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 the 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, Group believes that there is no definitive basis to apply IAS 29 at this stage. However, Group will review it on an ongoing basis, accordingly it has not quantified the impact of applying IAS 29 as of 30 June 2020.

This condensed consolidated interim financial information does not contain all of the information and disclosures required for complete financial statements prepared in accordance with International Financial Reporting Standards. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Results for the interim period are not necessarily indicative of the results that may be expected for the year ending 31 December 2020, 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 2019.

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 2019.

Certain amendments and interpretations apply for the first time in 2020, 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. Cash and bank balances

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

	Unaudited 30 June 2020 RO'000	Audited 31 December 2019 RO'000
Cash on hand and at banks	**360,407**	264,744
Short-term deposits with banks	**188,450**	226,521
Cash and bank balances	**548,857**	491,265
Expected credit loss	**(19,725)**	(20,690)
	529,132	470,575
Cash at bank under lien	**(14,337)**	(18,524)
Deposits with maturity exceeding three months	**(2,636)**	(2,560)
Government certificates of deposits with maturities exceeding three months	**-**	(134)
Cash and cash equivalent in the condensed consolidated interim statement of cash flows	**512,159**	449,357

4. Assets and liabilities of disposal group classified as held-for-sale

4.a) In February 2020, Zain Kuwait completed the sale and leaseback of 1,022 telecom towers out of 1,526 towers in Kuwait classified as held for sale for a total consideration of USD 82.012 million (RO 30.4 million). Total gain from this transaction was RO 5.806 million. Zain Kuwait also assumed a 30 % minority shareholding in the newly formed Tower company.

Towers sold were leased back for a period of 10 years.

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

4. b) This represents the carrying value of the remaining telecom tower assets amounting to RO 3.725 million (31 December 2019 – RO 9.5 million) and remaining right of use of assets amounting to RO 4.01 million (31 December 2019 – RO 12.287 million) in Kuwait and its related lease liabilities amounting to RO 1.52 million (31 December 2019 – RO 6.678 million), classified as held for sale. These are expected to be sold during the year 2021.

5. Investments in associates and joint ventures

	Unaudited 30 June 2020 RO'000	Audited 31 December 2019 RO'000
Associates	**16,077**	17,036
Joint ventures (refer note below)	**89,684**	89,829
	105,761	106,865

Investment in a joint venture

This includes the Group's RO 89.7 million (31 December 2019 - RO 89.8 million) interest in joint venture, Zain Al Ajial S.A. that owns 31% of the equity shares and voting rights of Wana Corporate (a Moroccan joint stock company that is specialized in the telecom sector in that country).

6. Property and equipment

	Unaudited 30 June 2020 RO'000	Audited 31 December 2019 RO'000
Net fixed assets	**1,876,360**	1,895,270
Capital work in progress	**162,347**	159,831
	2,038,707	2,055,101

During the six months period ended 30 June 2020, the Group acquired property and equipment amounting to RO 186.215 million (30 June 2019: RO 165.4 million). Depreciation charged for the period amounted to RO 176.2 million (30 June 2019: RO 169.9 million).

7. Intangible assets and goodwill

	Unaudited 30 June 2020 RO'000	Audited 31 December 2019 RO'000
Intangible assets	**2,485,056**	2,504,380
Goodwill	**1,057,846**	1,063,257
	3,542,902	3,567,637

During the six months period ended 30 June 2020, the Group acquired intangible assets amounting to RO 83.1 million (30 June 2019: RO 142.6 million).

Sultanate of Oman

The mobile license of the Company which expired in February 2019 was renewed for a value of RO 75 million to be paid in two equal annual instalments commencing from January 2019. In February 2020, the Ministry of Finance agreed for the deferral of the remaining license payment of RO 37.5 million over 3 years commencing from February 2020.

