum.

Compliance with debt covenants

The Parent Company is compliant with the principal covenant ratios, which include:

- Net borrowings to earnings before interest tax depreciation and amortization (EBITDA) at consolidated level excluding Zain group.
- Interest coverage ratio.

Zain Group is compliant with the principal covenant ratios, which include:

- consolidated net borrowings to adjusted consolidated Earnings Before Interest Tax Depreciation and amortisation (EBITDA);
- adjusted consolidated EBITDA to adjusted consolidated net interest payable;
- equity to total assets.

9.1 Parent Company & Oztel Holding SPC (Oztel)

The Parent Company acquired a term loan of USD 800 million in year 2017 from a consortium of banks for financing the acquisition of shares in Mobile Telecommunication Company (Zain Group). The Parent Company transferred USD 435.225 million representing the offshore part of the term loan to its wholly owned subsidiary Oztel Holding SPC (Oztel). The remaining amount of USD 364.775 million is retained by the Parent Company. The term loan is payable in five equal annual installments for an amount of 15% of the principal amount and the remaining amount of 25% is payable at the end of the term loan period. The loan is secured by way of a pledged on the acquired shares of the Zain Group. The first interest period for the loan is set at 8 months from the date of drawdown and thereafter at 3-month intervals until the date of repayment.

On 22 October 2019, the Parent Company and Oztel signed an amendment to the term loan of USD 680 million whereby the term of the loan is extended by 2 years with a corresponding relief on the instalment payment for years 2019 and 2020. From the year 2021, the term loan is repayable in four annual instalments of USD 170 million. The margin on the term loan was also reduced to 2.55% from the earlier rate of 2.90%. The effect of amendment will be accounted in year end financial statements.

**Notes to the condensed consolidated interim financial information
for the nine months ended 30 September 2019 (unaudited) (continued)**

9. Borrowings (continued)

- Long-term loans comprise an outstanding balance of RO 7.100 million (31 December 2018: RO 7.2) million from National Bank of Oman and is repayable in 16 quarterly instalments commencing from 30 September 2017. The loan is unsecured.
- Export credit loan with an outstanding balance of USD 28.300 million (RO 10.862 million) (31 December 2018: RO 12.3 million) from a consortium of banks to finance the procurement of capital equipment. The facility carries an interest of 2.28% p.a (31 December 2018: 3.64% p.a) and was utilized in the following tranches:
 - a) Tranche 1 with an outstanding balance of USD 15.4 million (RO 6.034 million) (31 December 2018: RO 5.8 million) is repayable in semiannual instalments commencing from November 2018.
 - b) Tranche 2 with an outstanding balance of USD 12.9 million (RO 4.828 million) is repayable in semiannual instalments commencing from May 2019.

9.2 Bonds issued by Oztel Holdings SPC Limited (Oztel)

On 24 April 2018, Oztel completed the listing of USD 1.5 billion (RO 577.8 million) which was used to repay the bridge loan. The issued bonds are denominated in US Dollars, listed on the Irish stock exchange and consists of the following tranches:

- a) 5.5 years tranche USD 600 million with coupon rate of 5.63%. The bonds are due for payment in year 2023. The effective interest rate on the bond is 6.05%. The fair value of the bond is USD 615 million.
- b) 10 years tranche USD 900 million with coupon rate of 6.63%. The bonds are due for payment in year 2028. The effective interest on the bond is 7.09%. The fair value of the bond is USD 902.7 million.
- c) The bonds are secured by way of a pledge on the acquired shares in Zain Group and is guaranteed by the Parent Company.

9.3 Mobile Telecommunications Company K.S.C.P – Kuwait

These facilities carry a floating interest rate of a fixed margin over three or six month London inter-bank offer rate (LIBOR) or over Central Bank discount rate.

