1 Legal information 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 Al Mawaleh, 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 9 other countries.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to the periods presented, unless otherwise stated.

2.1 Basis of preparation

(a) Statement of compliance and basis of measurement

The financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") and the disclosure requirements set out in the Rules for Disclosure and Proformas issued by the Capital Market Authority and comply with the requirements of the Commercial Companies Law of 1974, as amended. The financial statements are prepared on the historical cost basis adjusted for the effects of inflation where entities operate in hyperinflationary economies and modified by the revaluation at "fair value of financial assets held at fair value through profit or loss", "at fair value through comprehensive income and "derivative financial instruments". These financial statements for the year ended 31 December 2018 comprise the Parent Company and its subsidiaries (together "the Group") and the Group's interest in associates and a joint venture. The separate financial statements represent the financial statements of the Parent Company on a standalone basis. The consolidated and separate financial statements are collectively referred to as "the financial statements".

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The significant accounting judgments and estimates are disclosed in note 34.

(b) Standards, amendments and interpretation effective in 2018

Adoption of new and amended standards and interpretations to IFRS

The accounting policies used in the preparation of these financial statements are consistent with those used in the previous year except for the following new and amended IASB Standards during the year:

IFRS 15 Revenue from Contracts with Customers

The Group has applied IFRS 15 Revenue from Contracts with Customers (as amended in April 2016) on its effective date of 1 January 2018. IFRS 15 introduces a 5-step approach to revenue recognition. The core principle of IFRS 15 is that the entity should recognize revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange of those goods and services. Under IFRS 15, an entity recognizes revenue when or as the performance obligation is satisfied.

The implementation of IFRS 15 does not impact the quantum or the phasing of cash flows. The adjustments made are purely a timing difference between the cash flows and accounting recognition, with the difference recognized on the statement of financial position and reflected in the working capital changes and other cash flow line items.

The Company's accounting policies for its revenue streams are detailed in note 2.4 below.

2 Summary of significant accounting policies (continued)

IFRS 9 – Financial Instruments
The Group has adopted *IFRS 9 Financial Instruments* issued in July 2014 with a date of initial application of 1 January 2018. The requirements of IFRS 9 represent a significant change from *IAS 39 Financial Instruments: Recognition and Measurement*. The new standard brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities. The impairment model in IFRS 9 also applies to lease receivables, loan commitments and financial guarantee contracts. The Company's accounting policies are detailed in note 2.11 below.

Hedge accounting

The general hedge accounting requirements of IFRS 9 retain the three types of hedge accounting mechanisms in IAS 39. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify as hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is no longer required. As permitted by IFRS 9, the Group has elected to continue to apply the hedge accounting requirements of IAS 39.

Impact on adoption of the IFRS 9 and IFRS 15 – Transition: Changes in accounting policies resulting from the adoption of IFRS 15 and IFRS 9 have been applied with effect from 1 January 2018, using the modified retrospective method and accordingly the comparative periods have not been restated. Differences in the carrying amounts of assets and liabilities resulting from the adoption of IFRS 9 and IFRS 15 are recognised in opening retained earnings as at 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of IFRS 9 and 15 and therefore is not comparable. The impact on adoption is disclosed in note 2.22 below. Other amendments to IFRSs which are effective for annual accounting period starting from 1 January 2018 did not have any material impact on the accounting policies, financial position or performance of the Group.

(c) Standards issued but not yet effective
At the date of authorization of these financial statements, the Company has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

New and revised IFRSs	**Effective for annual periods beginning on or after**
IFRS 16 *Leases*	1 January 2019
Annual Improvements to IFRSs 2015–2017 Cycle amending IFRS 3 *Business Combinations*, IFRS 11 *Joint Arrangements*, IAS 12 *Income Taxes* and IAS 23 *Borrowing costs*.	1 January 2019
IFRIC 23 *Uncertainty over Income Tax Treatments*	1 January 2019
Amendments in IFRS 9 *Financial Instruments* relating to prepayment features with negative compensation.	1 January 2019
Amendment to IAS 19 *Employee Benefits* relating to amendment, curtailment or settlement of a defined benefit plan	1 January 2019
Amendments in IAS 28 *Investments in Associates and Joint Ventures* relating to long-term interests in associates and joint ventures.	1 January 2019
Amendments to References to the Conceptual Framework in IFRS Standards - amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32 to update those pronouncements with regard to references to and quotes from the framework or to indicate where they refer to a different version of the Conceptual Framework	1 January 2020
Amendment to IFRS 3 *Business Combinations* relating to definition of a business	1 January 2020
Amendments to IAS 1 and IAS 8 relating to definition of material	1 January 2020
IFRS 17 *Insurance Contracts*	1 January 2021
Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 *Investments in Associates and Joint Ventures* (2011) relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture.	Effective date deferred indefinitely. Adoption is still permitted.

The management do not expect that the adoption of the Standards listed above will have a material impact on the consolidated financial statements of the Group in future periods, except as noted below:

2 Summary of significant accounting policies (continued)

IFRS 16 *Leases*

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements for both lessors and lessees.

IFRS 16 will supersede the current lease guidance including IAS 17 Leases and the related Interpretations. In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17.

The Group will make use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to apply to those leases entered or modified before 1 January 2019.

The change in definition of a lease mainly relates to the concept of control. IFRS 16 distinguishes between leases and service contracts on the basis of whether the use of an identified asset is controlled by the customer. Control is considered to exist if the customer has:

- The right to obtain substantially all of the economic benefits from the use of an identified asset; and
- The right to direct the use of that asset.

The Group will apply the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or modified on or after 1 January 2019 (whether it is a lessor or a lessee in the lease contract).

In preparation for the first-time application of IFRS 16, the Group has carried out an implementation project. The project has shown that the new definition in IFRS 16 will not change significantly the scope of contracts that meet the definition of a lease for the Group.

Impact on Lessee Accounting

Operating leases
IFRS 16 will change how the Group accounts for leases previously classified as operating leases under IAS 17, which were off-balance sheet.

The Group intends to adopt the standard using the cumulative effect approach, which means that the Group will recognize the cumulative effect of initially applying this standard as an adjustment to the opening balance of retained earnings of the annual reporting period that includes the date of initial application. The Group is continuing to analyze the impact of the changes and its impact will be disclosed in the first interim financial information as of March 31, 2019 that includes the effects of it application from the effective date.

Lease incentives (e.g. rent-free period) will be recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease liability incentive, amortised as a reduction of rental expenses on a straight-line basis.

Under IFRS 16, right-of-use assets will be tested for impairment in accordance with IAS 36 Impairment of Assets. This will replace the previous requirement to recognise a provision for onerous lease contracts.

For short-term leases (lease term of 12 months or less) and leases of low-value assets (such as personal computers and office furniture), the Group will opt to recognise a lease expense on a straight-line basis as permitted by IFRS 16.

IFRIC 23 Uncertainty over Income Tax Treatments

IFRIC 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The Interpretation requires an entity to:

- determine whether uncertain tax positions are assessed separately or as a group; and
- assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by an entity in its income tax filings:
  - If yes, the entity should determine its accounting tax position consistently with the tax treatment used or planned to be used in its income tax filings.
  - If no, the entity should reflect the effect of uncertainty in determining its accounting tax position.

2 Summary of significant accounting policies (continued)

The Interpretation is effective for annual periods beginning on or after 1 January 2019. Entities can apply the Interpretation with either full retrospective application or modified retrospective application without restatement of comparatives retrospectively or prospectively.

2.2.1 Subsidiary companies

The financial statements comprise the financial statements of the Parent Company and its subsidiaries as at 31 December 2018. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee.
- Rights arising from other contractual arrangements.
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of subsidiaries begins when the Group obtains control over the subsidiaries and ceases when the Group loses control of the subsidiaries. Assets, liabilities, income and expenses of subsidiaries acquired or disposed of during the year are included in the statement of income from the date the Group gains control until the date the Group ceases to control the subsidiaries.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of subsidiaries, without a loss of control, is accounted for as an equity transaction. If the Group loses control over subsidiaries, it:

- derecognises the assets (including goodwill) and liabilities of the subsidiaries
- derecognises the carrying amount of any non-controlling interests
- derecognises the cumulative translation differences recorded in equity
- recognises the fair value of the consideration received
- recognises the fair value of any investment retained
- recognises any surplus or deficit in profit or loss
- reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

In the Parent Company's separate financial statements, the investment in the subsidiaries are carried at cost less impairment, if any.

2.2.2 Transactions with non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

2 Summary of significant accounting policies (continued)

2.2.3 Investment in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The considerations made in determining significant influence or joint control is similar to those necessary to determine control over subsidiaries. The Group's investments in its associates are accounted for using the equity method.

Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The statement of profit or loss reflects the Group's share of the results of operations of the associate. Any change in other comprehensive income of those investees is presented as part of the Group's other comprehensive income. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The aggregate of the Group's share of profit or loss of an associate is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, then recognises the loss as 'Share of results of associates in the statement of profit or loss.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

A joint arrangement is a contractual arrangement that gives two or more parties joint control. Joint control is a contractually agreed sharing of control of an arrangement, which exists only when decision about the relevant activities require unanimous consent of the parties sharing control. A joint venture is a joint arrangement whereby the parties that have the joint control of the arrangement have rights to the net assets of the arrangement. The Group recognises its interests in joint ventures and accounts for it using the equity method.

In the Parent Company's separate financial statements, the investment in the associates and joint ventures are carried at cost less impairment, if any.

2.2.4 Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in other income / administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss. It is then considered in the determination of goodwill.

2 Summary of significant accounting policies (continued)

2.2.4 Business combinations and goodwill (continued)

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 Financial Instruments: Recognition and Measurement, is measured at fair value with changes in fair value recognised either in either profit or loss or as a change to OCI. If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not re-measured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

2.3 Segment reporting

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses including revenues and expenses relating to transactions with other components of the same entity, whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. The accounting policies of the reportable segments are the same as the Group's accounting policies described under note 2. Identification of segments and reporting are disclosed in note 35.

2.4 Revenue

Revenue comprises fixed telephone, Global System for Mobile Communication (GSM), internet, telex and telegram revenue, equipment rentals and amounts derived from the sale of telecommunication equipment and other associated services falling within the Group's ordinary activities. Revenue from fixed lines, GSM and internet services is recognised when the services are provided, and is net of discounts and rebates allowed.

Revenue from rentals and installations is based on a time proportion basis and on actual installation of telecommunication equipment, respectively.

Sales of payphone and prepaid cards are recognised as revenue based on the actual utilisation of the payphone and prepaid cards sold.

Sales relating to unutilised payphone and prepaid cards are accounted for as deferred income. Interconnection income and expenses are recognised when services are performed. Subscription revenue from Cable TV, Internet over cable and channels subscription is recognised on provision of services.

Handsets and telecommunication services

Revenue from mobile telecommunication services provided to postpaid and prepaid customers is recognized as services are transferred. When the customer performs first, for example, by prepaying its promised consideration, the Group has a contract liability. If the Group performs first by satisfying a performance obligation, the Group has a contract asset. Consideration received from the sale of prepaid credit is recognized as contract liability until such time the customer uses the services when it is recognized as revenue.

2 Summary of significant accounting policies (continued)

2.4 Revenue (continued)

The Group provides subsidized handsets to its customers along with mobile telecommunication services. IFRS 15 requires entities to allocate a contract's transaction price to each performance obligation based on their relative stand-alone selling price. This resulted in a reallocation of a portion of revenue from trading revenue to service revenue which was earlier recognized upfront on signing of the customer contract and correspondingly a creation of contract asset, which includes also some items previously presented as trade and other receivables. Contract asset represents receivable from customers that has not yet legally come into existence. The standalone selling prices are determined based on observable prices. Revenue from device sales is recognized when the device is delivered to the customer. This usually occurs when a customer signs the contract. For devices sold separately, customer pays in full at the point of sale. Revenue from voice, messaging, internet services etc. are included in the bundled package and are recognized as the services are rendered during the period of the contract.

Value added services - Principal vs. agent

Revenue from value added services (VAS) sharing arrangements depend on the analysis of the facts and circumstances surrounding these transactions. Revenue from VAS is recognized when the Group performs the related service and, depending on the Group's control or lack of control on the services transferred to the customer, is recognized either at the gross amount billed to the customer or the amount receivable by the Group as commission for facilitating the service.

Significant financing component

If a customer can pay for purchased equipment or services over a period, IFRS 15 requires judgement to determine if the contract includes a significant financing component. If it does, then the transaction price is adjusted to reflect the time value of money.

Commissions and other contract costs

Under IFRS 15, certain incremental costs incurred in acquiring a contract with a customer is deferred on the consolidated statement of financial position and amortised as revenue is recognised under the related contract; this will generally lead to the later recognition of charges for some commissions payable to third party dealers and employees.

Intermediaries are given incentives by the Group to acquire new customers and upgrade existing customers. Activation commission and renewal commission paid on post-paid connections are amortized over the period of the contract. In case of prepaid customers, commission costs are expensed when incurred. However, the Group may choose to expense such commission costs if the amortization period of the resulting asset is one year or less or if it is not significant.

Customer loyalty programs

The Group operates a customer loyalty program that provides a variety of benefits for customers. The Group allocates the consideration received between products and services in a bundle including loyalty points as separate performance obligation based on their stand-alone selling prices.

