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C.R. No. 1224013
PR No. HMH/15/2015; HMA/9/2015

INDEPENDENT AUDITORS REVIEW REPORT TO THE BOARD OF DIRECTORS OF OMAN TELECOMMUNICATION COMPANY SAOG

REPORT ON REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

Introduction

We have reviewed the accompanying condensed consolidated statement of financial position of Oman Telecommunication Company SAOG ("the Company") and its subsidiaries (together referred to as "the Group") as of 30 September 2023, and the related condensed consolidated statements of profit or loss and other comprehensive income for the three-month and nine-month periods ended 30 September 2023, and the related condensed consolidated statements of changes in equity and cash flows for the nine-month period then ended, and other explanatory notes (together referred to as the "condensed consolidated interim financial information").

Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with International Accounting Standard (IAS) 34: Interim Financial Reporting. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity."

A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

(i) As disclosed in Note 2 to the condensed consolidated interim financial information, the Group has excluded the effects reported therein of applying International Accounting Standard (IAS) 29: Financial Reporting in Hyperinflationary Economies (IAS 29) with respect to its subsidiaries in the Republic of Sudan. It is not possible to determine with reasonable certainty the exact impact of applying hyperinflationary accounting for these subsidiaries as the Group has not performed the required calculations. In these circumstances, we are unable to quantify the effect of the departure from IAS 29 as discussed above. Our audit opinion in the prior year and our review conclusion in the prior periods were also modified in respect of this matter.

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INDEPENDENT AUDITORS REVIEW REPORT TO THE BOARD OF DIRECTORS OF OMAN TELECOMMUNICATION COMPANY SAOG (continued)

REPORT ON REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

Basis for Qualified Conclusion (continued)

(ii) The Group is using US Dollar (USD), instead of Iraqi Dinar (IQD), as the functional currency for reporting its operations in Iraq, which, in our view, is a departure from the requirements of IAS 21 - The Effects of Changes in Foreign Exchange Rates. In the absence of a detailed assessment from management, we were unable to ascertain the impact of using USD as functional currency instead of IQD. Consequently, we are not able to determine necessary adjustments to the condensed consolidated interim financial information.

(iii) As disclosed in Note 4 to the condensed consolidated interim financial information, one of the Group's subsidiary in the Kingdom of Saudi Arabia has entered into an Agreement ("APA") for sale and lease back of its tower infrastructure comprising of 8,069 towers for an aggregate sale value of RO 308.9 million (USD 807 million). Of the 8,069 towers committed to be transferred under the APA, the Group has derecognized 5,000 towers as of 30 September 2023 and recognized a total gain of RO 56.62 million for the nine months period ended 30 September 2023. It is our assessment that, the Group should have derecognized all 8,069 towers. The Group's management is currently reassessing the appropriateness of its accounting treatment of the above sales transaction and the related impacts on the condensed consolidated interim financial information. Consequently, and in the absence of a detailed assessment from management, we are unable to ascertain the impact of the above transaction on these condensed consolidated interim financial information.

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

Emphasis of Matter
We draw attention to note 2 of the condensed consolidated interim financial information, which describe that the Group's operations in Sudan have been affected as a result of the military operations taking place in Sudan. Our conclusion is not modified in respect of this matter.

INDEPENDENT AUDITORS REVIEW REPORT TO THE BOARD OF DIRECTORS OF OMAN TELECOMMUNICATION COMPANY SAOG (continued)

REPORT ON REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION (continued)

Other Matter

The condensed consolidated interim financial information of the Group for the nine months ended 30 September 2023 were approved by the Board of Directors on 14 November 2023, on which we had previously issued a qualified conclusion on 10 January 2024. Subsequently, our review conclusion has been amended for the additional qualification detailed in paragraph (iii) in the Basis for qualified conclusion above.

Ernst & Young LLC

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Date: 10 January 2024, except as to the Other Matter paragraph, as to which the date is 15 January 2024
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OMAN TELECOMMUNICATIONS COMPANY SAOG

Condensed Consolidated Statement of Financial Position as at 30 September 2023 (Unaudited)

	Notes	30 September 2023 Unaudited RO '000	31 December 2022 Audited RO '000
ASSETS			
Current assets			
Cash and bank balances	3	**405,244**	451,324
Trade and other receivables		**1,360,720**	1,122,000
Contract assets		**117,865**	108,940
Inventories		**73,198**	69,573
Investment securities at fair value through profit or loss		**110,012**	50,708
Investment securities at amortised cost		**-**	1,000
		2,067,039	1,803,545
Assets of disposal group classified as held for sale	4	**126,916**	322,956
Total Current assets		**2,193,955**	2,126,501
Non-current assets			
Contract assets		**65,161**	65,983
Investment securities at fair value through profit or loss		**25,462**	24,528
Investment securities at FVOCI		**23,902**	21,794
Investment securities at amoritsed cost		**1,000**	-
Investments in associates and joint venture	5	**239,697**	150,027
Other non-current assets		**94,830**	59,752
Deferred tax asset		**29,594**	29,269
Right of use of assets		**239,543**	206,539
Property and equipment	6	**1,672,358**	1,761,504
Intangible assets and goodwill	7	**3,280,652**	3,389,546
Total Non-current assets		**5,672,199**	5,708,942
Total Assets		**7,866,154**	7,835,443
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables		**1,649,330**	1,466,164
Contract liabilities		**128,136**	122,772
Income tax payables	8	**36,077**	38,652
Borrowings	9	**410,153**	547,584
Lease liabilities		**46,460**	33,078
		2,270,156	2,208,250
Liabilities of disposal group classified as held for sale		**43,141**	109,318
Total Current liabilities		**2,313,297**	2,317,568
Non-current liabilities			
Borrowings	9	**1,753,137**	1,740,067
Lease liabilities		**272,795**	210,914
Other non-current liabilities	10	**616,643**	679,958
Total Non-current liabilities		**2,642,575**	2,630,939
Total liabilities		**4,955,872**	4,948,507
Equity			
Share capital	11	**75,000**	75,000
Legal reserve		**25,000**	25,000
Voluntary reserve		**49,875**	49,875
Capital contribution		**7,288**	7,288
Capital reserve		**36,893**	36,893
Foreign currency translation reserve		**(93,821)**	(90,719)
Investment fair valuation reserve		**(3,544)**	(3,653)
Other reserves		**1,121**	5,204
Retained earnings		**541,521**	530,408
Attributable to the Company's shareholders		**639,333**	635,296
Non controlling interest		**2,270,949**	2,251,640
Total equity		**2,910,282**	2,886,936
Total Liabilities and Equity		**7,866,154**	7,835,443

The accompanying notes are an integral part of this condensed consolidated interim financial information. This condensed consolidated interim financial information was approved and authorized for issue by the Board of Directors on 14 November 2023.