**Notes to the condensed consolidated interim financial information
for the nine months ended 30 September 2019 (unaudited) (continued)**

9. Borrowings (continued)

9.4 Saudi Mobile Telecommunication Company (SMTC) - KSA

Long-term loans include:

- SAR 4,463 million (RO 449.800 million) (31 December 2018: RO 474.5 million) syndicated murabaha facility availed from a consortium of banks. In June 2018, SMTC refinanced and extended the maturity of the syndicated Murabaha facility that was maturing in 2018 to a SAR 5,900 million (RO 593.41 million) facility maturing in June 2023 which includes a working capital facility of SAR 647.3 million (RO 65.1 million) for two years. During the third and fourth quarters of the previous year, SMTC made early voluntary payments amounting to SAR 1,125 million (RO 112.81 million). During the second quarter of the current year SMTC made an early voluntary payment amounting to SAR 300 million (RO 30.2 million).

The murabaha facility is secured partially by a guarantee from the Zain Group and a pledge of the Zain Group's and some of the Zain Group founding shareholders' shares in SMTC and assignment of certain contracts and receivables.

Under the murabaha financing agreement, SMTC can declare dividend or other distribution in cash or in kind to shareholders, provided SMTC is in compliance with all its obligations under the agreement.

- SAR 2,250 million (RO 225.3 million) syndicated junior murabaha facility signed in June 2019 from a consortium of banks with a two year tenure with an option to extend for one more year. This loan was drawn down in Aug 2019 to settle the existing SAR 2,269 million (RO 227.1 million) long-term loan commercial loan that matured. This loan is fully secured by a guarantee by MTC Kuwait.

9.5 Atheer Telecom Iraq Limited (Atheer)

Long-term loans include:

- Term loan from a commercial bank amounting to US\$ 250 million (RO 93.700 million) (31 December 2018: RO 93.820 million) that is repayable by 17 December 2019.
- Term loan from a commercial bank amounting to US\$ 55 million (RO 20.500 million) (31 December 2018: RO 20.642 million) which is repayable by 31 March 2020.
- Term loan from a commercial bank amounting to US\$ 50 million (RO 18.750 million) (31 December 2018: RO 18.764 million) which is repayable by 30 April 2020.
- Term loan from a commercial bank amounting to US\$ 50 million (RO 18.750 million) (31 December 2018: RO 18.764 million) which is repayable by 09 April 2021.
- Term loan from a financial institution amounting to US\$ 157.783 million (RO 59.283 million) (31 December 2018: RO 37.520 million) which is repayable by 31 May 2025.

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

**Notes to the condensed consolidated interim financial information
for the nine months ended 30 September 2019 (unaudited) (continued)**

10 Other non-current liabilities

	30 September 2019	31 December 2018
	RO'000	RO'000
Payable to Ministry of Finance- Saudi Arabia (Refer note below)	336,274	289,845
Due to CITC - Saudi Arabia for acquisition of spectrum	92,383	41,633
Customer deposits	11,236	12,945
Post-employment benefits	49,848	45,019
Others	114,163	110,514
	<hr/> 603,904 <hr/>	<hr/> 499,956 <hr/>

During 2013, SMTC signed an agreement with Ministry of Finance-Kingdom of Saudi Arabia to defer payments that are due until 2021. These amounts will be repaid in seven instalments starting June 2021.

11. Share capital

The authorized, issued and fully paid up share capital as of 30 September 2019 is 750,000,000 shares (31 December 2018 –750,000,000) of RO 100 Baisa each.

12. Dividend

The annual general meeting of shareholders for the year ended 31 December 2018 held on 28 March 2019 approved distribution of cash dividends of RO 0.050 (31 December 2017 – RO 0.050) per share amounting to RO 37,500,000 (31 December 2017 - RO 37,500,000).

13. Reserves

Legal reserve

In accordance with the Oman Commercial Companies Law of 2019, as amended, annual appropriations of 10% of the profit for the year are made to this reserve until the accumulated balance of the reserve is equal to one third of the value of the respective Omani entity's paid-up share capital. This reserve is not available for distribution. As the reserve equals one third of paid up share capital, the Parent Company has discontinued the transfer.

Voluntary reserve

In accordance with the Board of Directors' Resolution No.16T/5/2000, the Parent Company transfer 10% of its annual net profits to a distributable voluntary reserve until it becomes equal to one-half of the Parent Company's paid up share capital. As the reserve equals at least half of paid up share capital, the Parent Company has discontinued the transfer.