Iraq

On 7 July 2020, the Government of Iraq decided to renew Atheer's license for an additional eight years ending on 30 August 2030, and to grant license for the operation of fourth generation of broadband cellular network technology (4G) starting from 1 January 2021. Atheer is in discussion with the CMC to formalize the outcome of this decision including the license fee payable both for extension of the existing license and for the 4G license.

8. Income tax payables

Income tax payables mainly includes current tax payable by the Group's subsidiaries in Iraq (Atheer) and Jordan respectively.

Income tax assessment orders for the years 2004 to 2011 are contested and are currently under the consideration of the Iraq General Commission for Taxes (IGCT). Income tax assessment for the period 2012 and 2013 are finalized and the amount was paid by Atheer along with tax returns are treated as final assessment by the IGCT. During May 2020, Atheer received additional income tax claims of US$ 68 million (RO 25.46 million) from IGCT for the years 2014 to 2018. Atheer agreed to pay the amount in 11 monthly instalments with interest. Management believes that they have adequate provisions for liabilities in respect of the assessments contested (refer note 18).

9. Borrowings

	Unaudited 30 June 2020 RO'000	Audited 31 December 2019 RO'000
Parent Company		
Long term loans (ii)	**115,162**	114,380
Other long term loans (iii)	**20,364**	18,380
Oztel		
Long term loan (ii)	**137,433**	137,000
Oman Data Park		
Long term loans	**6,952**	7,191
Finance lease obligation	**21**	25
Mobile Telecommunications Company – Kuwait (v)		
Short term loans	**136,694**	99,685
Long term loans	**829,239**	740,448
Zain Jordan		
Long term loan	**-**	8,192
SMTC (vi)		
Long term loans	**604,717**	671,503
Atheer – Iraq (vii)		
Long term loans	**203,018**	208,312
Others	**4**	2,221
Due to banks	**2,053,604**	2,007,337
Oztel – Bonds (iv)	**574,766**	574,120
Total borrowings	**2,628,370**	2,581,457

The current and non-current amounts for the Group are as follows:

Current liabilities	**305,416**	229,384
Non-current liabilities	**2,322,954**	2,352,073
	2,628,370	2,581,457

9. Borrowings (continued)

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

	Unaudited 30 June 2020 RO'000	Audited 31 December 2019 RO'000
US Dollar	**2,046,561**	1,946,152
Saudi Riyals	**494,317**	554,594
Kuwaiti Dinar	**80,515**	63,085
Omani Rial	**6,973**	7,216
Others	**4**	10,410
	2,628,370	2,581,457

The effective interest rate as at 30 June 2020 was 1.11% to 6.99% (31 December 2019 - 2.22% to 18%, 30 June 2019 - 2.22% to 6.99%) per annum.

(i) 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.

(ii) Term loan

The Parent Company acquired a term loan of USD 800 million (RO 308 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 (RO 167.6 million) representing the offshore part of the term loan to its wholly owned subsidiary Oztel Holding SPC. The remaining amount of USD 364.775 million (RO 140.4 million) is retained by the Parent company. The term loan was 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 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.

9. Borrowings (continued)

On 22 October 2019 the Company signed an amendment to the term loan whereby the term on the loan is 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%. The loan is secured by way of a pledged on the acquired shares.

iii) Parent company-Other long term loans

- Long-term loans comprise an outstanding balance of RO 4.2 million (31 December 2019: RO 6.1 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 42.8 million (RO 16.5 million) (31 December 2019: RO 12.2 million) from a consortium of banks to finance the procurement of capital equipment. The loan is unsecured. The facility carries an interest of 2.28% p.a and was utilized in the following tranches:

  a) Tranche 1 with an outstanding balance of USD 13.1 million (RO 5.1 million) (31 December 2019: RO 5.1 million) is repayable in semiannual instalments commencing from November 2018.
  b) Tranche 2 with an outstanding balance of USD 11.3 million (RO 4.3 million) (31 December 2019: RO 4.615 million) is repayable in semiannual instalments commencing from May 2019.
  c) Tranche 3 with an outstanding balance of USD 18.4 million (RO 7.1 million) (31 December 2019: RO 2.5 million) is repayable in semiannual instalments commencing from May 2019. During the period the Company has drawn down USD 13.2 million (RO 5.1 million) under Tranche 3.