Chairman **Director** **Chief Executive Officer**

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عمانتل
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CR 1640747

Condensed Consolidated Statement of Profit or Loss – 30 September 2023 (Unaudited)

	Note	Three months ended 30 September		Nine months ended 30 September	
		2023	**2022**	**2023**	**2022**
		RO'000		**RO'000**	
Continuing operations					
Revenue		**753,341**	686,931	**2,192,531**	1,981,542
Cost of sales		**(266,566)**	(240,026)	**(755,365)**	(691,843)
Operating and administrative expenses	13	**(215,221)**	(180,242)	**(626,375)**	(517,219)
Depreciation and amortization		**(137,660)**	(136,911)	**(407,782)**	(412,619)
Expected credit loss on financial assets (ECL)		**(2,385)**	(15,307)	**(30,480)**	(34,046)
Interest income		**4,029**	2,691	**13,973**	5,778
Investment income	12	**(462)**	4,130	**2,654**	6,875
Share of results of associates and joint venture	5	**1,852**	857	**3,117**	3,723
Other expense		**(12,031)**	(11,112)	**(32,138)**	(19,674)
Gain on sale and lease back transaction	4	**15,910**	495	**57,951**	495
Gain on disposal of subsidiary	4	**686**	-	**686**	-
Finance costs		**(52,396)**	(44,355)	**(145,869)**	(113,127)
(Loss)/Gain from currency revaluation		**2,078**	1,086	**1,647**	3,690
Profit before income tax from continuing operations		**91,175**	68,237	**274,550**	213,575
Taxation		**(9,124)**	(3,291)	**(23,604)**	(18,104)
Profit for the period from continuing operations		**82,051**	64,946	**250,946**	195,471
Discontinued operations					
Profit/(Loss) for the period from discontinued operations	4	**-**	1,499	**-**	(406)
Profit for the period		**82,051**	66,445	**250,946**	195,065
Attributable to:					
Shareholders of the Company		**17,626**	15,202	**56,113**	49,805
Non-controlling interests		**64,425**	51,243	**194,833**	145,260
		82,051	66,445	**250,946**	195,065
Earnings per share					
Basic and diluted – RO					
From continuing and discontinued operations	14	**0.024**	0.020	**0.075**	0.066

The accompanying notes are an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income – 30 September 2023 (Unaudited)

	Three months ended 30 September		Nine months ended 30 September	
	2023	2022	**2023**	2022
	RO'000		**RO'000**	
Profit for the period	**82,051**	66,445	**250,946**	195,065
Other comprehensive income				
Items that will be reclassified to profit or loss:				
Exchange differences on translating foreign operations	**1,423**	(15,419)	**(2,614)**	(10,409)
Other reserves	**(909)**	7,541	**(4,513)**	29,391
	514	(7,878)	**(7,127)**	18,982
Items that will not be reclassified to profit or loss:				
Changes in the fair value of equity investments at FVOCI	**(53)**	(3,063)	**497**	(3,003)
Other reserves	**1,312**	-	**1,883**	-
Total comprehensive income for the period	**83,824**	55,504	**246,199**	211,044
Total comprehensive income attributable to:				
Shareholders of the Company	**15,515**	13,021	**49,037**	53,496
Non-controlling interests	**68,309**	42,483	**197,162**	157,548
	83,824	55,504	**246,199**	211,044

The accompanying notes are an integral part of this condensed consolidated interim financial information.

OMANTELECOMMUNICATIONS COMPANY SAOG

Condensed Consolidated Statement of Changes in Equity – Nine months ended 30 September 2023 (Unaudited)

	Note	Share capital	Legal reserve	Voluntary reserve	Capital contribution	Capital reserve	Foreign currency translation reserve	Fair value reserve	Other reserves	Retained earnings	Total	Non-controlling interests	Total
		Attributable to equity holders of the parent											
		RO'000	RO'000	RO'000	RO'000	RO'000	RO '000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
At 1 January 2023		**75,000**	**25,000**	**49,875**	**7,288**	**36,893**	**(90,719)**	**(3,653)**	**5,204**	**530,408**	**635,296**	**2,251,640**	**2,886,936**
Profit for the period		-	-	-	-	-	-	-	-	**56,113**	**56,113**	**194,833**	**250,946**
Other comprehensive income for the period		-	-	-	-	-	**(3,102)**	**109**	**(4,083)**	-	**(7,076)**	**2,329**	**(4,747)**
Total comprehensive income for the period		-	-	-	-	-	**(3,102)**	**109**	**(4,083)**	**56,113**	**49,037**	**197,162**	**246,199**
On acquisition of subsidiary		-	-	-	-	-	-	-	-	-	-	**104**	**104**
Additional capital from minority shareholders		-	-	-	-	-	-	-	-	-	-	**891**	**891**
Dividends	11	-	-	-	-	-	-	-	-	**(45,000)**	**(45,000)**	**(178,848)**	**(223,848)**
At 30 September 2023		**75,000**	**25,000**	**49,875**	**7,288**	**36,893**	**(93,821)**	**(3,544)**	**1,121**	**541,521**	**639,333**	**2,270,949**	**2,910,282**
At 1 January 2022		75,000	25,000	49,875	7,288	36,893	(88,590)	(2,375)	(4,217)	480,331	579,205	2,187,848	2,767,053
Profit for the period		-	-	-	-	-	-	-	-	49,805	49,805	145,260	195,065
Transfer of fair value reserve upon disposal of FVOCI investments		-	-	-	-	-	-	(10)	-	10	-	-	-
Other comprehensive income for the period		-	-	-	-	-	(5,077)	(658)	9,426	-	3,691	12,288	15,979
Total comprehensive income for the period		-	-	-	-	-	(5,077)	(668)	9,426	49,815	53,496	157,548	211,044
On acquisition of subsidiary		-	-	-	-	-	-	-	-	-	-	856	856
Dividends	11	-	-	-	-	-	-	-	-	(41,250)	(41,250)	(143,328)	(184,578)
At 30 September 2022		75,000	25,000	49,875	7,288	36,893	(93,667)	(3,043)	5,209	488,896	591,451	2,202,924	2,794,375

The accompanying notes are an integral part of this condensed consolidated interim financial information.

	Nine months ended 30 September	
	2023	**2022**
	RO'000	**RO'000**
Cash flows from operating activities		
Profit before tax for the period	**274,550**	213,169
Adjustments for:		
Depreciation and amortization	**407,782**	412,619
ECL on financial assets	**30,480**	34,046
Interest income	**(13,973)**	(5,778)
Investment income	**(2,654)**	(6,875)
Share of results of associates and joint venture	**(3,117)**	(3,723)
Finance costs	**145,869**	113,127
Gain on sale and lease back transaction	**(57,951)**	(495)
Gain from disposal of subsidiary	**(686)**	-
(Gain)/ loss from currency revaluation	**(1,647)**	(3,690)
(Gain)/ loss on sale of property and equipment	**327**	31
Operating profit before working capital changes	**778,980**	752,431
Increase in trade and other receivables and contract assets	**(191,956)**	(159,008)
(Increase)/ decrease in inventories	**(4,139)**	9,889
Decrease in trade and other payables	**(29,943)**	(62,183)
Cash generated from operations	**552,942**	541,129
Income tax paid	**(22,065)**	(24,135)
Net cash from operating activities	**530,877**	516,994
Cash flows from investing activities		
Deposits maturing after three months and cash at bank under lien	**(1,776)**	(4,258)
Proceeds/(Acquisition) from sale/purchase of investments (net)	**2,207**	(3,903)
Proceeds from REIF	**-**	27,091
Investment in associate	**(2,259)**	(142)
Investment in subsidiaries	**(13,535)**	(3,554)
Acquisition of property and equipment (net)	**(228,396)**	(198,066)
Acquisition of intangible assets (net)	**(47,127)**	(82,451)
Proceeds from sale of telecom assets (sale and lease back)	**246,502**	-
Dividend received	**2,108**	1,797
Interest received	**5,526**	3,888
Net cash used in investing activities	**(36,750)**	(259,598)
Cash flows from financing activities		
Proceeds from borrowings	**243,661**	478,536
Repayment of borrowings	**(385,071)**	(389,803)
Repayment of lease liabilities	**(58,419)**	(60,784)
Share capital from minority shareholders of subsidiaries	**480**	-
Dividend paid to Company's shareholders	**(45,000)**	(41,250)
Dividends paid to minority shareholders of subsidiaries	**(178,577)**	(138,190)
Finance costs paid	**(113,753)**	(72,153)
Net cash used in financing activities	**(536,679)**	(223,644)
Net increase/(decrease) in cash and cash equivalents	**(42,552)**	33,752
Effect of foreign currency translation	**(5,211)**	(6,737)
Cash and cash equivalents at beginning of period	**432,284**	387,538
On acquisition of subsidiary	**-**	500
Cash and cash equivalents at end of period (note 3)	**384,521**	415,053