**Notes to the condensed consolidated interim financial information
for the nine months ended 30 September 2019 (unaudited) (continued)**

13. Reserves (continued)

Capital contribution

On 11 February 2004, the Telecommunications Regulatory Authority (TRA) of the Sultanate of Oman issued licences to the Parent Company for mobile and fixed line telecommunication services at a cost of RO 500,000 and RO 200,000 and for periods of 15 and 25 years, respectively.

The Parent Company engaged an independent firm of consultants to determine the fair value of the licences as at 11 February 2004, who determined the fair value of the fixed and mobile licences as being in the amount of approximately RO 44.881 million (31 December 2018 : RO 44.881 million).

The basis of the valuation was on an assessed open market value of the licences under their current terms as they would apply to a new company obtaining the licences. The reason for adopting the assumption of a 'new company' was in order to differentiate the value of the licences from the other intangible assets that the Parent Company owns. Accordingly, the value attached to the licences is not a 'special value' to the Group of the licences and does not reflect the full value of the intangible assets enjoyed by the Parent Company.

The excess of the valuation of the Parent Company's licences over the amounts paid to the TRA, representing a fair value gain of RO 44.181 million (31 December 2018 : RO 44.181 million) has been recognised as a non-distributable capital contribution within equity.

The mobile licence of the Parent Company expired in February 2019 and upon renewal of the licence the fair value portion relating to previous Mobile licence amounting to RO 36.893 million was transferred to the capital reserve.

Capital reserve

This is a non-distributable reserve and represents the fair value portion of the previous Mobile licence, which expired in February 2019.

Foreign currency translation reserve

Exchange differences relating to the translation of assets and liabilities from the functional currency of the Group's foreign operations into Rials Omani are recorded directly in the foreign currency translation reserve.

Fair value reserve

The fair value reserve arises on the revaluation of financial assets. Where a revalued financial asset is sold, the portion of the reserve that relates to that financial asset, and is effectively realised, is recognised in the statement of profit or loss. Where a revalued financial asset is impaired, the portion of the reserve that relates to that financial asset is recognised in the statement of profit or loss.

**Notes to the condensed consolidated interim financial information
for the nine months ended 30 September 2019 (unaudited) (continued)**

13. Reserves (continued)

Hedge reserve

The hedging reserve is used to record gains or losses on derivatives that are designated and qualify as cash flow hedges and that are recognised in comprehensive income. Amounts are reclassified to statement of profit or loss when the associated hedged item affects profit or loss.

14. Investment income

	Three months ended 30 September (Unaudited)		Nine months ended 30 September (Unaudited)	
	2019	2018	2019	2018
	RO'000	RO'000	RO'000	RO'000
Profit / (loss) from investment securities at fair value through profit or loss (FVTPL)	(49)	1,134	(1,111)	881
Dividend income	79	276	1,035	1,171
	30	1,410	(76)	2,052

15. Earnings per share

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

	Three months ended 30 September (Unaudited)		Nine months ended 30 September (Unaudited)	
	2019	2018	2019	2018
	RO'000	RO'000	RO'000	RO'000
		(Restated)		(Restated)
Profit for the period attributable to shareholders	19,517	10,679	52,682	43,591
	Shares	Shares	Shares	Shares
Weighted average number of shares in issue outstanding during the period	750,000,000	750,000,000	750,000,000	750,000,000
Earnings per share – basic and diluted (RO)	0.026	0.014	0.070	0.058

16. Segmental information

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

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

Notes to the condensed consolidated interim financial information
for the nine months ended 30 September 2019 (unaudited) (continued)