Interest income

Interest income is recognized on a time proportion basis using the effective yield method and dividend income is recognized when the right to receive payment is established.

The 'effective interest rate' is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the gross carrying amount of the financial asset.

In calculating interest income, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired). However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

2 Summary of significant accounting policies (continued)

2.5 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor
Revenue from granting of IRU on submarine cables classified as a finance lease is recognised at the time of delivery and acceptance by the customer. The cost of IRU is recognised at the amount of the Group's net investment in leases. Amounts due from lessees under other finance leases are recorded as receivables at the amount of the Group's net investment in the leases.

Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Revenues from the sale of transmission capacity on terrestrial and submarine cables are recognised on a straight-line basis over the life of the contract.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

The Group as lessee
Rentals payable under operating leases are charged to the statement of income on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

2.6 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of the asset. Borrowing costs are recognised as expense in the period in which they are incurred, except to the extent that they are capitalised. Borrowing costs are recognised using the effective interest rate (EIR). The EIR is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The EIR is the rate that exactly discounts estimated future cash payments through the expected life of the borrowings.

2.7 Foreign currency

Transactions in foreign currencies are translated into Rial Omani at exchange rates ruling at the value dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into Rial Omani at exchange rates ruling at the reporting date. The foreign currency gain or loss on monetary items is the difference between amortised costs in the Rial Omani at the beginning of the period, adjusted for effective interest and payments during the period and the amortised costs in foreign currency translated at the exchange rate at the end of the period. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to Rial Omani at the exchange rate at the date that the fair value was determined. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available-for-sale, are included in other comprehensive income.

On consolidation, the assets and liabilities of foreign operations are translated into Rial Omani at the rate of exchange prevailing at the reporting date and their income statements are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in other comprehensive income. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the profit or loss in other operating expenses or other operating income.

2 Summary of significant accounting policies (continued)

2.7 Foreign currency (continued)

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operations and translated at closing rate.

The results, cash flows and financial position of Group's subsidiaries and associates (Group entities) which are accounted for as entities operating in hyperinflationary economies and that have functional currencies different from the presentation currency of the Group are translated into the presentation currency of its immediate parent at rates of exchange ruling at the reporting date. As the presentation currency of the Group is that of a non-hyperinflationary economy, comparative amounts of a Group entity are not adjusted for changes in the price level or exchange rates in the current year.

2.8 Property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and identified impairment losses, if any. Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately, including major inspection and overhaul expenditure, is capitalised. Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the item of property, plant and equipment and can be measured reliably. All other expenditure is recognised in the statement of income as an expense as incurred.

The cost of property, plant and equipment is written off in equal instalments over the expected useful lives of the assets. The estimated useful lives are:

	Years
Buildings & lease hold improvements	3- 50
Telecommunication equipment	3- 20
Furniture and office equipment	3 - 5

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at each reporting date. Freehold land is not depreciated as it is deemed to have an indefinite life. Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or where shorter, the term of the relevant lease.

Capital work-in-progress (CWIP) is not depreciated until it is taken to fixed assets when the asset is available for use. CWIP is tested for impairment, if any

Where the carrying amount of an asset is greater than its estimated recoverable amount it is written down immediately to its recoverable amount.

Assets in hyper inflationary economies are restated by applying the change in the general price indices from the date of acquisition to the current reporting date. Depreciation on these assets are based on the restated amounts.

2.9 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Intangible assets comprise of telecom licence fees, customer contracts and relationships and Software rights.

The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets

2 Summary of significant accounting policies (continued)

2.9 Intangible assets (continued)

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis

Gains or losses arising from de recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is derecognised.

Amortisation

The estimated useful lives for the current and comparative years are as follows:

Licences	4 to 25 years
Customer's contracts and relationships	4 to 9 years
Software	3 to 5 years
Brand	20 years

2.10 Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined on the first-in, first-out principle or weighted average cost, as appropriate and includes expenditure incurred in purchasing stock and bringing it to its existing location and condition. Net realisable value is the price at which stock can be sold in the normal course of business after allowing for the costs of realisation. Provision is made where necessary for obsolete, slow-moving and defective items.

2.11 Financial instruments

In the normal course of business the Group uses financial instruments, principally cash, deposits, receivables, contract assets, investments, payables, due to banks and derivatives.

Classification

Classification of financial instruments-applicable from 1 January 2018

The Group classifies its financial assets as follows:

- Financial assets at amortised cost
- Financial assets at Fair Value Through Other Comprehensive Income (FVOCI)
- Financial assets at Fair Value Through Profit or Loss (FVTPL)

To determine their classification and measurement category, all financial assets, except equity instruments and derivatives, is assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics.

The derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

Adoption of IFRS 9 did not result in any change in classification or measurement of financial liabilities, which continue to be at amortized cost.

Business model assessment

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these are applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'Sell' business model. T*he* business *model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account.*

2 Summary of significant accounting policies (continued)

2.11 Financial instruments (continued)

Contractual cash flow characteristics test

The Group assesses whether the financial instruments' cash flows represent Solely for Payments of Principal and Interest (the 'SPPI'). The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk.

The Group reclassifies a financial asset only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent.

Financial liabilities

All financial liabilities are classified as "other than at fair value through profit or loss".

Classification of financial instruments-applicable up to 31 December 2017

In accordance with International Accounting Standard (IAS) 39, the Group classified its financial assets as "at fair value through profit or loss", "loans and receivables" or "available for sale". All financial liabilities are classified as "other than at fair value through profit or loss". All financial liabilities were classified as "other than at fair value through profit or loss".

Recognition/derecognition

The criteria for recognition and de-recognition of financial instruments remains unchanged under IFRS 9.

A financial asset or a financial liability is recognized when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (in whole or in part) is derecognized when the contractual rights to receive cash flows from the financial asset has expired or the Group has transferred substantially all risks and rewards of ownership and has not retained control. If the Group has retained control, it continues to recognize the financial asset to the extent of its continuing involvement in the financial asset.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and recognition of a new liability. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

All regular way purchase and sale of financial assets are recognized using settlement date accounting. Changes in fair value between the trade date and settlement date are recognized in the statement of profit or loss or in the statement of comprehensive income in accordance with the policy applicable to the related instrument. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulations or conventions in the market place.

Measurement

All financial assets or financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue are added except for those financial instruments classified as "at fair value through profit or loss".

2 Summary of significant accounting policies (continued)

2.11 Financial instruments (continued)

Measurement of financial instruments- applicable from 1 January 2018

Financial assets at amortised cost

A financial asset is measured at amortised cost if it satisfies the SPPI test and is held within a business model whose objective is to hold assets to collect contractual cash flows; and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and profit on the principal amount outstanding.

Cash and cash equivalents, trade and receivables, contract assets, due from associates and other assets are classified as financial assets at amortised cost.

Financial assets at FVOCI

A debt instrument is measured at FVOCI if it satisfies the SPPI test and is held within a business model whose objective is to hold assets to collect contractual cash flows and to sell. These assets are subsequently measured at fair value, with change in fair value recognized in OCI. Interest income calculated using effective interest method, foreign exchange gains/losses and impairment are recognized in the consolidated statement of profit or loss. On de-recognition, gains and losses accumulated in the OCI are reclassified to SOI.

For an equity instrument; upon initial recognition, the Group may elect to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of equity under IAS 32 *Financial Instruments: Presentation* and are not held for trading. Such classification is determined on an instrument-by-instrument basis. Gains and losses on these equity instruments are never recycled to statement of profit or loss. Dividends are recognised in statement of profit or loss when the right to receive has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment. Upon disposal cumulative gains or losses may be reclassified from fair value reserve to retained earnings in the statement of changes in equity.

Financial asset at FVTPL

Financial assets that do not meet the criteria for amortized cost or FVOCI are measured at FVTPL. This also includes equity instruments held-for-trading and are recorded and measured in the statement of financial position at fair value.

Changes in fair values and dividend income are recorded in statement of profit or loss according to the terms of the contract, or when the right to receive has been established.

Financial liabilities

Financial liabilities “other than at fair value through profit or loss” are subsequently measured and carried at amortized cost using the effective yield method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss. Equity interests are classified as financial liabilities if there is a contractual obligation to deliver cash or another financial asset.
Financial guarantees
Financial guarantees are subsequently measured at the higher of the amount initially recognized less any cumulative amortization and the best estimate of the present value of the amount required to settle any financial obligation arising as a result of the guarantee.

Measurement of financial instruments- applicable upto 31 December 2017

All financial assets or financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue are added except for those financial instruments classified as “at fair value through profit or loss”.

2 Summary of significant accounting policies (continued)

2.11 Financial instruments (continued)

Financial assets at fair value through profit or loss

Financial assets classified as “at fair value through profit or loss” are divided into two sub categories: financial assets held for trading, and those designated at fair value through consolidated statement of profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if they are managed and their performance is evaluated and reported internally on a fair value basis in accordance with a documented risk management or investment strategy. Derivatives are classified as “held for trading” unless they are designated as hedges and are effective hedging instruments.

Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are subsequently measured and carried at amortised cost using the effective yield method.

Available for sale

These are non-derivative financial assets not included in any of the above classifications and principally acquired to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices. These are subsequently measured and carried at fair value and any resultant gains or losses are recognized in the consolidated statement of comprehensive income. When the “available for sale “asset is disposed of or impaired, the related accumulated fair value adjustments are transferred to the consolidated statement of profit or loss as gains or losses.

Financial liabilities/equity

Financial liabilities “other than at fair value through profit or loss” are subsequently measured and carried at amortized cost using the effective yield method. Equity interests are classified as financial liabilities if there is a contractual obligation to deliver cash or another financial asset.

Financial guarantees

Financial guarantees are subsequently measured at the higher of the amount initially recognized less any cumulative amortization and the best estimate of the present value of the amount required to settle any financial obligation arising as a result of the guarantee.

Impairment

Impairment of financial assets –applicable from 1 January 2018

IFRS 9 replaces the ‘incurred loss’ model in IAS 39 with a forward looking ‘Expected Credit Loss’ (ECL) model. Under IFRS 9, credit losses are recognised earlier than under IAS 39.

Group recognizes ECL for cash and bank balances, due from associates and other assets using the general approach and uses the simplified approach for trade receivables and contract assets as required by IFRS 9.

General approach

The Group applies three-stage approach to measuring ECL. Assets migrate through the three stages based on the change in credit quality since initial recognition. Financial assets with significant increase in credit risk since initial recognition, but not credit impaired, are transitioned to stage 2 from stage 1 and ECL is recognized based on the probability of default (PD) of the counter party occurring over the life of the asset. All other financial assets are considered to be in stage 1 unless it is credit impaired and an ECL is recognized based on the PD of the customer within next 12 months. Financial assets are assessed as credit impaired when there is a detrimental impact on the estimated future cash flows of the financial asset.

2 Summary of significant accounting policies (continued)

Simplified approach
The Group applies simplified approach to measuring credit losses, which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled customer receivables and have substantially the same risk characteristics as the trade receivable for the same type of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

ECL is the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD). The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation. EAD represents the expected exposure in the event of a default. The Group derives the EAD from the current exposure to the financial instruments and potential changes to the current amounts allowed under the contract including amortisation. The EAD of a financial asset is its gross carrying amount. The LGD represents expected loss conditional on default, its expected value when realised and the time value of money.

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- when there is a breach of financial covenants by the debtor; or

- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collateral held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

The Group incorporates forward-looking information based on expected changes in macro- economic factors in assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL

Impairment of financial assets –applicable upto 31 December 2017

A financial asset is impaired if its carrying amount is greater than its estimated recoverable amount. An assessment is made at each statement of financial position date to determine whether there is objective evidence that a specific financial asset or a group of similar assets may be impaired. If such evidence exists, the asset is written down to its recoverable amount. The recoverable amount of an interest bearing instrument is determined based on the net present value of future cash flows discounted at original effective interest rates; and of an equity instrument is determined with reference to market rates or appropriate valuation models. Any impairment loss is recognised in the consolidated statement of profit or loss. For “available for sale” equity investments, reversals of impairment losses are recorded as increases in fair valuation reserve through equity.

Financial assets are written off when there is no realistic prospect of recovery.

Derivative financial instruments and hedging activities

Derivative financial instruments are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. Derivatives with positive fair values (unrealised gains) are included in other receivables and derivatives with negative fair values (unrealised losses) are included in other payables in the consolidated statement of financial position. For hedges, which do not qualify for hedge accounting and for “held for trading” derivatives, any gains or losses arising from changes in the fair value of the derivative are taken directly to the consolidated statement of profit or loss.

For hedge accounting, the Group designates derivatives as either hedges of the fair value of recognized assets or liabilities or a firm commitment (fair value hedge); or hedges of a particular risk associated with a recognized asset or liability or a highly probable forecast transaction (cash flow hedge) or hedges of a net investment in a foreign operation (net investment hedge).

2 Summary of significant accounting policies (continued)

2.11 Financial instruments (continued)

Fair value hedge

In relation to fair value hedges, which meet the conditions for hedge accounting, any gain or loss from re-measuring the hedging instrument to fair value is recognized in ‘Other receivables’ or ‘Other payables’ respectively and in the consolidated statement of profit or loss. Any gain or loss on the hedged item attributable to the hedged risk is adjusted against the carrying amount of the hedged item and recognized in the consolidated statement of profit or loss.