The accompanying notes are an integral part of this condensed consolidated interim financial information.

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 Stock Exchange.

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 8 other countries.

2. Basis of preparation

This condensed consolidated 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.

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 2016 to be around 57% and thus, applying IAS 29 in 2015, could have entailed 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 as of 30 September 2023.

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 2023, 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 2022.

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 2022 except the following accounting policy:

When a Group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognized in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group. The Group has elected to apply this accounting policy in situation where it ceases to have control of a subsidiary as a result of selling its controlling interest to an existing associate or joint venture.

New and amended IFRS Standards that are effective for the current year

The Group has applied the certain new and revised IFRS Standards that have been issued and effective during the current period. The application of these amendments did not have a significant impact on the Group's interim condensed consolidated financial information.

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 2022.

Political uncertainty in Sudan

A violent power struggle erupted on 15 April 2023, in Khartoum, the capital of Sudan, involving the two primary factions of the ruling military regime. This conflict has directly affected the Group's operations and its telecommunication assets, as certain areas in Sudan continue to experience high levels of hostility or temporary control by opposing forces. These events have had an adverse impact on the country's economy and consequently, on the Group's operations in Sudan.

As of the issuance date of these interim condensed consolidated financial statements, the Group has not incurred any significant damage to crucial assets that would hinder its ability to sustain operations.

Since 15 April 2023, continuous monitoring of network and base station equipment has been in place, particularly in areas experiencing significant downtime. Various actions, such as reallocation of network traffic, capacity expansion, and other measures aimed at restoring network coverage and ensuring satisfactory network performance, are being implemented. Zain Sudan is actively involved in performing essential network maintenance, repairs, and optimizations utilizing both its current equipment and external resources. Zain Sudan currently holds agreements with suppliers of network equipment, and transportation routes for its delivery are accessible in all regions of Sudan, except for North Darfur, North Kordofan, and Khartoum, which are facing the most significant impact from the ongoing hostilities.

The Group has taken appropriate actions to ensure the continuity of communication services and operations. The management has prepared and reviewed the updated financial forecasts for the year, taking into consideration most likely and possible downside scenarios for the ongoing business impacts of the war. These forecasts were based on the following key assumptions:

- there will be no substantial increase in the intensity of hostilities, thereby not adversely impacting the number of active sites, significantly.
- Zain Sudan will have the capability to conduct maintenance and repair tasks in the affected territories of Sudan, ensuring a satisfactory level of network performance in regions where it is feasible while considering the physical security of technical specialists;
- there will no significant fluctuations in the fuel rate, foreign exchange rates and other major costs during the course of the conflict;
- Zain Sudan will be able to ensure the uninterrupted functioning of its crucial IT infrastructure, aligning with management's implemented measures and incident response and disaster recovery plans;
- the generated revenue from service and product sales will be sufficient for the Zain Sudan to meet both operating expenses and essential capital investments;

Based on these forecasts, considering possible adverse scenarios, management reasonably expects that the Group possesses adequate resources to effectively handle its operations in Sudan throughout the year. Based on these forecasts, the management has concluded that there are no impairment indicators since the Group’s operations in Sudan are expected to be profitable even in the possible adverse scenario. Management will maintain ongoing monitoring of the potential repercussions and will proactively implement all available measures to minimize any adverse consequences.

If a worst-case scenario unfolds with widespread hostilities across Sudan, it can be anticipated that the Group's operations may encounter disruptions for an indeterminate duration. This represents an uncertainty that is beyond the control of the Group. After evaluating the revised forecasts, management has examined the Zain Sudan's capability to operate as a going concern at the time of releasing this interim condensed consolidated financial information. As a result, it has determined that there are no significant uncertainties that could impede the Zain Sudan's infrastructure and operations, thereby casting significant doubt on its ability to continue as a going concern. Consequently, the Zain Sudan is expected to be able to realize its assets and fulfill its obligations in the ordinary course of business.

Because of the ongoing conflict in Sudan as described above, there have been some damages to network equipment, spares and inventories. Unfortunately, the current situation is not viable for the management of the Zain Sudan to access these areas and take stock of the actual damages and losses due to continuing hostilities in these regions. However, the management of the Zain Sudan does not expect any significant damage to the Zain Sudan's network sites in the Sudanese regions of North Darfur, North Kordofan, and Khartoum and has concluded that the affected sites have the ability to generate future economic benefits. The Zain Sudan's management estimate such losses are fully covered under the Political Violence Insurance Policy and has submitted a provisional claim with the insurer. In the opinion of the Zain Sudan's management, losses, if any, will be fully recovered from the insurance company and based on the current assessment per available information, no significant financial impact is anticipated on the interim condensed consolidated financial information.

The Zain Sudan's management estimate such losses are fully covered under the Political Violence Insurance Policy and has submitted an initial provisional claim of USD 45 million (RO 17.1 million) with the insurer mainly relating to the equipment, spares and commercial items in the main warehouse which was partially set on fire during the conflict. According to the Political Violence Insurance Policy, Zain Sudan has a claim for Business Interruption loss over a twelve-month period. The Group has estimated the possible impact of the damages to assets as per the available information and recognized adequate provision in the interim condensed consolidated financial information.

Acquisition of Subsidiary

In January 2023, the Group acquired the entire equity interest of Business Integrated Operating Systems (BIOS) for a purchase consideration of AED 157.57 million (RO 16.225 million) of which an amount of AED 126.056 million (RO 12.416 million) was paid during the period. The net cash outflow (net of cash and cash equivalents acquired) on acquisition amounts to AED 120.167 million (RO 12.37 million). The recognized amounts of net assets of BIOS as at the date of acquisition was AED 6.851 million (RO 0.71 million), resulting in a goodwill of AED 150.719 million (RO 15.54 million). The provisional values assigned to the identifiable assets and liabilities as at the date of acquisition, are subject to review within one year of acquisition on finalization of the Purchase Price Allocation (PPA). BIOS is a company incorporated in UAE having multiple subsidiaries engaged in business of IT related activities and cloud services.