16. Segmental information (continued)

	30 September 2019 (unaudited)								
	Oman	Kuwait	Jordan	Sudan	Iraq	Bahrain	KSA	Others	Total RO '000
Segment revenues- airtime, data and subscription (Point over time)	381,000	238,388	132,614	80,471	294,071	37,227	539,510	18,541	1,721,822
Segment revenues- (Point in time)	15,308	66,967	4,959	568	1,422	8,095	74,167	52	171,538
Net profit before interest and tax	70,895	58,184	29,665	17,166	33,324	2,070	108,651	10,117	330,072
Interest income	1,182	288	359	971	1,188	182	2,001	337	6,508
Finance costs	(2,204)	(377)	(6,745)	(224)	(17,470)	(831)	(78,207)	(111)	(106,169)
Income tax expense	(10,523)	-	(7,029)	(5,060)	(4,318)	-	-	(484)	(27,414)
	59,350	58,095	16,250	12,853	12,724	1,421	32,445	9,859	202,998
<i>Unallocated items:</i>									
Investment income									(76)
Share of results of associates and joint ventures									2,244
Others (refer note below)									(6,912)
Profit for the period									198,253
Segment assets including goodwill	970,764	1,005,470	551,403	149,224	948,812	130,078	3,150,081	97,434	7,003,266
ROU assets	20,540	6,820	18,487	1,800	38,084	8,938	141,243	427	236,339
<i>Unallocated items:</i>									
Investment securities at fair value through profit or loss									49,385
Investment securities at amortised cost									3,000
Investment securities at FVOCI									6,349
Investment in associates and joint ventures									106,177
Others									167,533
Consolidated assets									7,572,049
Segment liabilities	287,074	150,970	160,741	56,687	188,608	32,794	1,577,950	85,961	2,540,785
Lease liabilities (Current and non-current)	21,102	6,530	18,878	1,927	42,167	9,433	152,876	465	253,378
Due to banks	24,772	-	-	-	210,983	-	670,927	16	906,698
<i>Unallocated items:</i>	332,948	157,500	179,619	58,614	441,758	42,227	2,401,753	86,442	3,700,861
Due to banks									1,725,969
Others									(430,474)
Consolidated liabilities									4,996,356
Net consolidated assets									2,575,693
Capital expenditure incurred during the period	148,055	37,513	5,753	2,435	28,701	13,953	120,778	104	357,292
Unallocated									3,504
Total capital expenditure									360,796
Depreciation and amortization	78,654	54,254	28,583	7,568	74,453	10,438	146,160	4,177	404,287
Amortisation of ROU assets	7,185	3,307	2,971	151	6,504	2,846	30,290	866	54,120
Unallocated									1,770
Total depreciation and amortization									460,177

Others include an amount of RO 39.144 Million (2018- RO 43.600 Million) representing interest costs on borrowings relating to acquisition of shares in Zain Group.

**Notes to the condensed consolidated interim financial information
for the nine months ended 30 September 2019 (unaudited) (continued)**

17. Related party transactions

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

Transactions

	Three months ended 30 September (Unaudited)		Nine months ended 30 September (Unaudited)	
	2019 RO'000	2018 RO'000	2019 RO'000	2018 RO'000
Revenue	1,758	808	2,904	1,535
Purchase of goods and services	1,308	2,118	4,533	4,015
Management fee (included in other income)	-	1,309	-	2,530
Interest income on loans to an associate	-	7,334	-	14,471
Purchase of Property and equipment from associate	1,504	1,993	5,752	1,993

Key management compensation

Salaries and other short term employee benefits	489	783	2,514	2,307
Post-employment benefits	29	52	107	109

Balances

	Unaudited 30 September 2019 RO'000	Audited 31 December 2018 RO'000
Trade receivables	2,875	-
Trade payables	1,042	1,920

18(a). Commitments and contingencies

Capital expenditure	390,605	237,259
Uncalled share capital of investee companies	551	1,189
Letters of guarantee and credit	115,370	102,340
Investments	312	1,128

Zain Group is a guarantor for credit facilities amounting to RO 9 million (31 December 2018 - RO 9 million) granted to a founding shareholder in SMTC believes that the collateral provided by the founding shareholder to the bank, covers the credit facilities.

**Notes to the condensed consolidated interim financial information
for the nine months ended 30 September 2019 (unaudited) (continued)****18(b). Claims**

The Parent Company during financial year 2015 received demand notice amounting to RO 4.4 million (31 Dec 2018- RO 4.4 million) from the Telecommunication Regulatory Authority (TRA) towards additional royalty payable for the prior years on certain categories of wholesale revenue. The Parent Company has paid RO 2.2 million (31 December 2018-RO 2.2 million) under protest to TRA. Based upon legal opinion and interpretation of the relevant provisions of the Parent Company's license terms, the management believes that the additional royalty amount is not payable.