(iv) Bonds

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% per annum. The bonds are due for payment in year 2023. The effective interest rate on the bond is 6.05% per annum. The fair value of the bond is USD 601.8 million (31 December 2019: USD 634.8 million).

b) 10 years tranche USD 900 million with coupon rate of 6.63% per annum. 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 898.2 million (31 December 2019: USD 945 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. Borrowings (continued)

(v) Mobile Telecommunications Company K.S.C.P (MTC) (continued)

During the year, the MTC has;

- drawn down loans amounting to RO 149.8 million. This includes:
  - US$ 300 million (RO 112.3 million) from an existing US$ 700 million revolving credit facility.
  - US$ 100 million (RO 37.4 million) from an existing US$ 100 million revolving credit facility.
- repaid loans amounting to RO 22.5 million. This includes:
  - US$ 15.766 million (RO 5.91 million) of a long-term facility amounting to US$ 200 million.
  - US$ 12.132 million (RO 4.54 million) of a long-term facility amounting to US$ 200 million.
  - US$ 10.8 million (RO 4 million) of a long-term loan facility amounting to US$ 200 million.

The above 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.

(vi) SMTC

Long-term loans include:

- SAR 4,463 million (RO 441.5 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 581.8 million) facility maturing in June 2023 which includes a working capital facility of SAR 647.3 million (RO 63.8 million) for two years that was extended in the quarter for additional one year. This working capital facility has not yet been utilized. As of second quarter 2020 SMTC has made four voluntary repayment amounting to SAR 2,100 million (RO 208.1 million).

  The murabaha facility is secured partially by a guarantee from Mobile Telecommunciations Company K.S.C.P and a pledge of the Company's and some of the founding shareholders' shares in SMTC and assignment of certain contracts and receivables.

  Under the murabaha financing agreement, SMTC can declare dividend or other distribution in cash or in kind to shareholders, only if no event of default has occurred and SMTC is in compliance with all the loan covenants.

- SAR 2,250 million (RO 222.5 million) syndicated junior murhaba facility signed in June 2019 from a consortium of banks with a two year tenure with an option to extend for one more year. The facility was drawn down in July 2019 to settle the existing SAR 2,269 million (RO 224.4 million) long-term commercial loan that matured. This facility is guaranteed by Mobile Telecommunications Company K.S.C.P

9. Borrowings (continued)

(vii) Atheer
Long term loans include:

- US$ 100 million (RO 37.4 million) (31 December 2019 – US$ 100 million equivalent to RO 37.5 million) term loan from a commercial bank that is repayable by 17 December 2024.
- US$ 55 million (RO 20.6 million) (31 December 2019 – US$ 55 million equivalent to RO 20.6 million) term loan from a commercial bank which is repayable by 30 September 2020.
- US$ 50 million (RO 18.7 million) (31 December 2019 – US$ 50 million equivalent to RO 18.7 million) term loan from a commercial bank repayable by 30 September 2020.
- US$ 50 million (RO 18.7 million) (31 December 2019 – US$ 50 million equivalent to RO 18.7 million) term loan from a commercial bank repayable by 09 April 2021.
- US$ 137.185 million (RO 51.4 million) (31 December 2019 – US$ 150.917 million equivalent to RO 56.5 million) term loan from a financial institution repayable by 31 May 2025.
- US$ 150 million (RO 56.2 million) (31 December 2019 – US$ 150 million equivalent to RO 56.2 million) revolving credit facilities from a commercial bank repayable by 17 December 2022.