In May 2023, the Group acquired 65% equity interest of Adfolks Software Trading L.L.C (Adfolks) for a purchase consideration of AED 15.823 million (RO 1.633 million) of which an amount of AED 10.554 million (RO 1.088 million) was paid during the period. The net cash outflow (net of cash and cash equivalents acquired) on acquisition amounts to AED 8.782 million (RO 0.905 million). The recognized amounts of net assets of Adfolks as at the date of acquisition was negative AED 0.986 million (negative RO 0.102 million), resulting in a goodwill of AED 16.463 million (RO 1.698 million). The provisional values assigned to the identifiable assets and liabilities as at the date of acquisition, are subject to review within one year of acquisition on finalization of the Purchase Price Allocation (PPA). Adfolks is a company incorporated in UAE engaged in cloud and related services.

During the period, the Group acquired 83.39% equity interest of Xenon Prepaid Electronic Card Payment WLL (Bookeey) for a purchase consideration of RO 3 million of which an amount of RO 3 million was paid during the period. The net cash outflow (net of cash and cash equivalents acquired) on acquisition amounts to RO 0.25 million. The recognized amounts of net assets of Bookeey as at the date of acquisition was RO 0.832 million, resulting in a goodwill of RO 2.31 million. The provisional values assigned to the identifiable assets and liabilities as at the date of acquisition, are subject to review within one year of acquisition on finalization of the Purchase Price Allocation (PPA). Bookeey is a company incorporated in Kuwait engaged in electronic payment and settlement systems services.

Subsequently on 16 October 2023, the Group entered into an agreement for acquisition of 100 % equity interest of Specialized Technical Services Company ("STS"), a company engaged in providing digital transformation solutions in the Middle East and North Africa, for a purchase consideration of US$ 32 million (RO 12.2 million) (including contingent consideration). This acquisition is subject to regulatory approvals.

3. Cash and bank balances

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

	Unaudited 30 September 2023 RO'000	Audited 31 December 2022 RO'000
Cash on hand and at banks	**357,257**	366,976
Short-term deposits with banks	**83,157**	121,766
Government certificates of deposits held by subsidiaries	**10**	10
	440,424	488,752
Expected credit loss	**(35,180)**	(37,428)
	405,244	451,324
Cash at bank under lien	**(1,678)**	(7,477)
Short term deposits with banks exceeding maturity of three months	**(19,033)**	(11,553)
Government certificates of deposits with maturities exceeding three months held by subsidiaries	**(10)**	(10)
Cash and cash equivalent in the condensed consolidated statements of cash flows	**384,521**	432,284

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

Assets and liabilities of disposal group classified as held for sale – Oman, Kuwait and KSA

The carrying value of disposal group held for sale comprises of remaining telecom tower assets and remaining right of use of assets and its related lease liabilities classified as held for sale in Oman Kuwait, KSA and Iraq as follows.

				Total (RO'000)	
	Oman	Kuwait	KSA	30 September 2023	31 December 2022
Telecom tower assets	**1,296**	**1,053**	**58,603**	**60,952**	187,719
Right of use of assets	**-**	**3,904**	**62,060**	**65,964**	135,237
	1,296	**4,957**	**120,663**	**126,916**	322,956
Lease liabilities	**-**	**1,243**	**41,898**	**43,141**	109,318

These are expected to be sold within one year.

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

KSA

In 2022, SMTC received board of directors' approval on the final offers (the "Final Offers") from the Public Investment Fund (PIF), HRH Prince Saud bin Fahd Bin Abdulaziz, and Sultan Holding Company after completing the due diligence and internal approvals of all parties. The approved final offers were to acquire stakes in SMTC's towers infrastructure comprising of 8,069 towers, valuing these assets at USD 807 million (RO 308.9 million). Pursuant to the Final Offers SMTC will own 20% stake in newly formed Tower Company. PIF's Final Offer also includes a call option that will grant PIF the right to buy the remaining 20% stake from SMTC for a certain amount. Under the terms of the offers, SMTC will sell its passive, physical towers infrastructure and retain all other wireless communication antennas, software, technology, and intellectual property (IPs).

On 28 May 2022, SMTC received a letter from the Communications, Space and Technology Commission ("CST"), which included the CST's Board of Directors approval for "Zain Business Limited" Company (a subsidiary of Zain KSA) to acquire aforementioned telecom tower sites owned by SMTC.

In September 2022, PIF acquired Zain Business Limited and changed the name to Golden Lattice Investment Company (GLI). In October 2022, SMTC entered into an Asset Purchase Agreement ("APA") with GLI to transfer 8,069 towers for an aggregate value of USD 807 million (RO 308.9 million). Under the APA, as part of "Financial Completion" SMTC was to receive cash proceed of SAR 2,421 million along with a 20% equity stake in GLI.

During the period, pursuant to the financial completion under the APA the Group:-

- received advance from GLI amounting to SAR 2,421 million (RO 244.99 million)
- derecognized 5,000 towers for a cash consideration of SAR 1,270 million (RO 127.99 million) which was
  - partially adjusted against the advances received from GLI and;
  - partially adjusted against 20% stake in GLI valued at SAR 605 million (RO 61.096 million) as in-kind consideration.

Total gain from this transaction was SAR 558.37 million (RO 56.62 million) which is recognized in the statement of profit or loss during period. This includes the impact of reallocating goodwill of SAR 768.1 million (RO 77.7 million).

Subsequently on 19 October 2023 SMTC received a request from PIF to exercise unconditional call option as per SHA.

Iraq

During 2022, Atheer Telecom Iraq Limited received approval from its board of directors for the sale of its passive tower infrastructure. Under the terms of the offer received, Atheer was to sell and leaseback its passive physical towers infrastructure comprising of 4,604 towers.

In January 2023, Atheer sold and leased back from TTI Holding Limited (TTI, a subsidiary of the Group) 4,604 towers, for an aggregate value of US$ 180 million (RO 68.218 million). This intercompany transaction was eliminated at the Group level.

Subsequently, in July 2023, the Group sold its controlling stake in TTI (including tower infrastructure) to TASC Towers Holding Limited ("TASC") (an associate of the Group), for a consideration of US$ 238 million (RO 90.88 million) . This resulted in a gain of US$ 1.65 million (RO 0.69 million). This includes the impact of reallocating goodwill of US$ 32.63 million (RO 12.36 million) attributable to tower operations and recycling of $ 0.3 million (RO 0.1 million) FCTR to income statement.

Kuwait

Between 2020 and 2022 the Company completed the sale and lease back of 1,398 telecom towers in Kuwait.

During September 2023, the Company completed sale and lease back of additional 101 telecom towers in Kuwait for a total sale consideration of US$ 6.409 million (RO 2.43 million). Total gain from this transaction was RO 1.33 million which is recognized in the statement of profit or loss during the period.

Oman

On 11 May 2021, Parent Company entered into an agreement with Helios Towers PLC for the sale and lease back of telecom towers in Oman. On 7 December2022, Parent Company after meeting the conditions precedent under the agreement, completed the sale and lease back of 2,519 telecom towers in Oman for a consideration of USD 494 Million (RO 190.263 Million) as part of Phase 1 of the transaction. Towers sold will be leased back for a period of 15 years. Phase 2 of the transaction envisages a further transfer of 227 sites which is expected to be completed within 18 months from the date of completion of the Phase 1 of the transaction.