If the hedging instrument expires or is sold, terminated or exercised, or where the hedge no longer meets the criteria for hedge accounting, the hedge relationship is terminated. For hedged items recorded at amortised cost, using the effective interest rate method, the difference between the carrying value of the hedged item on termination and the face value is amortised over the remaining term of the original hedge. If the hedged item is derecognized, the unamortised fair value adjustment is recognized immediately in the consolidated statement of profit or loss.

Cash flow hedge

For designated and qualifying cash flow hedges, the effective portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognized directly in the consolidated statement of comprehensive income and the ineffective portion is recognized in the consolidated statement of profit or loss.

When the hedged cash flow affects the consolidated statement of profit or loss, the gain or loss on the hedging instrument is ‘recycled’ in the corresponding income or expense line of the consolidated statement of profit or loss. When a hedging instrument expires, or is sold, terminated, exercised, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in shareholders’ equity at that time remains in shareholders’ equity and is recognized when the hedged forecast transaction is ultimately recognized in the consolidated statement of profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in shareholders’ equity is immediately transferred to the consolidated statement of profit or loss.

Net investment hedge

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges.

The Group documents at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than twelve months and as a current asset or liability if less than twelve months.

Offsetting financial assets and financial liabilities

Financial assets and financial liabilities are offset and reported on a net basis in the accompanying consolidated statement of financial position when a legally enforceable right to set off such amounts exists and when the Group intends to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

2.12 Non-current assets held for sale and discontinued operations

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale rather than through continuing use. Such non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of reclassification.

2 Summary of significant accounting policies (continued)

2.12 Non-current assets held for sale and discontinued operations (continued)

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale. Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- Represents a separate major line of business or geographical area of operations
- Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations or,
- Is a subsidiary acquired exclusively with a view to resale

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of income.
Additional disclosures are provided in note 3. All other notes to the financial statements include amounts for continuing operations, unless otherwise mentioned.

2.13 Impairment of non-financial assets

An impairment loss is recognised if the carrying amount of an asset or cash generating unit is higher than its recoverable amount. Recoverable amount is the greater of its value in use and its fair value less costs to sell. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specified to the asset.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount of the cash-generating unit (group of cash-generating units) to which goodwill has been allocated, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

2.14 Retirement benefits

The Group is liable to make defined contributions to State Plans and lump sum payments under defined benefit plans to employees at cessation of employment, in accordance with the laws of the place where they are deemed to be employed. The defined benefit plan is unfunded and is computed as the amount payable to employees as a result of involuntary termination on the statement of financial position date. This basis is considered to be a reliable approximation of the present value of the final obligation.

2.15 Voluntary end of service benefits

Voluntary end of service benefits are recognised as expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if it is probable that the offer made by the Group will be accepted, and the number of acceptances can be estimated reliably.

2.16 Provisions

Provisions are recognised when the Group has present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation and a reliable estimate can be made of the amount to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the liability.

2 Summary of significant accounting policies (continued)

2.17 Taxation

Income tax expense comprises current and deferred tax. Taxation is provided in accordance with relevant fiscal regulations of the countries, in which the Group operates.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date and any adjustments to tax payable in respect of previous years.

Income tax is recognised in the profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Deferred tax assets/liabilities are calculated using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the reporting date.

The carrying amount of deferred income tax assets/liabilities is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

2.18 Directors' remuneration

Directors' remuneration is computed in accordance with the provisions of the Commercial Companies Law of 1974, as amended and the requirements of the Capital Market Authority in Oman and, in case of subsidiaries, in accordance with the relevant laws and regulations.

2.19 Dividend distribution

The Board of directors adopts a prudent dividend policy, which complies with regulatory requirements applicable in the Sultanate of Oman. Dividends are distributed in accordance with the Company's Memorandum of Association and are subject to the approval of shareholders. Dividend distribution to the Company's shareholders is recognised as a liability in the Group's consolidated financial statements only in the year in which the dividends are approved by the Company's shareholders.

2.20 Financial reporting in hyperinflationary economies

The financial statements of Group entities whose functional currencies are the currencies of hyperinflationary economies are adjusted in terms of the measuring unit current at the end of the reporting period.

In the first period of application, the adjustments determined at the beginning of the period are recognised directly in- equity as an adjustment to opening retained earnings. In subsequent periods, the prior period adjustments related to components of owners' equity and differences arising on translation of comparative amounts are accounted for in other comprehensive income.

Items in the statement of financial position not already expressed in terms of the measuring unit current at the reporting period, such as non-monetary items carried at cost or cost less depreciation, are restated by applying a general price index. The restated cost, or cost less depreciation, of each item is determined by applying to its historical cost and accumulated depreciation the change in a general price index from the date of acquisition to the end of the reporting period. An impairment loss is recognised in profit or loss if the restated amount of a nonmonetary item exceeds its estimated recoverable amount.

At the beginning of the first period of application, the components of owners' equity, except retained earnings, are restated by applying a general price index from the dates the components were contributed or otherwise arose. Restated retained earnings are derived from all other amounts in the restated statement of financial position. At the end of the first period and in subsequent periods, all components of owners' equity are restated by applying a general price index from the beginning of the period or the date of contribution, if later.

2.21 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

When applicable, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

2 Summary of significant accounting policies (continued)

2.21 Fair value measurement

When there is no quoted price in an active market, the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price i.e. the fair value of the consideration given or received. If the Group determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is supported wholly by observable market data or the transaction is closed out.

2.22 Impact on adoption of the IFRS 9 and IFRS 15 – Transition (consolidated)

Net impact from the adoption of IFRS 9 and 15 on Group opening retained earnings and non-controlling interests as at 1 January 2018 is as follows:

	Retained earnings	Fair value reserve	Non-controlling interests
	RO'000	RO'000	RO'000
Closing balance -31 December 2017 (Restated)	**398,180**	**(207)**	**2,040,244**
Adjustment from adoption of IFRS 9:			
On reclassification and re-measurement	645	(645)	-
On recognition of ECL on financial assets	(25,006)	-	(27,396)
Deferred tax on ECL on financial assets	2,665	-	-
Share of associate's (SMTC) ECL on financial assets	66	-	237
On recognition of ECL on financial guarantees	(723)	-	(2,576)
Adjustment from adoption of IFRS 15:			
Mainly from handset & telecommunication services	10,672	-	(17,010)
Share of associate's (SMTC) adjustments	1,001	-	3,571
	(10,680)	(645)	(43,174)
Opening retained earnings 1 January 2018 – post IFRS 9 and IFRS 15 restatement	**387,500**	**(852)**	**1,997,070**

The following table shows the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for the Group's financial assets as at 1 January 2018:

Financial assets	**Original classification under IAS 39**	**New classification under IFRS 9**	**Original carrying amount under IAS 39 RO'000**	**Reclassification and remeasurement RO'000**	**New carrying amount under IFRS 9 RO'000**
Cash and bank balances	Loans and receivables	Amortised cost	380,996	(8,223)	**372,773**
Trade and other receivables	Loans and receivables	Amortised cost	603,174	(35,098)	**568,076**
Contract assets	Loans and receivables	Amortised cost	76,088	(4,873)	**71,215**
Investment securities at FVTPL	FVTPL	FVTPL	49,893	-	**49,893**
Investment securities	AFS	FVOCI	8,096	-	**8,096**
Investment securities	AFS	FVTPL	15,025	-	**15,025**
Investment securities	HTM	Amortised cost	9,000	-	**9,000**
Due from associates	Loans and receivables	Amortised cost	521,445	(1,357)	**520,088**
Other assets	Loans and receivables	Amortised cost	15,141	-	**15,141**
Total financial assets			**1,678,858**	**(49,551)**	**1,629,307**

2 Summary of significant accounting policies (continued)

2.22 Impact on adoption of the IFRS 9 and IFRS 15 – Transition (consolidated)

The financial assets at amortized cost are after reclassifications and adjustments arising from the adoption of IFRS 15.

Investment securities classified as Available for sale (AFS) under IAS 39 represent investments that the Group intends to hold for a long term for strategic purposes. As permitted by IFRS 9, the Group has designated these investments at the date of initial application as measured at FVOCI. Certain investment securities classified as AFS under IAS 39 has been reclassified mandatorily to FVTPL under IFRS 9 as the Group has not elected to reclassify irrevocably as FVOCI for these equity securities on the date of initial application.

Impact of adoption of IFRS 9 and 15 on the consolidated statement of financial position

The following table summarizes the impact on Group's statement of financial position.

Balance Sheet	31 December 2018 RO'000	IFRS 15 RO'000	IFRS 9 RO'000	Amounts without adoption of IFRS 15 and IFRS 9 RO'000
Current assets				
Cash and bank balances	503,423	-	5,144	508,567
Trade and other receivables	824,668	89,351	11,492	925,511
Contract assets	93,919	(62,935)	6,139	37,123
Inventories	68,506	-	-	68,506
Investment securities at FVTPL	29,759	-	(16,503)	13,256
Investment securities at amortised cost	1,000	-	-	1,000
Non-current assets held-for-sale	9,453	-	-	9,453
	1,530,728	26,416	6,272	1,563,416
Non-current assets				
Contract assets	20,916	(16,015)	1,915	6,816
Investment securities at FVTPL	32,947	-	-	32,947
Investment securities at FVOCI	8,692	-	(8,680)	12
Investment securities available for sale	-	-	25,183	25,183
Investment securities amortised cost	2,000	-	-	2,000
Investments in associates and joint ventures	99,916	(4,500)	(299)	95,117
Other assets	19,571	-	-	19,571
Property and equipment	2,019,986	-	-	2,019,986
Intangible assets and goodwill	3,579,664	(3,051)	-	3,576,613
	5,783,692	(23,566)	18,119	5,778,245
Total assets	7,314,420	2,850	24,391	7,341,661
Current liabilities				
Trade and other payables	1,393,387	(754)	(4,614)	1,388,019
Contract liability	169,855	-	-	169,855
Due to banks	555,941	-	-	555,941
	2,119,183	(754)	(4,614)	2,113,815
Non-current liabilities				
Due to banks	2,081,735	-	-	2,081,735
Other non-current liabilities	499,956	-	-	499,956
	2,581,691	-	-	2,581,691

2 Summary of significant accounting policies (continued)

2.22 Impact on adoption of the IFRS 9 and IFRS 15 – Transition (consolidated)

Impact of adoption of IFRS 9 and 15 on the Consolidated statement of financial position

Balance Sheet	31 December 2018 RO'000	IFRS 15 RO'000	IFRS 9 RO'000	Amounts without adoption of IFRS 15 and IFRS 9 RO'000
Equity				
Attributable to the Group's shareholders				
Share capital	**75,000**	**-**	**-**	**75,000**
Legal reserve	**25,000**	**-**	**-**	**25,000**
Voluntary reserve	**49,875**	**-**	**-**	**49,875**
Capital contribution	**44,181**	**-**	**-**	**44,181**
Foreign currency translation reserve	**(60,796)**	**-**	**-**	**(60,796)**
Investment fair valuation reserve	**(898)**	**-**	**1,602**	**704**
Hedge reserve	**2,262**	**-**	**-**	**2,262**
Other reserve	**39**	**-**	**-**	**39**
Retained earnings	**412,844**	**4,776**	**7,361**	**424,981**
	547,507	**4,776**	**8,963**	**561,246**
Non-controlling interests	**2,066,039**	**(1,172)**	**20,042**	**2,084,909**
Total equity	**2,613,546**	**3,604**	**29,005**	**2,646,155**
Total liabilities and equity	**7,314,420**	**2,850**	**24,391**	**7,341,661**

2 Summary of significant accounting policies (continued)

2.22 Impact on adoption of the IFRS 9 and IFRS 15 – Transition (consolidated)

The following table summarizes the impact on the consolidated statement of profit or loss for the year ended 31 December 2018.

	31 December 2018 RO'000	IFRS 15 RO'000	IFRS 9 RO'000	Amounts without adoption of IFRS 15 and IFRS 9 RO'000
Revenue	2,186,014	(10,143)	-	2,175,871
Cost of sales	(637,395)	3,768	-	(633,627)
Gross profit	1,548,619	(6,375)	-	1,542,244
Operating and administrative expenses	(664,985)	627	-	(664,358)
Depreciation and amortization	(442,732)	(9,920)	-	(452,652)
Expected credit loss on financial assets	(29,035)	-	(9,659)	(38,694)
Operating profit	411,867	(15,668)	(9,659)	386,540
Interest income	25,103	-	-	25,103
Investment income	4,147	-	(4,571)	(424)
Share of results of associates and joint ventures	(3,726)	-	-	(3,726)
Other (expense)/income	(56,967)	601	752	(55,614)
Finance costs	(143,623)	-	-	(143,623)
Fair value gain on the previously held equity interest in a subsidiary	(15,694)	-	-	(15,694)
Provision for impairment loss on property and equipment	(12,023)	-	-	(12,023)
Loss from currency revaluation	(18,404)	-	-	(18,404)
Net monetary gain	58,489	-	-	58,489
Profit before taxation	249,169	(15,067)	(13,478)	220,624
Taxation	(40,329)	(28)	54	(40,303)
Profit for the year	208,840	(15,095)	(13,424)	180,321

2 Summary of significant accounting policies (continued)

2.22 Impact on adoption of the IFRS 9 and IFRS 15 – Transition (Parent Company)

Net impact from the adoption of IFRS 9 and 15 on Parent opening retained earnings and non-controlling interests as at 1 January 2018 is as follows:

	Retained earnings RO'000	Fair value reserve RO'000
Closing balance -31 December 2017	**391,732**	**35**
Adjustment from adoption of IFRS 9:		
On reclassification and re-measurement	35	(35)
On recognition of ECL on financial assets	(17,766)	-
Deferred tax on ECL on financial assets	2,666	-
Adjustment from adoption of IFRS 15:		
Mainly from handsets and telecommunication services	3,878	-
	(11,187)	(35)
Opening retained earnings 1 January 2018 – post IFRS 9 and IFRS 15 restatement	**380,545**	**-**

The following table shows the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for the Parent's financial assets as at 1 January 2018:

Financial assets	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39 RO'000	Reclassification and remeasurement RO'000	New carrying amount under IFRS 9 RO'000
Cash and bank balances	Loans and receivables	Amortised cost	73,184	(74)	**73,110**
Trade and other receivables	Loans and receivables	Amortised cost	118,873	(16,821)	**102,052**
Contract assets	Loans and receivables	Amortised cost	-	8,230	**8,230**
Investment securities	AFS	FVTPL	2,906	-	**2,906**
Total financial assets			**194,963**	**(8,665)**	**186,298**

The financial assets at amortized cost are after reclassifications and adjustments arising from the adoption of IFRS 15.