These facilities are guaranteed by Mobile Telecommunications Company K.S.C.P and carry a floating interest rate of a fixed margin over three month LIBOR.

10. Other non-current liabilities

	Unaudited 30 June 2020 RO'000	Audited 31 December 2019 RO'000
Payable to Ministry of Finance- Saudi Arabia Note (i)	**344,588**	358,239
Due to CITC - Saudi Arabia for acquisition of spectrum	**146,036**	92,367
Due to TRA Note (ii)	**12,500**	-
Customer deposits	**10,614**	11,053
Post-employment benefits	**52,617**	48,100
Others	**107,430**	106,526
	673,785	616,285

(i) During 2013, SMTC signed an agreement with the 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. The current portion of these payables along with the accrued interest are recorded under trade and other payables

ii) In February 2020, the Ministry of Finance agreed for the deferral of the remaining mobile license payment of RO 37.5 million over 3 years commencing from February 2020. The current portion of these payables along with accrued interest are recorded under trade and other payables

11. Share capital

The authorised, issued and fully paid up share capital as of 30 June 2020 is 750,000,000 shares (31 December 2019 –750,000,000) of RO 100 Baisa each.

12. Dividend

The Annual General Meeting of the Shareholders for the year ended 31 December 2019 held on 10 May 2020 approved distribution of cash dividends of RO 0.055 (31 December 2018 – RO 0.050) per share amounting to RO 41,250,000 (31 December 2018 - RO 37,500,000).

13. Reserves

Legal reserve

In accordance with the Oman Commercial Companies Law, 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 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.

Capital contribution

On 11 February 2004, the Telecommunications Regulatory Authority (TRA) of the Sultanate of Oman issued licenses 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 Company engaged an independent firm of consultants to determine the fair value of the licenses as at 11 February 2004, who determined the fair value of the fixed and mobile licenses as being in the amount of approximately RO 44.881 million.

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

13. Reserves (continued)

The excess of the valuation of the Group's licenses over the amounts paid to the TRA, representing a fair value gain of RO 44.181 million has been recognised as a non-distributable capital contribution within equity.

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

Capital reserve

This is a non-distributable reserve and represents portion of the previous Mobile license, 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.

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.

14. Investment income

	Three months ended 30 June (Unaudited)		**Six months ended 30 June (Unaudited)**	
	2020	2019	**2020**	2019
	RO'000	RO'000	**RO'000**	RO'000
(Loss) / profit from investment securities at fair value through profit or loss (FVTPL	**(1,512)**	544	**(313)**	(1,062)
Dividend income	**321**	689	**653**	956
	(1,191)	1,233	**340**	(106)

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 June (Unaudited)		**Six months ended 30 June (Unaudited)**	
	2020	2018	**2020**	2019
	RO'000	RO'000	**RO'000**	RO'000
Profit for the period attributable to shareholders	**7,974**	18,262	**23,962**	33,165
		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)	**0.010**	0.024	**0.032**	0.044

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.

Oman Telecommunications Company SAOG

Notes to the condensed consolidated interim financial information for the six months ended 30 June 2020 (unaudited) (continued)