5. Investments in associates and joint venture

Investments in associate

	Unaudited	Audited
	30 September 2023	31 December 2022
	RO'000	RO '000
Oman Fibre Optic Co SAOG	**8,524**	8,264
Majan Telecommunications LLC	**5,390**	5,334
Equinix Muscat LLC	**2,749**	2,160
Pearl REIF Fund (refer note (i) below)	**15,566**	14,736
TASC Towers Holding Limited (refer note (ii) below)	**99,479**	16,543
IHS Kuwait Ltd	**1,181**	1,341
Others	**1,752**	201
	134,641	48,579

i) Pearl REIF Fund

On April 13,2022, Parent company in collaboration with Oman Investment Authority (OIA) established a Real estate Fund called Pearl REIF Fund (" Pearl REIF") approved by the Capital Market Authority Oman. Parent Company transferred its Headquarters to the funds for a value of RO 55 Mn which was settled by REIF by issuing units in Pearl REIF which is equivalent to RO 27.9 Mn (representing an ownership interest of 65.7%) and cash of RO 27.1 Mn. Parent Company simultaneously entered into a lease agreement with Pearl REIF for the lease of its Head quarter building. Pearl REIF completed an Initial public offering (IPO) on 7 November 2022 where in the Parent company disposed amounting to RO 13.8 Mn (representing an ownership interest of 32.2%) for a value of RO 15 Mn. The remaining unit value after the disposal for RO 14.1 Mn is classified as Investments in associate.

ii) TASC Towers Holding Limited

RO 99.479 million (31 December 2022 – RO 16.543 million) interest in TASC Towers Holding Limited ("TASC") which represents 92.9% (31 December 2022 – 69.1%) of the equity shares of the associate. During the period the Group increased its' holding in TASC from 83.5% to 92.9% as a result of issuing of additional shares to settle the consideration on sale of TTI as disclosed in note 4.

The Group determines that it does not have the control over TASC on the basis that the Group does not have majority representation in the Board under the terms agreed in the agreement between TASC shareholders.

Investments in joint venture

This includes Group's RO 105.056 million (31 December 2022 - RO 101.448 million) 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). The carrying value of this joint venture and its results for the year are determined by Group management using equity method based on management information provided by Wana Corporate.

6. Property and equipment

	Unaudited	Audited
	30 September 2023	31 December 2022
	RO'000	RO'000
Net fixed assets	**1,490,138**	1,577,196
Capital work in progress	**182,220**	184,308
	1,672,358	1,761,504

During the nine-months period ended 30 September 2023, the Group acquired property and equipment amounting to RO 146.7 million (30 September 2022: RO 162.1 million). Depreciation charged for the period amounted to RO 237.4 million (30 September 2022: RO 241.7 million).

7. Intangible assets and goodwill

	Unaudited	Audited
	30 September 2023	31 December 2022
	RO'000	RO'000
Intangible assets	**2,245,676**	2,343,254
Goodwill	**1,027,147**	1,038,507
Capital work in progress	**7,829**	7,785
	3,280,652	3,389,546

During the nine months period ended 30 September 2023, the Group acquired intangible assets amounting to RO 21.4 million (30 September 2022: RO 25.6 million). Amortization charged for the period amounted to RO 131.5 million (30 September 2022: RO 164.3 million).

During the period the Group recognized additional goodwill of RO 15.54 million, RO 1.698 million and RO 2.308 million as a result of acquisition of BIOS, Adfolks and Bookeey respectively (Note 2).

8. Income tax payables

Income tax payables mainly includes current tax payables by the Parent company's and the Group's subsidiaries in Iraq, Jordan and Sudan respectively.

Tax assessments for Parent Company (Sultanate of Oman) are finalized till tax years 2018. For tax year 2017, tax authority Oman raised a demand for RO 6.2 million disallowing certain write offs with respect to an investment in an erstwhile subsidiary. During the year, the Company filed an objection against the order with Head of Tax authority and the tax demand was reduced to RO 3.28 million which was paid by the Company. The Company filed an appeal with the Grievance committee contesting disallowance of RO 0.351 Mn made by Secretary General of Taxation in its order.

Atheer - Iraq

Income tax assessment for 2011 is contested and is currently under the consideration of Iraq General Commission for Taxes (IGCT).

Atheer has booked the income tax expenses for the year from 2019 to date, based on self-assessment, considering most likely outcome. No assessment order has yet been received. Income tax assessment for all other years are paid and settled.

Management believes that they have adequate provisions for liabilities in respect of the assessments contested.

9. Borrowings

	30 September 2023	31 December 2022
	RO'000	RO '000
Parent Company		
Short term loan	**25,000**	-
Long term loan	**-**	58,816
Other long term loans	**9,010**	10,130
	34,010	68,946
Oztel		
Long term loan	**-**	70,172
Bonds	**449,468**	441,487
	449,468	511,659
Oman Data Park		
Long term loans	**9,077**	8,045
	9,077	8,045
Mobile Telecommunications Company-Kuwait		
Short term loans	**19,034**	26,507
Long term loans	**730,491**	667,268
	749,525	693,775
SMTC		
Long term loans	**529,669**	607,662
	529,669	607,662
Pella		
Long term loans	**98,996**	98,452
	98,996	98,452
Atheer		
Bank overdrafts	**-**	3,116
Long term loans	**286,467**	289,209
	286,467	292,325
Future cities SAOC		
Long term loan	**5,010**	5,834
Others		
Bank Overdrafts	**1,068**	953
	2,163,290	2,287,651

The current and non-current amounts are as follows:

	Unaudited	Audited
	30 September 2023	31 December 2022
	RO'000	RO '000
Current liabilities	**410,153**	547,584
Non-current liabilities	**1,753,137**	1,740,067
	2,163,290	2,287,651

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

	Unaudited	Audited
	30 September 2023	31 December 2022
	RO'000	RO '000
US Dollar	**1,184,426**	1,411,388
Kuwaiti Dinar	**507,881**	366,962
Saudi Riyals	**430,828**	494,469
Omani Rial	**40,155**	14,832
	2,163,290	2,287,651

The effective interest rate as at 30 September 2023 was 6.05% to 7.09% (30 September 2022 – 2.14% to 7.09%) per annum.

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

The 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;
- consolidated net borrowings to consolidated net worth (equity);

Parent Company and Oztel

Short term loan

During the period the Company drawn down RO 80 million (31 December 2022: Nil) and repaid RO 55 million from a revolving credit facility

The facility carries a fixed margin over the one year cost of fixed deposit of the bank.

Long Term loan

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. The remaining amount of USD 364.775 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. On 22 October 2019 the Parent company and Oztel 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%. The loan is secured by way of a pledged on the acquired shares. A portion of the loan has been hedged using a interest rate swap.

During the period the Company prepaid the entire loan amount.

Other long term loans

Export credit loan with an outstanding balance of USD 23.4 million (RO 9.0 million) (31 December 2022-USD 26.3 million (RO 10.1 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

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 457.1 million (31 December 2022: USD 457.1 million) with coupon rate of 5.63% per annum. The bonds are due for payment in October 2023. The effective interest rate on the bond is 6.05% per annum. The fair value of the bond is USD 457.1 million (31 December 2022: USD 453.9 million). Subsequently on 24 October 2023 the bonds were repaid out of a bridge loan facility for USD 460 million from Arab Banking Corporation.

b) 10 years tranche USD 688.9 million (31 December 2022: USD 688.9 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 705.5 million (31 December 2022: USD 691.5 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.