Investment securities classified as Available for sale (AFS) under IAS 39 represent investments that the Parent intends to hold for a long term for strategic purposes. As permitted by IFRS 9, the Parent has designated these investments at the date of initial application as measured at Fair value through Profit or loss.

2 Summary of significant accounting policies (continued)

2.22 Impact on adoption of the IFRS 9 and IFRS 15 – Transition (Parent Company)

Impact of adoption of IFRS 9 and 15 on the condensed statement of financial position

The following table summarizes the impact on Parent's statement of financial position.

	31 December 2018 RO'000	IFRS 15 RO'000	IFRS 9 RO'000	Amounts without adoption of IFRS 15 and IFRS 9 RO'000
Current assets				
Cash and bank balances	**113,351**	-	74	**113,425**
Trade and other receivables	**106,983**	7,508	2,061	**116,552**
Contract assets	**12,352**	(6,163)	1,308	**7,497**
Inventories	**11,756**	-	-	**11,756**
Investment securities at FVTPL	**10,598**	-	-	**10,598**
Investment securities at amortised cost	**1,000**	-	-	**1,000**
Due from subsidiaries	**5,497**	-	-	**5,497**
	261,537	1,345	3,443	**266,325**
Non-current assets				
Investment securities at FVTPL	**31,445**	-	-	**31,445**
Investment securities at FVOCI	**-**	-	-	**-**
Investment securities amortised cost	**2,000**	-	-	**2,000**
Investments in associates	**7,788**	-	-	**7,788**
Investment in subsidiaries	**135,376**	-	-	**135,376**
Other assets	**4,813**	-	-	**4,813**
Property and equipment	**533,011**	-	-	**533,011**
Intangible assets and goodwill	**15,653**	-	-	**15,653**
	730,086	-	-	**730,086**
Total assets	**991,623**	1,345	3,443	**996,411**
Current liabilities				
Trade and other payables	**205,167**	-	-	**205,167**
Contract liability	**39,832**	-	-	**39,832**
Borrowings	**21,561**	-	-	**21,561**
	266,560	-	-	**266,560**
Non-current liabilities				
Due to banks	**110,660**	-	-	**110,660**
Other non-current liabilities	**12,322**	-	-	**12,322**
	122,982	**-**	**-**	**122,982**

2 Summary of significant accounting policies (continued)

2.22 Impact on adoption of the IFRS 9 and IFRS 15 – Transition (Parent Company)

Impact of adoption of IFRS 9 and 15 on the Parent statement of financial position

	31 December 2018 RO'000	IFRS 15 RO'000	IFRS 9 RO'000	Amounts without adoption of IFRS 15 and IFRS 9 RO'000
Equity				
Attributable to the Parent's shareholders				
Share capital	**75,000**	**-**	**-**	**75,000**
Legal reserve	**25,000**	**-**	**-**	**25,000**
Voluntary reserve	**49,875**	**-**	**-**	**49,875**
Capital contribution	**44,181**	**-**	**-**	**44,181**
Hedging reserve	**799**			**799**
Retained earnings	**407,226**	**1,345**	**3,443**	**412,014**
	602,081	**1,345**	**3,443**	**606,869**
Non-controlling interests	**-**	**-**	**-**	**-**
Total equity	**602,081**	**1,345**	**3,443**	**606,869**
Total liabilities and equity	**602,081**	**1,345**	**3,443**	**606,869**

The following table summarizes the impact on the Parent's statement of profit or loss for the year ended 31 December 2018.

	31 December 2018 RO'000	IFRS 15 RO'000	IFRS 9 RO'000	Amounts without adoption of IFRS 15 and IFRS 9 RO'000
Revenue	**516,207**	(957)	-	**515,250**
Cost of sales	**(147,171)**	(1,329)	-	**(148,500)**
Gross profit	**369,036**	(2,286)	-	**366,750**
Operating and administrative expenses	**(151,007)**	-	-	**(151,007)**
Depreciation and amortization	**(106,154)**	-	-	**(106,154)**
Expected credit loss on financial assets	**(12,449)**	-	2,498	**(9,951)**
Operating profit	**99,426**	(2,286)	2,498	**99,638**
Interest income	**1,862**	-	-	**1,862**
Investment income	**(750)**	-	-	**(750)**
Other (expense)/income	**3,552**	-	-	**3,552**
Finance costs	**(24,273)**	-	-	**(24,273)**
Loss from currency revaluation	**(5)**	-	-	**(5)**
Profit before taxation	**79,812**	(2,286)	2,498	**80,024**
Taxation	**(15,630)**	-	-	**(15,630)**
Profit for the period	**64,182**	(2,286)	2,498	**64,394**

3. Property, plant and equipment of a subsidiary classified as held for sale

This represents the carrying value of telecom tower assets in Kuwait classified as held for sale, on the basis that management is committed to a plan to sell these assets to a Tower Company. The Group will also have a minority stake in the Tower Company.

Zain Kuwait will be the anchor tenant on commercial terms on each of the towers being sold and the transaction is expected to close in 2019, subject to customary closing conditions.

4. Subsidiaries and associates

The principal subsidiaries and associates are:

Shareholding directly held by parent:

Subsidiary	Country of incorporation	Percentage of ownership		Nature of business
		2018	2017	
Oztel Holdings SPC Limited	UAE	100%	-	Special purpose vehicle for acquiring shares in Zain group
Omantel International Limited	Cayman	100%	-	Engaged in International Wholesale business
Mobile Telecommunications K.S.C.P (Zain Group) (Refer note (i) below)	Kuwait	21.9%	21.9%	Mobile telecommunication services in Kuwait and eight other countries
Oman Data Park LLC	Oman	80%	60%	Engaged in the provision of data services
Omantel France SAS	France	100%	100%	Engaged in provision of wholesale services
Internet of Things LLC	Oman	65%	65%	Engaged in developments of app and services for smart and M2M communication
Associate				
Oman Fibre Optic Company SAOG	Oman	40.96%	40.96%	Engaged in the manufacture and design of optical fibre and cables
Infoline LLC	Oman	45%	45%	Engaged in the provision of of IT enabled services
Equinix Muscat LLC	Oman	50%	-	Engaged in the provision of Data centre services

4. Subsidiaries and associates (continued)

i) Acquisition of Zain Group (Purchase price allocation)

On 15 November 2017, Oztel holding SPC Limited (SPV) which is wholly owned by the parent company acquired control over Mobile Telecommunications Company K.S.C.P (Zain group) through a step up acquisition of 12.07% equity interest. This acquisition is in addition to the 9.84% of the shareholding acquired by the SPV on 24 August 2017 resulting in an acquisition of total shareholding of 21.91% in Zain group.

Management have concluded that the parent company controls Zain Group even though it holds less than half of the voting rights of the subsidiary based on the rights acquired under the transaction. Management reviewed the size and the dispersion of voting rights of other dominant shareholders in relation to its size and concluded that it will not be possible for them to act in concert to outvote the Parent company on key matters at shareholders meeting. While reaching this conclusion, Management has reviewed the voting pattern of the other dominant shareholder who owns 24.6% of the voting rights as passive in nature based on their voting pattern at prior shareholders meeting. Management also held discussions with the dominant shareholders to confirm their understanding.

In addition, Parent Company has a majority representation on the Board of Directors of Zain group which gives them the right to appoint, remove and set the remuneration of management who are responsible for directing the relevant activities of Zain group. Parent company through its representation on the Board of Directors also has the right to enter/alter any significant transactions of Zain Group to realise possible synergies contemplated under the transaction for the benefit of the Group.

The application of acquisition accounting under IFRS 3 requires that the total purchase price to be allocated to the fair value of assets acquired and liabilities assumed based on their fair values at the acquisition date with amounts exceeding the fair values being recorded as Goodwill. The initial accounting for the business combination in year 2017 was provisional due to its complexity. During the year the assets and liabilities of Zain Group have been appraised based on third party valuations for inclusion in the consolidated statement of financial position.

The purchase price allocation process requires an analysis of acquired fixed assets, licenses, customer relationships, brands, contractual commitments and contingencies to identify and record the fair values of all assets and liabilities assumed. In valuing acquired assets and liabilities assumed fair values were based on but not limited to future expected discounted cash flows for customer relationships, current replacement cost for similar capacity and obsolescence for certain fixed assets, royalty rates for brand and appropriate discount rates and growth rates.
The below table summarises the fair values of the assets acquired, liabilities assumed, related deferred taxes and goodwill as of the acquisition date further to the purchase price allocation process (PPA):

	Fair values based on purchase price allocation process
	RO'000
Cash and bank balances including term deposits	337,494
Trade and other receivables	647,230
Inventories	32,032
Other financial assets	22,958
Assets held for sale	9,746
Investment in associates and a joint venture	739,613
Dues from associates	524,351
Property, plant and equipment	948,286
Intangible assets	989,907
Other assets	19,262
Trade and other payables	(713,803)
Borrowings	(1,154,249)
Other non-current liabilities	(34,935)
Deferred tax liability	(54,043)
Net identifiable assets acquired	**2,313,849**
Non-controlling interests	(2,093,526)
Goodwill	629,477
Fair value of the investment	**849,800**

4. Subsidiaries and associates (continued)

i) Acquisition of Zain Group (Purchase price allocation)

Goodwill arising on acquisition is attributable to Zain Group's strong financial position, profitability and the synergies expected to arise for the parent. Goodwill resulting from the acquisition has been assigned to Zain Group and Zain Group's international subsidiaries as a CGU.

The accounting effect of purchase price allocation is incorporated as of the acquisition date-12 November 2017 resulting in a restatement of the results of the comparative periods. The impact of the restatement on prior year Consolidated Statement of Income and Statement of Financial position is provided in the below table:

	As reported	Restated
Statement of income	**RO'000**	**RO'000**
Depreciation and amortisation	**151,729**	**158,266**
Share of results of associate and Joint venture	**4,581**	**4,091**
Profit before taxation from continuing operations	**116,111**	**109,084**
Taxation	**(8,985)**	**(8,985)**
Profit for the year from continuing operations	**107,126**	**100,099**
Loss from discontinued operations	**(3,023)**	**(3,023)**
Gain on deconsolidation of a subsidiary	**2,676**	**2,676**
Profit for the year	**106,779**	**99,752**
Attributable to:		
Equity holders of the parent	**79,717**	**78,280**
Non controlling interest	**27,062**	**21,472**
Profit for the year	**106,779**	**99,752**
Profit for the year from continuing business	**107,126**	**100,099**
Other comprehensive income		
Share of comprehensive income of associates	**517**	**517**
Exchange differences arising on translation of foreign operations	**(73,294)**	**(96,099)**
Net loss transferred to statement of income on reclassification of investment in associate to a subsidiary	**(517)**	**(517)**
Fair value change in available for sale investment	**(742)**	**(742)**
Realised gain/(loss) transferred to statement of income on sale of available for sale investments	**70**	**70**
Impairment losses on available for sale investments	**(435)**	**(435)**
Cash flow hedges	**65**	**65**
Net other comprehensive income for the year from continuing operations	**(74,336)**	**(96,107)**
Other comprehensive expense not to be reclassified to profit or loss in subsequent periods		
Actuarial loss on measurement of end of service benefit of an associate	**(310)**	**(310)**
Net other comprehensive loss not to be reclassified to profit or loss in subsequent periods	**(310)**	**(310)**
Total comprehensive income for the year from continuing operations	**32,480**	**3,682**
Loss for the year from discontinued operations	**(347)**	**(347)**
Total comprehensive income for the year	**32,133**	**3,335**
Attributable to:		
Equity holders of the parent	**53,849**	**57,592**
Non controlling interests	**(21,716)**	**(54,257)**
	32,133	**3,335**

4. Subsidiaries and associates (continued)

i) Acquisition of Zain Group (Purchase price allocation)