16. Segmental information (continued)

30 June 2020	Oman	Kuwait	Jordan	Sudan	Iraq	Bahrain	KSA	Others	Total RO '000
Segment revenues- airtime, data and subscription (Point over time)	261,020	145,333	84,839	66,230	173,237	25,173	359,590	15,141	1,130,564
Segment revenues- (Point in time)	27,096	40,934	3,023	500	664	6,072	33,081	71	111,441
Net profit before interest and tax	37,693	35,920	16,280	9,674	22,179	1,080	64,773	9,652	197,251
Interest income	698	715	290	173	548	110	979	87	3,600
Gain on sale and leaseback transaction	-	5,806	-	-	-	-	-	-	5,806
Finance costs	(790)	(334)	(3,756)	(201)	(9,248)	(624)	(50,333)	(38)	(65,324)
Income tax expense	(5,840)	-	(4,290)	(4,144)	(3,073)	-	-	(309)	(17,656)
	31,761	42,107	8,524	5,502	10,406	566	15,419	9,392	123,677
Unallocated items:									
Investment income									340
Share of results of associates and joint ventures									822
Others (refer note below)									(24,354)
Profit for the period									100,485
Segment assets including goodwill	962,532	1,008,577	550,720	138,033	992,464	126,145	3,162,537	90,618	7,031,626
ROU assets	21,088	9,169	21,797	2,234	35,733	11,314	138,044	244	239,621
Unallocated items:									
Investment securities at fair value through profit or loss									44,272
Investment securities at amortised cost									2,000
Investment securities at FVOCI									8,444
Investment in associates and joint ventures									105,761
Others									232,686
Consolidated assets									7,664,412
Segment liabilities	290,744	193,257	188,876	68,171	274,630	30,759	1,642,706	90,830	2,779,973
Lease liabilities (Current and non-current)	18,501	16,794	22,496	2,045	40,184	11,495	147,153	212	258,880
Borrowings	27,338	-	-	-	203,018	-	604,717	3	835,076
Unallocated items:	336,583	210,051	211,372	70,216	517,832	42,254	2,394,576	91,045	3,873,929
Borrowings									1,793,294
Others									(489,565)
Consolidated liabilities									5,177,658
Net consolidated assets									2,486,754
Capital expenditure incurred during the period	42,945	10,013	2,740	16,481	4,325	164	185,302	7,145	269,115
Unallocated									545
Total capital expenditure									269,660
Depreciation and amortization	52,117	35,270	19,809	6,004	38,300	6,950	101,996	2,569	263,015
Amortisation of ROU assets	3,966	3,656	2,228	172	4,039	2,121	17,600	113	33,895
Unallocated									1,948
Total depreciation and amortization									298,858

Others include an amount of RO 26.183 Million (2019- RO 26.223 Million) representing interest costs on borrowings relating to acquisition of shares in Zain Group.

Notes to the condensed consolidated interim financial information for the six months ended 30 June 2020 (unaudited) (continued)

16. Segmental information

30 June 2019	Oman	Kuwait	Jordan	Sudan	Iraq	Bahrain	KSA	Others	Total RO '000
Segment revenues- airtime, data and subscription (Point over time)	249,657	160,004	86,360	51,478	194,720	24,568	359,401	10,998	1,137,186
Segment revenues- (Point in time)	10,192	44,266	3,399	356	1,042	5,837	56,587	19	121,698
Net profit before interest and tax	46,856	38,633	19,398	9,688	22,244	1,331	73,347	6,148	217,645
Interest income	734	143	277	654	705	105	1,387	226	4,231
Finance costs	(1,436)	(257)	(4,563)	(140)	(11,544)	(493)	(52,376)	(78)	(70,887)
Income tax expense	(6,962)	-	(4,549)	(3,213)	(2,763)	-	-	(318)	(17,805)
	39,192	38,519	10,563	6,989	8,642	943	22,358	5,978	133,184
Unallocated items:									
Investment income									(106)
Share of results of associates and joint ventures									1,986
Others									(8,566)
Profit for the period									126,498
Segment assets including goodwill	935,135	991,093	540,686	148,405	941,926	116,823	3,028,711	108,806	6,811,585
ROU assets	21,511	9,572	17,328	1,447	40,158	9,472	143,951	708	244,147
Unallocated items:									
Investment securities at fair value through profit or loss									49,735
Investment securities at amortised cost									3,000
Investment securities at FVOCI									8,782
Investment in associates and joint ventures									106,448
Others (Refer note below)									386,669
Consolidated assets									7,610,366
Segment liabilities	270,244	141,935	172,155	63,074	184,433	28,739	1,606,211	100,288	2,567,079
Lease liabilities (Current and non-current)	22,204	8,359	17,401	1,563	43,293	10,176	149,402	782	253,180
Borrowings	25,722	-	-	-	253,482	-	676,164	20	955,388
Unallocated items:	318,170	150,294	189,556	64,637	481,208	38,915	2,431,777	101,090	3,775,647
Borrowings									1,752,656
Others									(440,419)
Consolidated liabilities									5,087,884
Net consolidated assets									2,522,483
Capital expenditure incurred during the period	135,334	17,329	3,058	1,855	14,196	189	107,793	100	279,854
Unallocated									1,855
Total capital expenditure									281,709
Depreciation and amortization	51,315	33,756	19,125	4,943	49,667	6,902	97,690	2,240	265,638
Amortisation of ROU assets	5,484	4,524	2,007	129	4,385	2,118	20,504	580	39,731
Unallocated									1,455
Total depreciation and amortization									306,824