Mobile Telecommunications Company K.S.C.P

During the period, the Company has:

1) Drawn down RO 174.24 million amount from the existing and new facilities (31 December 2022 - RO 177.63 million). This includes:

-US$ 50 million (RO 18.94 million) of a revolving credit facility amounting to US$ 50 million.

- KD 101 million (RO 124.4 million) of a revolving credit facility amounting to KD 200 million.

2) repaid loans amounting to RO 117.9 million (31 December 2022 – RO 157.8 million). This includes:

- US$ 70 million (RO 26.45 million) of a revolving credit facility amounting to US$ 70 million.

- US$ 159.383 million (RO 60.19 million) of export credit agency financing amounting to US$ 159.383 million.

The above facilities carry a fixed margin over three or six month London Inter-Bank Offer Rate (LIBOR) or over Central Bank Discount rate.

SMTC

Long Term loans include:

1) SAR 5,218 million (RO 529.67 million) (31 December 2022: SAR 5,488 million equivalent to RO 555.06 million) syndicated murabaha facility. The working capital facility amounting to SAR 520 million (RO 52.79 million) as at 31 December 2022 was repaid during the period.

   In September 2020, SMTC signed an Amendment Agreement (the Agreement) with the consortium of lenders to refinance the Murabaha facilities that existed as of that date and to secure additional funding for future capital investment.

The Agreement:

a. Includes a Total Term Murabaha Facility of SAR 6,000 million (RO 605.91 million), consisting of SAR 4.880 billion (RO 492 million) and US$ portion of SAR 1.120 billion (RO 113 million) for refinancing of the existing Term Murabaha Facility amounting to SAR 3.48 billion (RO 351 million) and balance for future specified business purposes.

b. Includes a revolving working capital facility of SAR 1,000 million (RO 100.98 million) consisting of SAR 813.393 million (RO 82.14 million) and a US$ portion totaling to SAR 186.607 million (RO 18.84 million).

The Murabaha Facility continues to be secured partially by a guarantee from the Company 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, provided SMTC is in compliance with all its obligations under the agreement.

A portion of above syndicated loan has been hedged through a profit rate swap contract.

Zain Jordan

Long term loans include:

1) US$ 160 million (RO 60.91 million) (31 December 2022 – US$ 160 million equivalent to RO 60.09 million) term loan from a commercial bank that is repayable by 2025.

2) US$ 100 million (RO 38.06 million) (31 December 2022 – US$ 100 million equivalent to RO 38.36 million) term loan from a commercial bank which is repayable by 30 April 2027.

Atheer

1) US$ 70 million (RO 26.64 million) (31 December 2022 – US$ 70 million equivalent to RO 26.5 million) term loan from a commercial bank that is repayable by 17 December 2024.

2) US$ 105 million (RO 39.97 million) (31 December 2022 – US$ 105 million equivalent to RO 39.75 million) term loan from a commercial bank which is repayable by 30 June 2026.

3) US$ 150 million (RO 57.10 million) (31 December 2022 – US$ 150 million equivalent to RO 56.8 million) revolving credit facilities from a commercial bank repayable by 17 December 2025.

4) US$ 100 million (RO 37.90 million) (31 December 2022 – US$ 100 million equivalent to RO 37.85 million) term loan from a commercial bank repayable by 31 July 2026.

5) US$ 50 million (RO 19.03 million) (31 December 2022 – US$ 50 million equivalent to RO 18.93 million) term loan from a commercial bank repayable by 14 April 2024.

6) US$ 52.5 million (RO 19.98 million) (31 December 2022 – US$ 63.75 million equivalent to RO 24.14 million) term loan from a commercial bank repayable by 28 April 2025.

7) US$ 125 million (RO 47.59 million) (31 December 2022 – US$ 125 million equivalent to RO 47.43 million) term loan from a commercial bank repayable by 03 May 2025.

8) US$ 100 million (RO 38.06 million) (31 December 2022 – US$ 100 million equivalent to RO 37.86 million) term loan from a commercial bank repayable by 25 May 2024.

These facilities are guaranteed by the Company and carry a floating interest rate of a fixed margin over three-month CME Term SOFR

Future cities SAOC

Long term loans include:

1) RO 4.67 million term loan from a commercial bank which is repayable by 31 July 2027 at an interest rate of 5.5% pa.

2) RO 0.349 million term loan from a commercial bank which is repayable by 31 July 2027 at an interest rate of 5.5%

10. Other non-current liabilities

	Unaudited	Audited
	30 September 2023	31 December 2022
	RO'000	RO '000
Payable to Ministry of Finance – KSA (refer below)	**196,340**	251,563
Due for acquisition of spectrum	**202,202**	207,092
Payable towards Sale and lease back financing-Parent company	**93,192**	83,554
Customer deposits	**11,784**	9,827
Post-employment benefits	**67,098**	63,107
Others	**46,027**	64,815
	616,643	679,958

During 2013, SMTC signed an agreement with the Ministry of Finance – KSA to defer payments that are due to the government until 2021. Based on the agreement, the amounts are to be repaid in seven annual instalments starting from June 2021. On 20 February 2023, the Group signed a revised agreement with MOF in which the existing deferral of payment to MOF was converted into a Murabaha facility with MOF with the repayment terms being the same as mentioned above.

11. Share capital

Share capital (par value of RO 0.100 per share)

	Unaudited	Audited
	30 September 2023	31 December 2022
	No. of shares	No. of shares
Authorised, Issued and fully paid up	**750,000,000**	750,000,000
	RO'000	RO'000
Authorised, Issued and fully paid up	**75,000**	75,000

Shareholders of the Company who own not less than 10% of the Company's shares at the reporting date are as follows:

	2023	2022
	No. of shares	No. of shares
United International Telecommunications Investment and Projects LLC	**382,500,345**	382,500,345

Legal reserve

In accordance with the Oman Commercial Companies Law of 2019, 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 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 entity's paid up share capital. As the reserve equals at least half of paid up share capital, the Company has discontinued the transfer.

Capital contribution

The excess of the valuation of the fixed licence of the Parent company over the amounts paid to TRA in year 2004 is recognised as a non-distributable capital contribution within equity.

Capital reserve

This is a non-distributable reserve and represents the fair value in excess of the amount paid for the mobile license, which expired in February 2019.

Foreign currency translation reserve

Foreign currency translation reserve mainly represents foreign exchange translation losses arising from Zain Group, Zain Sudan and Zain South Sudan.

Dividend – 2022

The annual general meeting of shareholders for the year ended 31 December 2022 held on 31 March 2023 approved distribution of final dividends of 55 baiza per share for the year 2022 (31 December 2021 – 55 baiza per share). In addition an interim dividend of 5 baiza per share was paid in August 2023.

12. Investment income

	Three months ended 30 September		**Nine months ended 30 September**	
	Unaudited			
	2023	2022	**2023**	2022
	RO'000	RO'000	**RO'000**	RO'000
Profit/(loss) from investment securities at FVTPL	**(593)**	4,006	**2,003**	5,940
Dividend income	**131**	124	**651**	935
	(462)	4,130	**2,654**	6,875

13. Operating and administrative expenses

A part of the regulatory tariff levied on mobile telecommunication operators in Kuwait by the Ministry of Communication since 26 July 2011 was invalidated by the Kuwait Court of Cassation in April 2017. Accordingly, the Group's claim amounted to KD 24.680 million (RO 30.52 million).