	As reported	Restated
Statement of financial position	**RO'000**	RO'000
Non current assets		
Intangible assets and goodwill	**1,005,135**	**1,582,127**
Investments in associates and Joint ventures	**245,329**	**736,382**
Non current liabilities		
Other liabilities	58,899	112,942
Equity		
Share capital	75,000	75,000
Legal reserve	25,000	25,000
Voluntary reserve	49,875	49,875
Capital contribution	44,181	44,181
Foreign currency translation reserve	(25,475)	(20,296)
Fair value reserve	(207)	(207)
Hedge reserve	(81)	(81)
Other reserve	(68)	(68)
	399,616	398,18
Retained earnings		0
Attributable to equity holders of the parent	**567,841**	**571,584**
	1,029,986	2,040,
Non controlling interests related to continuing operations		244
Total equity	**1,597,827**	**2,611,828**

Non-controlling interest

The Group recognised non-controlling interest in Zain group at its fair value. The summarised financial information of Zain Group is set out in Note 27.

ii) Shareholding directly held by Zain Group

The principal subsidiaries and associates of Zain group are as follows:

Subsidiary	Country of incorporation	Percentage of ownership	
		2018	2017
Zain International B.V. – "ZIBV"	The Netherlands	100%	100%
Pella Investment Company – "Pella"	Jordan	96.516%	96.516%
Zain Bahrain B.S.C - "MTCB"	Bahrain	55.40%	54.78%
Mobile Telecommunications Company Lebanon (MTC) S.A.R.L. -"MTCL"	Lebanon	100%	100%
Sudanese Mobile Telephone (Zain) Company Limited "Zain Sudan"	Sudan	100%	100%
Kuwaiti Sudanese Holding Company (KSHC)	Sudan	100%	100%
South Sudanese Mobile Telephone (Zain) Company Limited -"Zain South Sudan"	South Sudan	100%	100%
Al Khatem Telecoms Company –"Al Khatem"	Iraq	76%	76%
Atheer Telecom Iraq Limited – "Atheer"	Cayman Islands	76%	76%
Mobile Telecommunications Company ("SMTC")	Saudi Arabia	37.045%	-
Al Mouakhaa Lil Kadamat Al-Logistya Wal Al-Itisalat	Jordan	99.1%	99.1%
Horizon Scope for Mobile Telecommunication Company (HSMTC)	Iraq	51%	-
Nexgen Advisory Group FZ LLC- "Nexgen"	UAE	84.66%	84.66%
Associate/Joint Venture			
Mobile Telecommunications Company ("SMTC")	Saudi Arabia	-	37.045%
Zain Al Ajial S.A (Wana Corporate S.A is an associate of this joint venture)	Morocco	50%	50%

4. Subsidiaries and associates (continued)

ii) Shareholding directly held by Zain Group (continued)

Pella owns 100% of Jordan Mobile Telecommunications Services Co. JSC – "JMTS".

JMTS, MTCB, Zain Sudan, Zain South Sudan and Atheer operate the cellular mobile telecommunications network in Jordan, Bahrain, Sudan, South Sudan and Iraq respectively. MTCL manages the state owned cellular mobile telecommunications network in Lebanon. Al Mouakhaa Lil Kadamat Al-Logistya Wal Al-Itisalat provides WiMAX services in Jordan.

iii) Acquisition of Mobile Telecommunciations Company Saudi Arabia (SMTC)

In July 2018, the Group has concluded that it is able to control SMTC through its majority representation on the board of directors and accordingly considered it as a subsidiary effective that date. In assessing whether the Group has de factor control management exercised significant judgment which takes into account many factors such as it being the single largest shareholder in SMTC, its majority representation in the Board, voting patterns of other dominant shareholders etc.

The below table summarizes the fair values of the assets acquired, liabilities assumed, related deferred taxes and goodwill as of the acquisition date further to the purchase price allocation process (PPA):

	RO'000
Consideration transferred in cash	**249**
Acquisition date fair value of the previously held equity interest	**633,922**
Non controlling interest share	**225,039**
	859,210
Less:	
Cash and cash equivalents	**129,005**
Trade and other receivables	**232,462**
Inventories	**8,687**
Property and equipment	**627,462**
Intangible assets	**1,644,118**
Other assets	**54,883**
Trade and other payables	**(460,040)**
Long term borrowings	**(1,103,099)**
Amounts due to related parties	**(623,402)**
Other non current liabilities	**(69,361)**
	440,715
Goodwill arising from business combination	**418,495**

The above goodwill is attributable to the profitability of the acquired business. From the date of acquisition, SMTC contributed revenues of RO 196.6 million and profit for the period of RO 1 million to the net results of the Group. If the acquisition had taken place on 1 January 2018, the Group revenue for the period would have been higher by RO 35 million and the profit lower by RO 7.2 million.

4. Subsidiary and associates (continued)

ii) Acquisition of Mobile Telecommunciations Company Saudi Arabia (SMTC)

The acquisition date fair value of the Group's previously held voting equity interest in SMTC, was estimated at RO 633.92 million. Since the business combination was achieved in stages, the Groups share of the reserves of the associates and the associated foreign currency translation losses amounting to RO 15.7 Million has been reclassified from other comprehensive income and considered as a loss in the statement of income.

During the fourth quarter of 2018, SMTC signed an agreement with the Ministry of Finance, the Ministry of Communications and Information Technology and the Communications and Information Technology Commission (CITC) to amend the annual royalty for commercial service and to the settlement of disputed amounts for the period from 2009 to 2017, which includes the following:

- Consolidate the annual royalty fee and reduce it 10% from 15% of net revenues effective 1 January 2018;
- Settlement of the disputed amounts with CITC regarding the payment of annual royalty fee for the period from 2009 to 2017 and to further invest in expanding the telecom infrastructure in addition to other conditions over the next 3 years.
- Based on the above, SMTC reversed cost of sales amounting to SAR 536 million (RO 54 million) in the consolidated statement of profit or loss

iii) Zain South Sudan

During the year, the Group entered into an agreement with the Government of Republic of South Sudan to regularize Zain South Sudan's telecommunication license. The Group was earlier providing telecom services in South Sudan awaiting the issue of a formal telecom license.

iv) Financial support to Group companies

Zain Group has committed to provide working capital and other financial support to certain associates and subsidiaries including 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.

v) As at 31 December 2018 the fair value of the Group's investment in Zain, being its quoted market share price on the Kuwait Stock Exchange, amounted to RO 525.65 million.

5 Cash and bank balances

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

	Parent Company		**Consolidated**	
	2018	2017	**2018**	2017
	RO'000	RO'000	**RO'000**	RO'000
Cash on hand and at banks	**110,425**	70,184	**290,333**	228,854
Short-term deposits with banks	**3,000**	3,000	**217,851**	151,840
Government certificates of deposits	**-**	-	**126**	302
	113,425	73,184	**508,310**	380,996
Expected credit loss	**(74)**	-	**(4,887)**	-
	113,351	73,184	**503,423**	380,996
Cash at bank under lien	**-**	-	**(9,355)**	(9,463)
Deposits with maturity exceeding three months	**(3,000)**	(3,000)	**(3,000)**	(40,852)
Government certificates of deposits with maturities exceeding three months	**-**	-	**(126)**	(302)
	110,351	70,184	**490,942**	330,379

6 Trade and other receivables

	Parent Company		Consolidated	
	2018	2017	**2018**	2017
	RO'000	RO'000	**RO'000**	RO'000
Trade receivables:				
Customers	**105,508**	112,471	**399,207**	332,016
Distributors	**10,262**	3,310	**38,296**	14,282
Other operators (interconnect)	**30,445**	29,917	**89,963**	64,193
Roaming partners	**3,616**	2,591	**21,373**	19,121
Expected Credit loss	**(65,182)**	(48,684)	**(235,739)**	(124,281)
	84,649	99,605	**313,100**	305,331
Other receivables				
Accrued income	**37**	140	**6,654**	4,160
Staff	**2,605**	2,076	**4,514**	4,549
Prepayments, advances and other deposits	**17,690**	17,825	**309,907**	202,453
Others (refer note below)	**2,775**	-	**194,896**	179,178
Expected Credit loss	**(773)**	(773)	**(4,403)**	(2,051)
	22,334	19,268	**511,568**	388,289
	106,983	118,873	**824,668**	693,620

In 2011, Zain Group paid RO 179 million (US$ 473 million) to settle the guarantees provided by the Company to lending banks for loans to a founding shareholder of SMTC. The Group has been pursuing legal action for its recovery and in November 2016 the court upheld the Group's right to recover the US$ 473 million paid in addition to interest and costs. These amounts are secured by an agreement to transfer to the Group, the founding shareholder's shares in SMTC which is currently pledged to the murabaha lenders of SMTC and the shareholder loan in SMTC owed to the founding shareholder. The Company has initiated the legal procedures necessary to enforce the arbitral award.

The carrying amounts of the Group's trade and other receivables are denominated in the following currencies:

	Parent company		Consolidated	
	2018	2017	**2018**	2017
	RO'000	RO'000	**RO'000**	RO'000
Omani Rial	**83,355**	91,451	**86,079**	94,442
Kuwaiti dinar	**-**	-	**89,445**	154,517
US Dollar	**23,628**	27,422	**388,592**	308,494
Bahraini Dinar	**-**	-	**15,476**	24,018
Sudanese Pound	**-**	-	**5,466**	8,319
Jordanian Dinar	**-**	-	**26,765**	23,149
Iraqi Dinar	**-**	-	**58,532**	77,472
Saudi Riyal	**-**	-	**150,637**	-
Others	**-**	-	**3,676**	3,209
	106,983	118,873	**824,668**	693,620

7 Inventories

	Parent Company		Consolidated	
	2018	2017	**2018**	2017
	RO'000	RO'000	**RO'000**	RO'000
Handsets, accessories and spares	**16,664**	13,590	**79,081**	60,927
Provision for inventory obsolescence	**(4,908)**	(4,344)	**(10,575)**	(8,527)
	11,756	9,246	**68,506**	52,400

8 Investment securities

	Consolidated			
	Current		Non-current	
	2018	2017	**2018**	2017
	RO'000	RO'000	**RO'000**	RO'000
Investments at fair value through profit or loss	**29,759**	18,043	**32,947**	31,850
Investments at fair value through comprehensive income	**-**	-	**8,692**	-
Available for sale investment carried at cost	**-**	101	**-**	8,644
Available for sale investment carried at fair value	**-**	-	**-**	14,376
Held to maturity investments	**1,000**	6,000	**2,000**	3,000
	30,759	24,144	**43,639**	57,870

	Parent company			
	Current		Non-current	
	2018	2017	**2018**	2017
	RO'000	RO'000	**RO'000**	RO'000
Investments at fair value through profit or loss	**10,598**	17,067	**31,445**	31,850
Available for sale investment carried at cost	**-**	101	**-**	2,566
Available for sale investment carried at fair value	**-**	-	**-**	239
Held to maturity investments	**1,000**	6,000	**2,000**	3,000
	11,598	23,168	**33,445**	37,655

Investment comprise the following:

	Parent company		Consolidated	
	2018	2017	**2018**	2017
	RO'000	RO'000	**RO'000**	RO'000
Swap asset	**799**	-	**2,301**	-
Fund	**17,493**	16,070	**34,989**	26,009
Quoted equities	**10,598**	28,441	**14,593**	33,614
Unquoted equities	**16,153**	16,312	**22,515**	22,391
	45,043	60,823	**74,398**	82,014

8 Investment securities

Investment securities are denominated in the following currencies:

	Parent company		Consolidated	
	2018	2017	**2018**	2017
	RO'000	RO'000	**RO'000**	RO'000
Omani Rial	**23,776**	30,659	**23,776**	30,659
Kuwaiti dinar	**-**	-	**7,737**	8,021
US dollar	**15,802**	26,458	**34,068**	36,443
Other currencies	**5,465**	3,706	**8,817**	6,891
	45,043	60,823	**74,398**	82,014

9 Investment in subsidiaries

	Parent company	
	2018	2017
	RO'000	RO'000
Investment in Oztel Holdings SPC Limited	**129,086**	851,728
Investment in Oman Data Park LLC	**4,900**	1,650
Investment in Omantel France SAS	**26**	26
Investment in First Issue SAOC	**500**	500
Internet of Things LLC	**864**	864
	135,376	854,768

10 Other assets - consolidated

This includes US$ 40 million; equivalent to RO 15.2 million (2017-US$ 40 million equivalent to RO 15.5 million) receivable from a founding shareholder in SMTC secured by an agreement to transfer to the Group, the founding shareholder's shares in SMTC. In 2013, the Group won a legal action for the recovery of that amount and is currently pursuing further legal action for its implementation in Saudi Arabia.