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

	Six months ended 30 June (Unaudited)	
	2020	2019
	RO'000	RO'000
Revenue	**9,075**	1,146
Cost of sales	**7,929**	4,266
Purchase of property and equipment from associate	**1,037**	8,147

Key management compensation

Salaries and other short term employee benefits	**1,814**	2,025
Post-employment benefits	**68**	78

Balances

	Unaudited 30 June 2020 RO'000	Audited 31 December 2019 RO'000
Trade receivables	**7,843**	2,667
Trade payables	**5,788**	1,751

18 Commitments and contingencies

(a) Commitments

Capital expenditure	**310,398**	342,120
Uncalled share capital of investee companies	-	431
Letters of guarantee and credit	**104,070**	112,155
Investments	**2,884**	1,459

Zain Group is a guarantor for credit facilities amounting to RO 9 million (31 December 2019 - RO 9 million) granted to a founding shareholder in SMTC. The Zain Kuwait / Group believes that the collateral provided by the founding shareholder to the bank, covers the credit facilities.

18 Commitments and contingencies (continued)

(b) Contingencies

The Parent company during financial year 2015 received demand notice amounting to 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 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 taxes in Iraq (*Atheer*)

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 these additional income tax claimed by the IGCT amounting to US$ 244 million (RO 91.76 million) and submitted its objections against the full amount of the tax 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 42.4 million). This decision can be challenged by IGCT before the Court of Cassation within 15 days of Appeals Committee decision. IGCT had the option to challenge this decision before the Court of Cassation within 15 days of Appeals Committee decision. The challenge period has elapsed and Atheer did not receive any notification from the Cassation Court or the IGCT about challenging the decision. Atheer has petitioned the Cassation Court to direct IGCT to send the case dossier and is awaiting a response. On the basis of the report of its attorneys, Atheer believes that the prospects of all the appeals being resolved in Atheer's favor are good.

On 9 March 2020, Atheer received additional income tax claims of US$ 23.8 million (RO 8.91 million) and US$ 24.8 million (RO 9.3 million) from IGCT for the years 2011 and 2012 respectively. On 12 March 2020, Atheer submitted its objections to these additional income tax claims. On 15 March 2020, IGCT rejected the objection for year 2011. On 16 March 2020, IGCT accepted the objection for year 2012, cancelled its claim for additional tax of US$ 24.8 million (RO 9.3 million) and approved the amount of tax self-assessed by Atheer for the year 2012 as final assessed amount. Atheer intends to appeal the additional tax claim for the year 2011 before the Appeals Committee of IGCT. Atheer believes that it has adequate provisions to meet this liability, if it arises.

18 Commitments and contingencies (continued)

(a) Contingencies (continued)

Pella-Jordan

Pella is a defendant in lawsuits amounting to RO 41,69 million (31 December 2019 – RO 41,74 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 a claim of RO 11.8 million (31 December 2019 - RO 11.8 million) by a regulatory authority 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 11.9 million (31 December 2019 - RO 11.9 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.