- In June 2022 and in February 2023 the Courts of First Instance and the Court of Appeal respectively, issued judgements in favor of the Group.
- In April 2023 the Ministry appealed to the Court of Cassation against the above ruling and to suspend its execution. The request to suspend the execution of order of Court of Appeal was rejected on 30 May 2023. The final order of the Court of Cassation on the appeal against the ruling is pending.

Based on the above, the Group has determined that the recoverability of the claim is virtually certain and has recognized an amount of KD 24.680 million (RO 30.52 million) in the condensed consolidated statement of profit or loss and other comprehensive income for the period ended 30 September 2023.

In October 2023 the group received a part of the above claim amounting to KD 2.552 million (RO 3.157 million).

14. 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		Nine months ended 30 September	
	2023	2022	**2023**	2022
	RO'000	RO'000	**RO'000**	RO'000
		Unaudited		
Profit for the period attributable to shareholders	**17,626**	15,202	**56,113**	49,805
	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
		RO	**RO**	RO
Earnings per share – basic and diluted	**0.024**	0.020	**0.075**	0.066

15. Segmental information

The Company and its subsidiaries operate in a single business segment, telecommunications and related services. Apart from its operations in Oman, the Company operates through Zain Group in 8 countries. This forms the basis of the geographical segments. Based on the disclosure criterion, the Group has identified its telecommunications operations in Oman, Kuwait, Jordan, Sudan, Iraq, Bahrain and KSA as the basis for disclosing the segment information.

During the year 2022 the Group revised its segment information with respect to Oman to include dividend income, finance costs and other costs associated with respect to its investment in Zain Group. Previous year figures were reclassified to conform to current year presentation.

	30 September 2023 (Un audited)									
	Oman	Kuwait	Jordan	Sudan	Iraq	Bahrain	KSA	Others	Elimination	Total
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000		RO '000
Segment revenues – airtime, data & subscriptions (Over time)	408,827	237,942	142,332	163,139	268,667	43,766	655,757	27,260	-	1,947,690
Segment revenues - trading income (Point in time)	49,231	88,376	7,073	1,963	2,082	10,471	84,913	732	-	244,841
Net profit before interest and tax	48,795	78,284	38,314	76,309	37,320	4,246	74,701	(9,735)	-	348,234
Interest income	1,878	2,454	661	3,332	533	288	4,579	186	-	13,911
Gain on sale and leaseback transaction	-	1,327	-	-	12,252*	-	56,624	-	(12,252)	57,951
Dividend income from Zain group	41,531	-	-	-	-	-	-	-	(41,531)	-
Finance costs	(31,990)	(721)	(11,868)	(1,336)	(24,811)	(726)	(52,250)	(224)	-	(123,926)
Income tax expenses	(5,513)	-	(7,449)	(6,637)	(2,916)	-	-	(160)	-	(22,675)
	54,701	81,344	19,658	71,668	22,378	3,808	83,654	(9,933)	(53,783)	273,495
Unallocated items:										
Investment income										2,654
Share of results of associates and joint venture										3,117
Others (including unallocated income tax and finance costs net of elimination)										(28,320)
Profit for the year										250,946
Segment assets including allocated goodwill	1,663,301	965,343	600,911	219,599	985,905	128,045	3,206,684	175,450	(850,336)	7,094,902
ROU asset	95,615	14,271	11,592	3,439	24,252	16,259	72,148	1,967	-	239,543
Unallocated items:										
Investment securities at FVTPL										135,474
Investment securities at FVOCI										23,902
Investment securities at amortised cost										1,000
Investment in associates and joint venture										239,697
Others (net of eliminations)										131,636
Consolidated assets										7,866,154
Segment liabilities	435,232	211,368	175,053	99,599	185,440	33,910	1,167,362	181,646	-	2,489,610
Lease liabilities (Current & non-current)	135,979	22,013	14,299	2,311	33,728	16,368	92,747	1,810	-	319,255
Borrowings	498,633	-	98,996	-	286,467	-	529,671	-	-	1,413,767
	1,069,844	233,381	288,348	101,910	505,635	50,278	1,789,780	183,456	-	4,222,632
Unallocated items:										
Borrowings										749,523
Others (net of eliminations)										(16,283)
Consolidated liabilities										4,955,872
Net consolidated assets										2,910,282
Capital expenditure incurred during the year	77,134	27,137	6,043	21,528	12,802	1,227	19,420	15,997	-	181,288
Unallocated (net of eliminations)										370
Total capital expenditure										181,658
Depreciation and amortization	68,404	63,376	22,488	4,033	57,434	9,612	139,552	5,761	-	370,660
Amortization of ROU assets	7,532	6,520	1,348	717	2,552	3,099	17,063	323	-	39,154
Unallocated										(2,032)
Total depreciation and amortization										407,782

*Eliminated at Group level (refer note 4)

	30 September 2022 (Un audited)									
	Oman	Kuwait	Jordan	Sudan	Iraq	Bahrain	KSA	Others	Elimination	Total
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000		RO '000
Segment revenues – airtime, data & subscriptions (Over time)	386,439	237,248	137,949	126,176	224,427	41,673	581,025	21,211	-	1,756,148
Segment revenues - trading income (Point in time)	36,923	80,560	5,989	1,693	1,968	8,813	89,378	70	-	225,394
Net profit before interest and tax	60,769	50,999	24,883	67,298	21,208	4,474	71,972	2,939		304,542
Interest income	1,753	1,518	1,255	1,248	6	97	704	58		6,639
Gain on sale and lease back transaction	-	495	-	-	-	-	-	-		495
Dividend income from Zain group	39,456								(39,456)	-
Finance costs	(38,715)	(700)	(6,924)	(218)	(16,620)	(718)	(41,321)	(30)		(105,246)
Income tax expenses	(8,349)	-	(5,911)	(2,717)	(2,868)	-	-	(78)		(19,923)
	54,914	52,312	13,303	65,611	1,726	3,853	31,355	2,889		186,507
Unallocated items:										
Investment income										6,875
Share of results of associates and joint venture										3,723
Others (including unallocated income tax and finance costs net of elimination)										(2,040)
Profit for the year										195,065
Segment assets including allocated goodwill	1,779,596	914,209	609,813	87,280	1,013,978	124,576	3,245,177	102,865	(850,336)	7,027,158
ROU asset	63,533	12,879	11,866	2,298	5,597	14,754	67,786	77		178,790
Unallocated items:										
Investment securities at FVTPL										74,964
Investment securities at FVOCI										23,603
Investment securities at amortised cost										1,000
Investment in associates and joint venture										146,765
Others (net of eliminations)										260,465
Consolidated assets										7,712,745
Segment liabilities	318,251	167,260	150,627	40,310	215,294	32,788	1,201,037	87,744		2,213,311
Lease liabilities (Current & non-current)	71,349	21,139	14,170	990	3,546	14,847	63,366	47		189,454
Borrowings	807,590	-	98,189	-	297,443	-	601,194	-		1,804,416
	1,197,189	188,399	262,986	41,300	516,283	47,635	1,865,597	87,791		4,207,181
Unallocated items:										
Borrowings										727,184
Others (net of eliminations)										(15,988)
Consolidated liabilities										4,918,377
Net consolidated assets										2,794,368
Capital expenditure incurred during the year	67,361	12,875	8,659	18,397	16,555	1,154	42,308	16,830		184,139
Unallocated (net of eliminations)										2,802
Total capital expenditure										186,941
Depreciation and amortization	58,723	61,455	32,303	2,434	62,186	9,392	138,192	4,338		369,023
Amortization of ROU assets	14,919	5,782	1,323	327	4,524	2,847	14,229	23		43,974
Unallocated										(378)
Total depreciation and amortization										412,619