11 Investment in associated companies

(a) The share of post-acquisition profits and the carrying value of the investments in associated companies are as follows:

	Parent Company		Consolidated	
	2018	2017	**2018**	2017
	RO'000	RO'000	**RO'000**	RO'000 (Restated -Note 4(i))
Opening balance	**3,937**	3,896	**648,803**	9,776
Additions during the year (refer note (b) below)	**-**	-	**-**	327,945
Relating to acquisition of a subsidiary (refer note (c))	**-**	-	**-**	650,659
Other additions	**3,851**	41	**3,851**	41
Impact of adoption of IFRS 15	**-**	-	**4,876**	-
Share of results	**-**	-	**(4,945)**	4,153
Share of other comprehensive income of associate companies	**-**	-	**(522)**	397
Foreign currency translation losses	**-**	-	**(4,470)**	(12,425)
Reclassification of equity interest on acquisition of a subsidiary (refer note b)	**-**	-	**(633,924)**	(330,810)
Dividend received	**-**	-	**-**	(932)
Closing balance	**7,788**	3,937	**13,669**	648,804

11 Investment in associated companies (continued)

(b) On August 24,2017, Oztel Holding SPC Limited (SPV) which is wholly owned by the parent company acquired 425.7 million treasury shares representing 9.84% of the share capital in Mobile Telecommunication Company (Zain) at a price of 0.060 Kuwaiti Dinar. The total consideration for the acquisition amounted to RO 326.6 million. The investment was reclassified to Investment in a subsidiary upon acquisition of an additional stake of 12.06% in Zain Group (refer note 4 (i)).

(c) The Group has concluded that it controls SMTC effective July 2018 and accordingly has consolidated SMTC from that date (Refer note 4(iii)). Prior period numbers represent the Group's share of investments in SMTC, which was accounted for using the equity method

Summarised financial information of SMTC as at 31 December 2017 was as follows:

	2018 RO'000	2017 RO'000
Current assets	-	379,079
Non-current assets	-	2,238,615
Current liabilities	-	1,159,301
Non-current liabilities	-	1,098,785
Net asset of SMTC	-	359,609
Revenue	-	755,669
Profit for the year	-	1,193
Other comprehensive expense	-	(721)
Total comprehensive income	-	472
Proportion Zain Group's ownership interest in SMTC	-	37.045%

The Group's share of loss in SMTC until the date of consolidation was RO 5.74 million.

(d) The Group also has interests in individually immaterial associates. The summarised financial information of these associates are as follows:

	Assets RO'000	*Liabilities RO'000*	*Revenues RO'000*	*Profit RO'000*	*Percentage shareholding*
31 December 2018					
Oman Fiber Optic Co. SAOG	**37,333**	**18,403**	**28,120**	**1,964**	**40.96**
Infoline LLC	**3,550**	**1,742**	**9,245**	**(9)**	**45**
31 December 2017					
Oman Fiber Optic Co. SAOG	38,416	21,584	23,660	83	40.96
Infoline LLC	4,581	2,715	10,593	208	45

12 Interest in a joint venture

This represents the Group's RO 86.2 million (2017- RO 87.6 million) interest in the joint venture, Zain Al Ajial S.A. which owns 31% of the equity shares and voting rights of Wana Corporate, (a Moroccan joint stock company which is specialised in the telecom sector in that country). The Group's share of profit for the year in the joint venture amounting to RO 1.2 million (2017- RO 62 thousand) has been recognised in the consolidated statement of income. The carrying value of this joint venture and its results for the year are determined by Group management using the equity method based on management information provided by Wana Corporate.

13. Due from an associate

Consolidated

	2018	2017
	RO'000	RO'000
Loans	**-**	335,491
Others	**-**	185,954
	-	521,445

These amounts were due from SMTC and are subordinated to its borrowings from banks. The loans comprise a US$ loan of US$ 764.261 million (RO 294.4 million) and KD 36.839 million (RO 46.2 million) with an effective interest rate of 6.75% and 4.25% per annum over six and three months Saudi Inter-Bank Offered Rate (SIBOR) respectively. Others include management fees and interest due on the loans. During the year, SMTC became a subsidiary of the Group and accordingly amounts due are eliminated on consolidation.

14 Property, plant and equipment

Consolidated

	Land, building and leasehold improvements	**Telecommunications and other equipment**	**Capital work-in- progress**	**Total**
	RO'000	**RO'000**	**RO'000**	**RO'000**
Cost				
1 January 2018	**178,229**	**3,134,358**	**187,563**	**3,500,150**
Acquisition of a subsidiary	**38,336**	**1,295,827**	**33,440**	**1,367,603**
Additions	**23,169**	**81,071**	**244,395**	**348,635**
Transfers	**11,850**	**184,255**	**(196,105)**	**-**
Transfers to other assets			**(4,533)**	**(4,533)**
Disposals	**(43)**	**(68,016)**	**(984)**	**(69,043)**
Impairment (note 33)	**(3,792)**	**(9,223)**	**(1,031)**	**(14,046)**
Exchange adjustment	**(19,242)**	**(135,571)**	**(36,486)**	**(191,299)**
31 December 2018	**228,507**	**4,482,701**	**226,259**	**4,937,467**
Depreciation				
1 January 2018	**83,414**	**1,948,505**	**-**	**2,031,919**
Acquisition of a subsidiary	**31,156**	**703,448**	**-**	**734,604**
Charge for the year	**6,641**	**277,623**	**-**	**284,264**
Impairment (note 33)	**(460)**	**(1,563)**	**-**	**(2,023)**
Disposals	**(43)**	**(57,350)**	**-**	**(57,393)**
Exchange adjustment	**(2,079)**	**(71,811)**	**-**	**(73,890)**
31 December 2018	**118,629**	**2,798,852**	**-**	**2,917,481**
Net book value				
At 31 December 2018	**109,878**	**1,683,849**	**226,259**	**2,019,986**

14 Property, plant and equipment (continued)

Consolidated (continued)

	Land, building and leasehold improvements	Telecommunications and other equipment	Capital work-in- progress	Total
	RO'000	RO'000	RO'000	RO'000
Cost				
1 January 2017	77,532	1,110,125	72,209	1,259,866
Acquisition of a subsidiary (note 4 (i))	93,236	1,937,835	119,605	2,150,676
Additions	7,068	15,361	182,717	205,146
Transfers	4,499	167,849	(172,348)	-
Transfers to other assets	-	-	(2,701)	(2,701)
Disposals	-	(29,303)	(2,171)	(31,474)
Impairment (note 33)	-	(20,069)	(2,083)	(22,152)
Exchange adjustment	(4,106)	(47,440)	(7,665)	(59,211)
31 December 2017	178,229	3,134,358	187,563	3,500,150
Depreciation				
1 January 2017	47,576	695,611	-	743,187
Acquisition of a subsidiary (note 4)	32,247	1,170,143	-	1,202,390
Charge for the year	4,134	124,905	-	129,039
Impairment (note 33)	-	(1,496)	-	(1,496)
Disposals	-	(13,347)	-	(13,347)
Exchange adjustment	(543)	(27,311)	-	(27,854)
31 December 2017	83,414	1,948,505	-	2,031,919
Net book value				
At 31 December 2017	94,815	1,185,853	187,563	1,468,231

Parent - movement in property, plant and equipment

	Land, building and leasehold improvements	Telecommunications and other equipment	Capital work-in- progress	Total
	RO'000	RO'000	RO'000	RO'000
Cost				
1 January 2018	**81,177**	**1,230,327**	**53,134**	**1,364,638**
Additions	**25**	**890**	**113,648**	**114,563**
Transfers	**4,611**	**102,305**	**(106,916)**	**-**
Transfers to other assets	**-**	**-**	**(4,512)**	**(4,512)**
Disposals	**(1)**	**(47,051)**	**-**	**(47,052)**
31 December 2018	**85,812**	**1,286,471**	**55,354**	**1,427,637**
Depreciation				
1 January 2018	**51,452**	**784,399**	**-**	**835,851**
Charge for the year	**3,984**	**93,375**	**-**	**97,359**
Disposals	**(1)**	**(38,583)**	**-**	**(38,584)**
31 December 2018	**55,435**	**839,191**	**-**	**894,626**
Net book value				
At 31 December 2018	**30,377**	**447,280**	**55,354**	**533,011**

14 Property, plant and equipment (continued)

	Land, building and leasehold improvements RO'000	Telecommunications and other equipment RO'000	Capital work- in- progress RO'000	Total RO'000
Cost				
1 January 2017	77,532	1,101,804	69,660	1,248,996
Additions	2	1,200	142,152	143,354
Transfers	3,643	152,539	(156,182)	-
Transfers to other assets	-	-	(2,496)	(2,496)
Disposals	-	(25,216)	-	(25,216)
31 December 2017	81,177	1,230,327	53,134	1,364,638
Depreciation				
1 January 2017	47,576	693,466	-	741,042
Charge for the year	3,876	102,473	-	106,349
Disposals	-	(11,540)	-	(11,540)
31 December 2017	51,452	784,399	-	835,851
Net book value				
At 31 December 2017	29,725	445,928	53,134	528,787

15 Intangible assets and goodwill

Consolidated

	Goodwill RO'000 (Restated)	Licenses RO'000	Others RO'000 (Restated)	Total RO'000 (Restated)
Cost				
At 1 January 2017	-	62,538	25,968	88,506
Acquisition of a subsidiary (note 4(i))	629,477	842,680	793,043	2,265,200
Additions during the year	-	-	6,112	6,112
Write off	-	-	(23,940)	(23,940)
Exchange adjustment	(15,086)	(44,173)	8,271	(50,988)
At 1 January 2018	**614,391**	**861,045**	**809,454**	**2,284,890**
Acquisition of a subsidiary	**434,998**	**2,342,648**	**266,251**	**3,043,897**
Addition during the year	**-**	**285**	**60,445**	**60,730**
Exchange adjustment	**(9,352)**	**(24,496)**	**(24,777)**	**(58,625)**
At 31 December 2018	**1,040,037**	**3,179,482**	**1,111,373**	**5,330,892**
Amortisation				
At 1 January 2017	-	43,521	19,891	63,412
Acquisition of a subsidiary (note 4(i))	-	479,303	166,513	645,816
Charge for the year	-	15,822	13,405	29,227
Write off	-	-	(23,940)	(23,940)
Exchange adjustment	-	(32,410)	20,658	(11,752)
At 1 January 2018	**-**	**506,236**	**196,527**	**702,763**
Acquisition of a subsidiary	**-**	**862,120**	**45,803**	**907,923**
Charge for the year	**-**	**91,565**	**66,903**	**158,468**
Exchange adjustment	**-**	**(12,248)**	**(5,678)**	**(17,926)**
At 31 December 2018	**-**	**1,447,673**	**303,555**	**1,751,228**
Net book value				
At 31 December 2018	**1,040,037**	**1,731,809**	**807,818**	**3,579,664**
At 31 December 2017	614,391	354,809	612,927	1,582,127

15 Intangible assets and goodwill-consolidated (continued)

Impairment test for Goodwill

Goodwill has been allocated to each country of operation as that is the Cash Generating Unit (CGU) which is expected to benefit from the synergies of the business combination. It is also the lowest level at which goodwill is monitored for impairment purposes. Goodwill and the CGU to which it has been allocated are as follows:

	2018	2017
	RO'000	RO '000
Zain Kuwait	**195,284**	198,368
Pella Investment Company, Jordan- Pella	**211,574**	214,261
Atheer Telecom Iraq Limited, Cayman Islands (Atheer)	**199,480**	201,762
Horizon Scope for Mobile Telecommunication Company ("HSMTC")	**15,895**	-
Mobile Telecommunications Company ("SMTC")	**417,540**	-
Others	**264**	-
	1,040,037	614,391

Impairment testing

The Group determines whether goodwill or intangible assets with indefinite useful lives are impaired, at least on an annual basis. This requires an estimation of the recoverable amount of the CGUs to which these items are allocated. The recoverable amount is determined based on value-in-use calculations or fair value less cost to sell if that is higher.

Group management used the following approach to determine values to be assigned to the following key assumptions, in the value in use calculations:

Key assumption	Basis used to determine value to be assigned to key assumption
Growth rate	Increase in competition expected but no significant change in market share of any CGU as a result of ongoing service quality improvements and expected growth from technology and license upgrades. The growth rates are consistent with forecasts included in industry and country reports. Compounded annual growth in revenue of upto 2.5% for Zain Kuwait , 10% for Atheer, 3% for Pella, 4.1% for SMTC during the projected four or five year period. Value assigned reflects past experience and changes in economic environment. Cash flows beyond the four to five year period have been extrapolated using a growth rate of upto of 3.7% for Zain Kuwait, 3% for Atheer, 4% for Pella and 2.5% for SMTC. This growth rate does not exceed the long-term average growth rate of the market in which the CGU operates.
Capital expenditure	The cash flow forecasts for capital expenditure are based on experience and include the ongoing capital expenditure required to continue rolling out networks to deliver target voice and data products and services and meeting license obligations. Capital expenditure includes cash outflows for the purchase of property, plant and equipment and other intangible assets.
Discount rate	Discount rates of 8% for Zain Kuwait, 13.8% for Atheer, 11.2% for Pella and 9.9% for SMTC. Discount rates reflect specific risks relating to the relevant CGU.

The Group has performed a sensitivity analysis by varying these input factors by a reasonably possible margin and assessing whether the change in input factors results in any of the goodwill allocated to appropriate cash generating units being impaired.

These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a four to five year period. The recoverable amounts so obtained were higher than the carrying amount of the CGUs.