Claims pertaining to Zain Group***Income and capital gains taxes in Iraq***

During the period 2012 to 2014, Atheer received additional income tax claims for the years 2004 to 2010 from Iraq General Commission for Taxes (IGCT). In November 2016, Atheer signed an agreement with Iraq's Ministry of Finance under which it obtained the right to submit its objection to the additional income tax claimed by the IGCT amounting to USD 244 million (RO 91.4 million) (31 December 2018: RO 91.4 million) and submitted its objections against the tax claim objecting to the full amount of the claim. On 15 October 2019, the Appeals Committee of IGCT issued its decision to reduce the amount of claim to USD 109.75 million (RO 41.1 million). There is no indication that any appeal has been submitted by IGCT against this decision within the allowed period of 15 days. As on 30 September 2019, the Group carries adequate provision to cover its income tax liabilities.

Pella

Pella is a defendant in lawsuits amounting to RO 41.2 million (31 December 2018 – RO 15.3 million). Based on the report of its attorneys, the Group expects the outcome of these proceedings to be favorable to Pella. Pella has initiated legal proceedings against the claim by regulatory authorities of RO 11.77 million (31 December 2018 - RO 11.77 million) for the years 2002 - 2005 on the grounds that it has already paid the amount that it was obligated to pay for those years. Based on the report of its attorneys, the Group expects the outcome to be favorable to Pella. Pella has also initiated legal proceedings against the regulatory authorities claiming refund of excess license fee paid amounting to RO 14.450 million (31 December 2018 - RO 14.450 million) of earlier years. The outcome of the above matter cannot be assessed at this stage, as it is dependent on several legal, regulatory and other technical aspects.

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

**Notes to the condensed consolidated interim financial information
for the nine months ended 30 September 2019 (unaudited) (continued)**

19. Financial instruments

Categories of financial assets and liabilities

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

	(Unaudited) 30 September 2019 RO'000	(Audited) 31 December 2018 RO'000
Financial assets amortised costs:		
Cash and bank balances	503,806	503,423
Trade and other receivables	608,913	726,369
Contract assets (current and non-current)	123,549	114,835
Investment securities at amortised cost	3,000	3,000
Other assets	-	1,283
Investment securities – FVTPL	49,385	62,706
Investment securities – FVOCI	6,349	8,692

All financial liabilities are categorized as 'other than at fair value through profit or loss'.

Fair value hierarchy for financial instruments measured at fair value

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

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

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

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

30 September 2019 (unaudited)	Level 1 RO'000	Level 2 RO'000	Level 3 RO'000	Total RO'000
Financial assets at fair value:				
Investments securities at fair value through profit or loss	8,836	34,342	6,207	49,385
Investments securities at fair value through comprehensive income	1,461	1,138	3,750	6,349
Total assets	<u>10,297</u>	<u>35,480</u>	<u>9,957</u>	<u>55,734</u>
31 December 2018 (audited)				
Financial assets at fair value:				
Investments securities at fair value through profit or loss	15,326	41,055	6,325	62,706
Investments securities at fair value through comprehensive income	1,250	1,080	6,362	8,692
Total assets	<u>16,576</u>	<u>42,135</u>	<u>12,687</u>	<u>71,398</u>

Measurement at fair value

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

Notes to the condensed consolidated interim financial information for the nine months ended 30 September 2019 (unaudited) (continued)

20. Hyperinflation – Zain South Sudan

Net monetary gain

The Republic of South Sudan economy had become hyperinflationary in 2016. Accordingly, the results, cash flows and financial position of the Group's subsidiary in South Sudan have been expressed in terms of the measuring unit current at the reporting date in accordance with IAS 29 Financial Reporting. The effect on the net monetary position is included in the Condensed Consolidated Statement of Profit or Loss as 'net monetary gain'.

The general price indices used in adjusting the results, cash flows and the financial position of Zain South Sudan set out below is based on the Consumer Price Index (CPI) published by South Sudan Bureau for Statistics.