16. 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

	Nine months ended 30 September (Unaudited)	
	2023	**2022**
	RO'000	**RO'000**
Revenue	**16,190**	9,871
Cost of sales	**14,532**	7,259
Lease rentals	**3,218**	1.072
Dividend income from associate	**1,458**	862
Purchase of property plant and equipment	**-**	23

Key management compensation

	Nine months ended 30 September (Unaudited)	
	2023	**2022**
	RO'000	**RO'000**
Salaries and other short term employee benefits	**1,558**	1,729
Post-employment benefits	**57**	82

Balances

	Unaudited	**Audited**
	30 September 2023	**31 December 2022**
	RO'000	**RO'000**
Trade and other receivables-Associates	**12,949**	18,031
Trade and other payables-Associates	**5**	5

17. Commitments and contingencies

	Unaudited	**Audited**
	30 September 2023	**31 December 2022**
	RO'000	**RO'000**
Capital commitments	**369,792**	134,217
Uncalled share capital of investee companies	**462**	785
Letters of guarantee and credit	**70,505**	86,448

Royalty in Sultanate of Oman

The Company during FY 2020 received a letter from TRA clarifying the applicability of royalty on certain categories of Wholesale revenue. While clarifying that these items are exempt from Royalty from year 2020, TRA has demanded to pay royalty on these revenues for the periods from 2013 to 2019. 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.

Income taxes in Iraq

Atheer received an income tax claim of US$ 19.3 million (RO 7.30 million) from IGCT for the year 2011 on 9 March 2020. On 12 March 2020, Atheer submitted its objection to this additional income tax claim which was rejected by the IGCT on 15 March 2020. This additional tax claim is now under appeal procedures before the Appeals Committee of IGCT. Atheer believes that it has adequate provisions to meet this liability, if it arises.

On 10 September 2023, the Communication and Media Commission of Iraq (“CMC”) imposed a fine of US$75 million (RO 28.36 million) on Atheer for failing to meet 4G QoS ('Quality of Service') KPIs for the year 2022. Atheer's position is that the penalties are not assessed in line with license agreement with CMC and did not comply with existing regulations. On 9 October 2023, Atheer challenged the decision before the Appeals Board. Based on the report from its attorneys, Atheer believes that the prospects of this matter being resolved in Atheer's favor are good.

Pella - Jordan

Pella is a defendant in lawsuits amounting to RO 27.79 million (31 December 2022 – RO 27.94 million). Based on the report of its attorneys, the Group expects the outcome of these proceedings to be favorable to Pella.

SMTC

a) SMTC received withholding tax assessments from Zakat, Tax and Customs Authority (“ZATCA”) for an additional amount of SAR 252 million (RO 25.4 million) for certain withholding tax items for the years from 2015 to 2021. SMTC has appealed these assessments against the relevant committees.

   The SMTC believes that the outcome of those appeals will be in its favor with no material financial impact as the SMTC has sufficient provisions to cover these amounts.

b) In accordance with the Net Telecommunications Revenue Base Regulations for Licensed Service Providers (the regulation) as issued by Communications, Space and Technology Commission in KSA (CST), SMTC is required to submit quarterly Net Telecom Revenue forms (NTR forms) including NTR base.

   Due to absence of reasonable assurance report on the submitted NTR forms for the period ended 31 March 2023, during the quarter ended 30 September 2023, SMTC has received an invoice from CST amounting to SR 266 million which was calculated based on the revenue as reported in the interim condensed consolidated financial information of SMTC for the period ended 31 March 2023 instead of NTR base for the respective period which resulted in SR 97 million being additional amount.

   Subsequent to the quarter ended 30 September 2023, the reasonable assurance report was submitted and management of SMTC believes that the additional amount requested by CST over the NTR base is recoverable through adjustment against future payments to CST. Hence no additional provision is required to be provided in the interim condensed financial information of the Group for the period ended 30 September 2023.

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.

18. Financial instruments

18.1 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:

	Amortized costs	At fair value through profit or loss	Fair value through comprehensive income
	RO'000	RO'000	RO '000
30 September 2023 (Unaudited)			
Cash and bank balances	**405,244**	**-**	**-**
Trade and other receivables	**1,188,775**	**-**	**-**
Investment securities	**1,000**	**135,474**	**23,902**
Other assets	**21,490**		
	1,616,509	**135,474**	**23,902**
31 December 2022 (Audited)			
Cash and bank balances	451,324	-	-
Trade and other receivables	968,291	-	-
Investment securities	1,000	75,236	21,794
Other assets	19,771	-	-
	1,440,386	75,236	21,794

All financial liabilities are categorized as 'at amortized cost'.

18.2 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 2023 (Un audited)

	Level 1	Level 2	Level 3	Total
	RO'000	RO'000	RO'000	RO'000
Financial assets at fair value:				
Investments at fair value through profit or loss	**5,731**	**33,197**	**96,546**	**135,474**
Investments at fair value through other comprehensive income	**2,433**	**2,910**	**18,559**	**23,902**
Total assets	**8,164**	**36,107**	**115,105**	**159,376**

31 December 2022 (Audited)

	Level 1	Level 2	Level 3	Total
	RO'000	RO'000	RO'000	RO'000
Financial assets at fair value:				
Investments at fair value through profit or loss	8,445	33,213	33,578	75,236
Investments at fair value through other comprehensive income	2,300	3,471	16,023	21,794
Total assets	10,745	36,684	49,601	97,030

Measurement at fair value

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

19. Hyperinflation – Zain South Sudan

Net monetary (loss)/ 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 impact of Net monetary loss for the period is not material to the interim financial information.

20. Derivative financial instruments

The table below shows the positive and negative fair values of derivative financial instruments, together with the notional amounts analysed 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 period-end and are not indicative of either market or credit risk. All derivative contracts are fair valued based on observable market data.

	Notional amounts by term to maturity		
	Positive fair value	**Negative fair value**	**Notional amount**
At 30 September 2023 (Un audited)	**RO'000**	**RO'000**	**RO'000**
Derivatives held for hedging:			
Cash flow hedges - Receive 3-month SIBOR, pay fixed interest rate			
Interest rate swaps (maturing after one year)	**11,382**	**-**	**294,398**
At 31 December 2022 (Audited)			
Derivatives held for hedging:			
Cash flow hedges - Receive 3-month LIBOR/ SIBOR, pay fixed interest rate			
Interest rate swaps (maturing after one year)	15,364	-	398,065

21. Subsequent event

At the date of authorization of this interim condensed consolidated financial information, the Group lacks the ability to predict the duration of the war in Sudan, its potential level of intensity, or the influence of migration on its operations. The factions of the ruling military regime have expressed their openness for international mediations for permanent ceasefire and concluding on the current conflict. As of the date of authorization of this interim condensed consolidated financial information, there were no significant developments in the ongoing conflict that could have a substantial impact on the Zain Sudan's current or future performance.