15 Intangible assets and goodwill-consolidated (continued)

Parent - Intangible assets

	License	*Others*	*Total*
	RO'000	*RO'000*	*RO'000*
Cost			
At 1 January 2017	62,538	25,142	87,680
Additions	-	2,572	2,572
At 31 December 2017	62,538	27,714	90,252
At 1 January 2018	**62,538**	**27,714**	**90,252**
Additions	**-**	**5,986**	**5,986**
At 31 December 2018	**62,538**	**33,700**	**96,238**
Amortisation			
At 1 January 2017	43,526	19,450	62,976
Charge for the year	5,614	3,200	8,814
At 31 December 2017	49,140	22,650	71,790
At 1 January 2018	**49,140**	**22,650**	**71,790**
Charge for the year	**5,615**	**3,180**	**8,795**
At 31 December 2018	**54,755**	**25,830**	**80,585**
Net book value			
At 31 December 2018	**7,783**	**7,870**	**15,653**
31 December 2017	13,398	5,064	18,462

Mobile licence of the Parent company expires in February 2019. Telecom Regulatory Authority, Oman has finalized the renewal of the licence for a value of RO 75 million to be paid in two equal annual instalments commencing from January 2019.

16 Trade and other payables

	Parent Company		Consolidated	
	2018	2017	**2018**	2017
	RO'000	RO'000	**RO'000**	RO'000
Trade payables and accruals	**128,319**	128,276	**977,910**	583,220
Due to roaming partners	**2,688**	2,519	**17,322**	28,674
Due to other operators	**4,410**	8,318	**22,470**	21,817
Dues to regulatory authorities	**44,270**	25,566	**225,420**	30,612
Tax payable	**20,438**	2,754	**86,423**	51,505
Dividend payable	**-**	-	**20,169**	16,365
Provisions	**-**	-	**3,405**	3,445
Other payables	**5,042**	12,578	**40,268**	32,729
	205,167	180,011	**1,393,387**	768,367

17 Borrowings

	Parent Company		Consolidated	
	2018	2017	**2018**	2017
	RO '000	RO '000	**RO '000**	RO '000
Parent company (ii)				
Short term loans	**-**	554,010	**-**	554,010
Long term loans	**132,221**	313,037	**132,221**	313,037
Oztel				
Long term loan (iii)	**-**	-	**139,284**	-
Oman Data Park				
Long term loan	**-**	-	**7,165**	7,199
Bank overdraft	**-**	-	**-**	427
Finance lease obligations	**-**	-	**33**	276
Mobile Telecommunications Company-Kuwait (iv)				
Short term loans	**-**	-	**136,966**	138,639
Long term loan	**-**	-	**753,311**	780,037
Zain Jordan				
Long term loan	**-**	-	**5,278**	-
SMTC (v)				
Long term loans	**-**	-	**701,465**	-
Zain Bahrain (vi)				
Long term loan	**-**	-	**-**	1,883
Atheer – Iraq (vii)				
Long term loan	**-**	-	**188,991**	170,847
Others	**-**	-	**27**	-
Due to banks	**132,221**	867,047	**2,064,741**	1,966,355
Oztel-Bonds	**-**	-	**572,935**	-
	132,221	867,047	**2,637,676**	1,966,355

17 Borrowings (continued)

The current and non-current amounts are as follows:

	Parent Company		Consolidated	
	2018	*2017*	***2018***	*2017*
	RO'000	*RO'000*	***RO'000***	*RO'000*
Current	**21,561**	601,393	**555,941**	854,934
Non-current	**110,660**	265,654	**2,081,735**	1,111,421
	132,221	867,047	**2,637,676**	1,966,355

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

	Parent Company		Consolidated	
	2018	*2017*	***2018***	*2017*
	RO'000	*RO'000*	***RO'000***	*RO'000*
Dollar	**132,221**	867,047	**2,263,015**	1,916,294
Saudi Riyal	**-**	-	**337,462**	-
Kuwaiti Dinar	**-**	-	**24,694**	40,276
Omani Rial	**-**	-	**12,505**	7,904
Others	**-**	-	**-**	1,881
	132,221	867,047	**2,637,676**	1,966,355

The annual effective interest rate as at 31 December 2018 was in the range of between 2.42% to 6.99% (2017 – 2.01% to 12.00%).

(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 EBITDA;
- adjusted consolidated EBITDA to adjusted consolidated net interest payable;
- equity to total assets.

17 Borrowings (continued)

(ii) Parent company
Long term loans comprise of the following:

- The Parent Company acquired a bridge loan facility and term loan of USD 1,450 million and USD 800 million respectively in year 2017 from a consortium of banks for financing the acquisition of shares in Mobile Telecommunication Company K.S.C.P (Zain Group). During the year, 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 is payable in five equal annual installments for an amount of 15% of the principal amount and the remaining amount of 25% is payable at the end of the term loan period. The loan is secured by way of a pledge on the acquired shares of Zain group.

- Loan term loans comprise an outstanding balance of RO 12.3 million from National Bank of Oman and is repayable in 16 quarterly instalments commencing from 24 October 2017. The loan is unsecured.

- Export credit loan with an outstanding balance of RO USD 15 million (RO 5.8 million) from a consortium of banks to finance the procurement of capital equipment. The facility carries an interest of 3.64% and is repayable in semi annual instalments commencing from November 2018. The loan is unsecured.

iii) Oztel Holdings SPC Limited (Oztel)

Bonds

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

a) 5.5 years tranche USD 600 million with coupon rate of 5.63% 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 569.3 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 820 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.

(iv) Mobile Telecommunications Company K.S.C.P

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.

(v) SMTC

- SAR 4,746 million (RO 474.5 million) syndicated murabaha facility availed from a consortium of banks. In June 2018, SMTC refinanced and extended the maturity of the syndicated Murabaha facility that was maturing in 2018 to a SAR 5,900 million (RO 589.99 million) facility maturing in June 2023 which includes a working capital facility of SAR 647.3 million (RO 64.7 million) for two years. During the third and fourth quarter of the year, SMTC made early voluntary payments amounting to SAR 1,125 million (RO 112.5 million). The murabaha facility is 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, only if no event of default has occurred and SMTC is in compliance with all the loan covenants.

- SAR 2,269 million (RO 226.9 million) long-term loan repayable by August 2019 availed from a commercial bank. This facility is guaranteed by Mobile Telecommunications Company K.S.C.P

17 Borrowings (continued)

(vi) Zain – Bahrain

This represents balance outstanding on the long term Bahraini dinar denominated facilities, availed in 2013, at a fixed margin over Bahrain Inter Bank Overnight rate (BIBOR). These are amortising facilities with maturities over four years.

(vii) Atheer

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

18 Other liabilities

	Parent Company		**Consolidated**	
	2018	*2017*	***2018***	*2017*
	RO'000	*RO'000*	***RO'000***	*RO'000*
Payable to Ministry of Finance-Saudi Arabia (Refer note below)	**-**	-	**289,845**	-
Due to CITC-Saudi Arabia for acquisition of spectrum	**-**	-	**41,633**	-
Customer deposits	**6,478**	5,479	**12,945**	12,465
Post-employment benefits	**4,931**	4,476	**45,019**	32,063
Others	**913**	608	**110,514**	68,414
	12,322	10,563	**499,956**	112,942

During 2013, SMTC signed an agreement with the Ministry of Finance – Saudi Arabia to defer payments that are due in the next seven years and to pay these amounts in 7 equal installments starting June 2021.

19 Share capital and reserves

The share capital comprises 750,000,000 (31 December 2017: 750,000,000) authorised and issued, ordinary shares of RO 0.100 (31 December 2017: RO 0.100) each fully paid. Shareholders of the Parent Company who own not less than 10% of the Parent Company's shares at reporting date are as follows:

	31 December 2018		*31 December 2017*	
	Shares held	**%**	Shares held	%
United International Telecommunication Investment & Projects LLC	**382,500,345**	**51.00**	382,500,345	**51.00**

The directors have recommended a dividend of RO 0.050 (2017- RO0.050) per share amounting to RO 37.50 million (2017-RO37.50 million) which is subject to approval of shareholders in the Annual general Meeting.

As per the directives of the CMA the amount of unpaid dividend which is outstanding for more than seven months is required to be transferred to the "Investor's Trust fund" established by the CMA. During the year unpaid cash dividend amounting to RO 65,599 was transferred to the Investor's Trust fund (2017: RO 122,210)

19 Share capital and reserves

Legal reserve

In accordance with the Oman Commercial Companies Law of 1974, as amended, annual appropriations of 10% of the profit for the year are made to this reserve until the accumulated balance of the reserve is equal to one third of the value of the respective Omani entity's paid-up share capital. This reserve is not available for distribution. As the reserve equals one third of paid up share capital, the 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

On 11 February 2004, the Telecommunications Regulatory Authority (TRA) of the Sultanate of Oman issued licences to the Parent Company for mobile and fixed line telecommunication services at a cost of RO 500,000 and RO 200,000 and for periods of 15 and 25 years, respectively.
The Group engaged an independent firm of consultants to determine the fair value of the licences as at 11 February 2004, who determined the fair value of the fixed and mobile licences as being in the amount of approximately RO 44.881 million.
The basis of the valuation was on an assessed open market value of the licences under their current terms as they would apply to a new company obtaining the licences. The reason for adopting the assumption of a 'new company' was in order to differentiate the value of the licences from the other intangible assets that the Group owns. Accordingly the value attached to the licences is not a 'special value' to the Group of the licences and does not reflect the full value of the intangible assets enjoyed by the Group.
The excess of the valuation of the Group's licences 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.

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 FVTOCI / available for sale financial assets. Where a revalued financial asset is sold, the portion of the reserve that relates to that financial asset, and is effectively realised, is recognised in the statement of income. Where a revalued financial asset is impaired, the portion of the reserve that relates to that financial asset is recognised in the statement of income.

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 as described in note 30. Amounts are reclassified to statement of income when the associated hedged item affects statement of income.

20 Revenue
20.1 Disaggregated revenue information

The total revenue disaggregated by major service lines is:

	Parent company		Consolidated	
	2018	2017	**2018**	2017
	RO'000	RO'000	**RO'000**	RO'000
Airtime, data and subscription-Mobile	**274,012**	290,703	**1,762,975**	490,761
Airtime, data and subscription-Fixed	**146,185**	140,998	**146,185**	140,998
Wholesale revenue	**79,440**	83,329	**103,472**	83,329
Trading revenue	**16,570**	12,485	**173,382**	36,637
	516,207	527,515	**2,186,014**	751,725

The total revenue disaggregated by primary geographical market and timing of revenue recognition is disclosed in Note 35.

20 Revenue (continued)

20.2 Contract balances

The group has recognized the following assets and liabilities related to contracts with customers

Contract assets

	Parent company		Consolidated	
	31 December 2018 RO'000	1 January 2018 RO'000	**31 December 2018 RO'000**	1 January 2018 RO'000
Asset related to sale of handsets and terminal equipment-Current and non current	**13,660**	9,175	**121,182**	79,659
Less: Allowance	**(1,308)**	(945)	**(6,347)**	(8,444)
	12,352	8,230	**114,835**	71,215

Contract liabilities

	Parent company		Consolidated	
	31 December 2018 RO'000	1 January 2018 RO'000	**31 December 2018 RO'000**	1 January 2018 RO'000
Deferred revenue-Prepaid customers	**28,306**	12,734	**158,329**	72,650
Billing in advance	**11,526**	13,745	**11,526**	13,745
	39,832	26,479	**169,855**	86,395

Deferred revenue of prior year is mostly recognized in the current year.

As permitted under IFRS 15, the Group does not disclose transaction price allocated to the remaining performance obligations as it primarily provides services that corresponds directly with the value transferred to the customer.

21. Operating and administrative expenses

This includes staff costs of RO 205.3 million (2017 – RO 86.4 million). At parent company this includes staff costs of RO 70.4 million (2017 – RO 68.9 million).

22 Investment income

	Parent company		Consolidated	
	2018 RO'000	2017 RO'000	**2018 RO'000**	2017 RO'000
Fair value gain/(loss) on investments at fair value through profit and loss	**(1,722)**	482	**2,860**	420
Realised loss on investments at fair value through profit or loss	**(52)**	(63)	**(52)**	(63)
Realised gain on available for sale investments	**-**	-	**-**	(70)
Impairment loss on available for sale investment	**-**	-	**-**	435
Dividend income	**1,024**	2,327	**1,339**	1,394
	(750)	2,746	**4,147**	2,116

23 Taxation

This represents the income tax expense of parent company, subsidiaries of Zain group.

The tax rate applicable to the parent company and taxable subsidiary companies is in the range of 15% to 24% (2017: 15% to 24%) whereas the effective income tax rate for the year ended 31 December 2018 is in the range of 15% to 27% (2017: 15% to 23%). For the purpose of determining the taxable results for the year, the accounting profits were adjusted for tax purposes. The adjustments are based on the current understanding of the existing laws, regulations and practices of each overseas subsidiary companies jurisdiction.

24 Basic and diluted earnings per share

The earnings per share has been derived by dividing the profit for the year attributable to the owners of the Parent Company by the weighted average number of shares outstanding. As there are no dilutive shares, the diluted earing per share is identical to basic earing per share.