19. Financial instruments

Categories of financial assets and liabilities

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

	(Unaudited) 30 June 2020 RO'000	(Audited) 31 December 2019 RO'000
Financial assets amortised costs:		
Cash and bank balances	**529,132**	470,575
Trade and other receivables	**663,762**	643,833
Investment securities at amortised cost	**2,000**	2,000
Investment securities – FVTPL	**44,272**	45,369
Investment securities – FVOCI	**8,444**	7,868

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:

19. Financial instruments (continued)

Fair value hierarchy for financial instruments measured at fair value (continued)

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 June 2020	**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	**8,342**	**29,793**	**6,137**	**44,272**
Investments securities at fair value through comprehensive income	**1,524**	**2,635**	**4,285**	**8,444**
Total assets	**9,866**	**32,428**	**10,422**	**52,716**
31 December 2019				
Financial assets at fair value:				
Investments securities at fair value through profit or loss	8,936	30,226	6,207	45,369
Investments securities at fair value through comprehensive income	1,534	2,587	3,747	7,868
Total assets	10,470	32,813	9,954	53,237

Measurement at fair value

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

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.

20. Hyperinflation - Zain South Sudan (continued)

Net monetary gain (continued)

	Index	Conversion factor
30 June 2020	15,472	1.00
31 December 2019	10,577	1.45
31 December 2018	6,306	2.45
31 December 2017	4,502	3.44
31 October 2017	4127	5.11

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.

At 30 June 2020	**Negative fair value RO '000**	**Notional amount RO '000**
Derivatives held for hedging:		
Cash flow hedges		
Interest rate swap	**31,138**	**507,438**
At 31 December 2019		
Derivatives held for hedging:		
Cash flow hedges		
Interest rate swap	14,829	507,811

22. Impact of Covid-19

The outbreak of the novel Coronavirus (Covid-19) in early 2020 in most countries has caused widespread disruptions to business, with a consequential negative impact on economic activities. The Group is continually monitoring its impact, while working closely with the local regulatory authorities, to manage the potential business disruption COVID-19 outbreak.

In light of this, the Group has considered whether any adjustments and changes in judgements, estimates and risk management are required to be considered and reported in the condensed consolidated interim financial information. Below are the key assumptions about the future and other key sources of estimation that may have a significant risk of causing material adjustments to the condensed consolidated interim financial information:

22. Impact of Covid-19 (continued)

Impairment of non-financial assets

The Group has performed a qualitative assessment for its investments in CGUs, considering the minimal impact of COVID-19 on entities operating in the telecommunication sector, and compared the actual results for the period against the budget and industry benchmarks to conclude that the impairment assessment as at 31 December 2019 remains largely unchanged.

The Group has also considered any impairment indicators arising and any significant uncertainties around its property, plant and equipment, intangible assets and right-of-use assets especially arising from any change in lease terms and concluded there is no material impact due to COVID-19.

Expected credit losses ("ECL") and impairment of financial assets

The Group has applied management overlays on the existing ECL models by applying probability weightage scenarios on the relevant macroeconomic factors relative to the economic climate of the respective market in which it operates. The Group has also assessed the exposures in potentially affected sectors for any indicators of impairment and concluded there is no material impact on account of COVID-19.

Commitments and contingent liabilities

The Group has assessed the impact of any operational disruptions, including any contractual challenges and changes in business or commercial relationships among the Group, customers and suppliers, with a view of potential increase in contingent liabilities and commitments and no issues were noted.

Going concern

The Group has performed an assessment of whether it is a going concern in the light of current economic conditions and all available information about future risks and uncertainties. The projections have been prepared covering the Group's future performance, capital and liquidity. The impact of COVID-19 continues to evolve, but at the present time the projections show that the Group has ample resources to continue in operational existence and its going concern position remains largely unaffected and unchanged from 31 December 2019. As a result, these condensed consolidated interim financial information have been appropriately prepared on a going concern basis.