	Index	Conversion factor
30 September 2019	11,087	1.0
31 December 2018	6,306	1.46
31 December 2017	4,502	2.04
31 December 2016	2,068	4.44
31 December 2015	357	25.72
31 December 2014	170	54.01
31 December 2013	155	59.23

Provision for impairment loss on property and equipment

In March 2018, the Group had assessed that the carrying value of its network assets at Zain South Sudan exceeded their recoverable amount as determined by their fair value less cost of disposal and recorded an impairment loss of RO 12.100 million (31 December 2018: 12.100 million).

21. Derivative financial instruments

The table below shows the positive and negative fair values of derivative financial instruments, together with the notional amounts analyzed by the term to maturity. The notional amount is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured.

The notional amounts indicate the volume of transactions outstanding at the year-end and are not indicative of either market or credit risk. All derivative contracts are fair valued based on observable market data.

	Positive fair value RO '000	Negative fair value RO '000	Notional amount RO '000
At 30 September 2019			
<i>Derivatives held for hedging:</i>			
<i>Cash flow hedges</i>			
Interest rate swap- Parent Company	-	811	69,849
Interest rate swap- Oztel	-	1,568	139,699
Profit rate swaps - Zain Group	-	1,096	298,217
At 31 December 2018			
<i>Derivatives held for hedging:</i>			
<i>Cash flow hedges</i>			
Interest rate swap-Parent Company	799	-	69,849
Interest rate swap-Oztel	1,502	-	139,699
Profit rate swaps – Zain Group	-	2,159	297,995

**Notes to the condensed consolidated interim financial information
for the nine months ended 30 September 2019 (unaudited) (continued)**

22. Comparative figures

- i) The accounting effect of purchase price allocation was incorporated as of the acquisition date - 12 November 2017 resulting in a restatement of the results of the comparative periods. The impact of the restatement on prior year's condensed consolidated statements of profit or loss income and other comprehensive income is provided in the below table:

Statement of profit or loss

	As reported RO'000	Restated RO'000
Depreciation and amortisation	(269,153)	(305,311)
Fair value gain / (loss) on the previously held equity interest	18,060	(15,694)
Share of results of associate and Joint venture	(4,001)	(5,480)
Profit before taxation	215,433	144,042
Taxation	(31,127)	(31,127)
Profit for the year	<u>184,306</u>	<u>112,915</u>
Attributable to:		
Equity holders of the Parent Company	58,593	43,591
Non-controlling interest	125,713	69,324
	<u>184,306</u>	<u>112,915</u>
Statement of other comprehensive income		
Profit for the year	<u>184,306</u>	<u>112,915</u>
<i>Other comprehensive income</i>		
Exchange differences arising on translation of foreign operations	(113,630)	(137,091)
Cash flow hedges	6,100	6,100
Share in associate transferred to consolidated statement of profit or loss on business combination	(94)	15,694
Net other comprehensive income for the year from continuing operations	<u>(107,624)</u>	<u>(115,297)</u>
<i>Other comprehensive expense not to be reclassified to profit or loss in subsequent periods</i>		
Changes in the fair value of equity investments at FVOCI	(1,014)	(1,014)
Total comprehensive income for the year	<u>75,668</u>	<u>(3,396)</u>
Attributable to:		
Equity holders of the Parent Company	34,746	19,594
Non-controlling interests	40,922	(22,990)
	<u>75,668</u>	<u>(3,396)</u>

**Notes to the condensed consolidated interim financial information
for the nine months ended 30 September 2019 (unaudited) (continued)**

22. Comparative figures (continued)

ii) During the period the Group reclassified advances paid amounting to RO 74 million (31 December 2018: RO 42.9 million) for acquisition of non current assets from Trade and other receivables to Property and equipment. This does not have any affect on Consolidated net profit or equity.

23. Subsequent event

On 22 October 2019, the Company signed an amendment to the term loan whereby the term on the loan was extended by 2 years with a corresponding relief on the instalment payment for years 2019 and 2020. From year 2021, the loan is repayable in four annual instalments of USD 170 million. The margin on the term loan was also reduced to 2.55% from the earlier rate of 2.90%. (Note 9).