	2018	*2017*
Profit for the year attributable to parent company (RO‘000)	**64,798**	78,280
Weighted average number of shares outstanding (Nos)	**750,000,000**	750,000,000
Basic and Diluted earing per share (RO)	**0.086**	0.104

25 Related parties

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:

Consolidated

Transactions

	2018	2017
	RO’000	RO ’000
Revenue	**1,550**	901
Purchase of goods and services	**11,998**	14,048
Management fee (included in other income)	**2,525**	839
Dividend income from associate	**-**	932
Interest income on loans to an associate	**14,439**	4,768
Key management compensation		
Salaries and other short term employee benefits	**2,766**	2,139
Post-employment benefits	**135**	78
Director’s remuneration	**582**	573
Balances		
Trade receivables	**-**	20,769
Trade payables	**1,920**	14,442

25 Related parties (continued)

Parent Company

	2018	2017
	RO'000	RO '000
Revenue	**2,059**	436
Purchase of goods and services	**18,050**	14,048
Dividend income from associate	**-**	932
Interest income on loans to an associate	**96**	-
Key management compensation		
Salaries and other short term employee benefits	**2,766**	1,066
Post-employment benefits	**135**	78
Director's remuneration	**200**	200
Balances		
Trade receivables	**6,445**	1,626
Trade payables	**2,932**	1,843

26 Commitments

(a) Commitments

Commitments, for which no provision has been made in these financial statements

	Parent company		**Consolidated**	
	2018	2017	**2018**	2017
	RO'000	RO'000	**RO'000**	RO'000
Capital Commitment	**79,517**	109,424	**237,259**	156,741
Capital commitments - share of associates	**-**	-	**-**	76,299
Uncalled share capital of investee companies	**-**	-	**1,189**	5,876
Letters of guarantee	**-**	-	**102,340**	570,424
Investments	**1,128**	4,141	**1,128**	4,141

The above includes guarantees amounting to RO Nil (2017-RO 497 million) provided by Zain Group relating to Loans availed by SMTC.

Zain group is also a guarantor for credit facilities amounting to RO 9 million (2017- RO 13.23 million) granted to a founding shareholder in SMTC. The group believes that the collaterals provided by the founding shareholder to the bank covers the credit facilities.

(b) Claims

(i) Parent company

The Parent Company during FY 2015 received demand notice amounting to RO 4.4 million and RO 0.5 million during year 2018 from the 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.

26 Commitments (continued)

(b) Claims (continued)

(ii) Claims pertaining to Zain Group

- In 2011, the Communications and Media Commission (CMC) claimed an amount of US$ 100 million (RO 37.8 million) from Atheer, citing non-compliance with certain license terms. This claim was resolved in favor of Atheer during the second quarter of 2015. However, in March 2016, the Executive Director of the CMC filed a complaint with the Hearing Panel of the CMC claiming US$ 100 million (RO 37.8 million) relating to the matter which had been ruled in favor of Atheer by the Appeals Board of the CMC on three previous occasions. On 13 July 2016, the Hearing Panel of the CMC issued a decision in favor of CMC. On 8 September 2016, Atheer filed an appeal against this decision with the CMC Appellate Panel. On 15 January 2017, the CMC Appeals Board issued a decision in favor of CMC. Atheer challenged this decision of the CMC Appeals Board in the Court of First Instance arguing that the provisions of Order No. 65 (governing telecom activities in Iraq), that immunises CMC Appeals Board decisions from being appealed or challenged, is unconstitutional. Atheer also requested the Court to issue an order preventing the CMC from collecting the amount of claim or enforcing the CMC Appeals Board decision until the matter is decided by the Court. The Court of First Instance issued orders in February and April 2017 to stop any enforcement proceedings by the CMC to collect the amount of claim until the case is decided by the Court. On 27 April 2017, the Court of First Instance issued a decision in favor of CMC. In May 2017, Atheer filed an appeal with the Court of Appeals against this decision. In November 2017, the Court of Appeals issued a decision in favor of Atheer. However, CMC challenged such decision by filing an appeal with the Court of Cassation which issued a decision on 15 November 2017 reversing the decision of the Court of Appeals and returning the file to the Court of Appeals for a decision. On 28 December 2017, the Court of Appeals issued a decision which upheld the decision of Court of First Instance dated 27 April 2017. Atheer filed a challenge to this decision with the Court of Cassation on 11 January 2018. Based on the report of its attorneys, Atheer believes that the prospects of resolving this matter is in its favor.

- *Income and capital gains tax in Iraq:* In November 2016, Atheer signed an agreement with Iraq's Ministry of Finance under which, among other concessions, it obtained the right to submit its objection to the income tax claimed by the Income Tax Authority for the years from 2004 to 2010 amounting to US$ 244 million (RO 91.3 million). According to the terms of the agreement, Atheer had to pay minimum 25% of the amount claimed and the balance US$ 173 million (RO 68.5 million) in fifty equal monthly instalments from December 2016. Atheer would thus reserve the right to file an objection for each of these years. Accordingly, Atheer submitted its objections against the US$ 244 million tax claim in November 2016 objecting to the full amount of the claim, and commenced payment of the amount agreed. As of 31 December 2018, Atheer has an obligation to pay a balance of US$ 86 million (RO 32.2 million) (31 December 2017: US$ 128 million, equivalent to RO 47.6 million), net of previous payments in twenty-five instalments remaining. In May 2017, IGCT issued its decision rejecting the objections for the above years without stating any reasons. On 7 June 2017, Atheer filed appeals against IGCT decisions with the Appeal Committee at IGCT. On 9 November 2017, the Appeal Committee issued a decision with respect to years 2004-2007 rejecting Atheer's appeals by mainly arguing that Atheer did not have the right to file the original objections in November 2016, which implies that the Appeal Committee did not recognize the settlement agreed with the Ministry of Finance. On 21 December 2017, the Appeal Committee issued a decision with respect to years 2008-2010 rejecting Atheer's appeals on the basis that while Atheer had filed the objections on time but it did not pay the requisite amounts that are required under the law for the objections to be deemed properly filed, which again implies that the Appeal Committee did not recognize the settlement agreed with the Ministry of Finance. On 21 November 2017, Atheer filed a further appeal with the Cassation Committee at the IGCT with respect to years 2004-2007, and further filed similar appeals with the Cassation Committee on 2 January 2018 for the years 2008-2010. On 12 February 2018, the Cassation Committee issued decisions in favour of Atheer in relation to the years 2004-2010, by upholding Atheer's right to appeal and instructing the Appeals Committee to reconsider those appeals on their merits on the basis that Atheer's agreement with Ministry of Finance was not invalid. Appeals Committee resumed its session in June 2018 in which Atheer submitted a statement to clear its grounds. On 25 September 2018, the Appeals Committee decided to suspend the final decision on this case until getting the response from the Council of Ministers in respect of this matter based on recommendations by an internal committee at the Ministry of Finance. Based on the report of its attorneys, Atheer believes that the prospects of resolving this matter is in its favor.

26 Commitments (continued)

(b) Claims (continued)

(ii) Claims pertaining to Zain Group (continued)

Pella-Jordan

Pella is a defendant in lawsuits amounting to RO 15.3 million (31 December 2017 – RO 15.4 million). Based on the report of its attorneys, the Group expects the outcome of these proceedings to be favorable to Pella. Pella has initiated legal proceedings against the claim by regulatory authorities of RO 11.77 million (31 December 2017 - RO 11.77 million) for the years 2002 - 2005 on the grounds that it has already paid the amount that it was obligated to pay for those years.

Pella has also initiated legal proceedings against the regulatory authorities claiming refund of excess license fee paid amounting to RO 14.4 million (31 December 2017 - RO 14.4 million) of earlier years. Based on the report of its attorneys, the Group expects the outcome to be favorable to Pella.

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.

27 **Subsidiaries with significant non-controlling interests**

The summarised financial information for the Group's subsidiary-Zain group that have significant non-controlling interests is set out below.

	2018	2017
	RO'000	RO'000
Current assets	**1,259,264**	931,914
Non-current assets	**4,299,978**	2,872,916
Current liabilities	**1,820,628**	896,688
Non-current liabilities	**1,709,657**	889,377
Equity attributable to:		
- Owners of the Company	**1,570,935**	1,820,594
- Non-controlling interests	**458,023**	198,171
Revenue	**1,641,974**	1,286,130
Profit for the year	**280,954**	205,062
Other comprehensive income	**(222,269)**	(114,582)
Total comprehensive income	**58,685**	90,480
Total comprehensive income attributable to:		
- Company's shareholders	**22,969**	87,449
- Non-controlling interests	**35,716**	3,031
	58,685	90,480
Net cash flow from operating activities	**620,223**	314,137
Net cash flow from/(used) in investing activities	**(110,294)**	(162,607)
Net cash flow from/(used) in financing activities	**(363,177)**	(108,016)
Net (decrease)/increase in cash flows	**146,752**	43,514

28 Financial risk management

Consolidated

The Group's financial assets have been categorised as follows:

	Amortized costs	At fair value through profit or loss	Fair value through comprehensive income
	RO'000	RO'000	RO'000
31 December 2018			
Cash and bank balances	**503,423**	**-**	**-**
Trade and other receivables	**726,369**	**-**	**-**
Contract assets (current and non-current)	**114,835**	**-**	**-**
Investment securities	**3,000**	**62,706**	**8,692**
Other assets	**1,283**	**-**	**-**
	1,348,910	**62,706**	**8,692**

	Loans and receivables	At fair value through profit or loss	Available-for-sale
31 December 2017			
Cash and bank balances	380,996	-	-
Trade and other receivables	639,905	-	-
Investment securities	9,000	49,893	23,121
Dues from associates	521,445	-	-
Other assets	15,500	-	-
	1,566,846	48,893	23,121

Parent

The Parent company's financial assets have been categorised as follows:

	Amortized costs	At fair value through profit or loss	Fair value through comprehensive income
	RO'000	RO'000	**RO '000**
31 December 2018			
Cash and bank balances	**113,351**	**-**	**-**
Trade and other receivables	**96,203**	**-**	**-**
Contract assets (current and non-current)	**12,352**	**-**	**-**
Investment securities	**3,000**	**42,043**	**-**
	224,906	**42,043**	**-**

	Loans and receivables	At fair value through profit or loss	Available-for-sale
31 December 2017			
Cash and bank balances	73,184	-	-
Trade and other receivables	108,637	-	-
Investment securities	9,000	48,917	2,906
	190,821	48,917	2,906

All financial liabilities as of 31 December 2018 and 31 December 2017 are categorised as 'other than at fair value through profit or loss'.

28 Financial risk management (continued)

Parent

Financial risk factors

The Group's use of financial instruments exposes it to a variety of financial risks such as market risk, credit risk and liquidity risk. The Group continuously reviews its risk exposures and takes measures to limit it to acceptable levels. The Board of Directors has the overall responsibility for the establishment and oversight of the Group's risk management framework and developing and monitoring the risk management policies in close co-operation with the Group's operating units. The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and Group's activities. The Group through its training and management standards and procedures aim to develop a disciplined and constructive control environment in which all employees understand their roles and obligations. The Group's Board Committee oversees how management monitors compliance with the risk management policies and procedures and reviews adequacy of the risk management framework in relation to the risks faced by the Group. The Board Committee is assisted in its oversight role by the Internal audit and the Group risk management department. The significant risks that the Group is exposed to are discussed below:

(i) Market risk

Foreign currency risk

Foreign currency risk is the risk that the fair values or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates.

Parent company

Parent company’s performance is substantially independent of changes in foreign currency rates as its foreign currency dealings are principally in US Dollars. The US Dollar and Omani Rial exchange rate have remained unchanged since 1986. There are no significant financial instruments denominated in foreign currency other than US Dollars and consequently management believes that the foreign currency risk on other monetary assets and liabilities is not significant.

Subsidiaries

Zain group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

Group management has set up a policy that requires Group companies to manage their foreign exchange risk against their functional currency. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.

The Group is primarily exposed to foreign currency risk as a result of foreign exchange gains/losses on translation of foreign currency denominated assets and liabilities such as trade and other receivables, trade and other payables and due to banks. The impact on the post-tax consolidated profit arising from a 10% weakening/ strengthening of the functional currency against the major currencies to which the Group is exposed is given below:

	Consolidated	
	2018	2017
	RO’000	RO’000
USD	**60,929**	**18,203**
EURO	**195**	**41**
SAR	**-**	**1,763**

28 Financial risk management (continued)

Parent

Financial risk factors

(i) Market risk

Subsidiaries

Equity price risk

This is the risk that the value of financial instruments will fluctuate as a result of changes in market prices, whether these changes are caused by factors specific to individual instrument or its issuer or factors affecting all instruments, traded in the market. The Group is exposed to equity securities price risk because of investments held by the Group and classified in the consolidated statement of financial position either as 'available for sale' or 'at fair value through profit or loss'. The Group is not exposed to commodity price risk to manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

The Group's investments are primarily quoted on the stock exchanges in the Gulf Cooperation council. The effect on the consolidated profit as a result of changes in fair value of equity instruments classified as 'at fair value through profit or loss' and the effect on equity of equity instruments classified as 'available for sale' arising from a 5% increase/ decrease in equity market index, with all other variables held constant is as follows:

	2018		2017	
	RO'000	**RO'000**	RO'000	RO'000
	Impact on net profit	**Effect on equity**	Impact on net profit	Effect on equity
Increase/decrease in Market index	**931**	**593**	1,471	1,915

Cash flow and fair value interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's interest rate risk arises from short-term bank deposits and bank borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group's borrowings at variable rates are denominated mainly in US Dollars.

The Group analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions and alternative financing. Based on these scenarios, the Group calculates the impact on consolidated statement of profit or loss of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies. The scenarios are run only for liabilities that represent the major interest-bearing positions. The Group manages interest rate risk by monitoring interest rate movements and by using Interest Rate Swaps to hedge interest rate risk exposures.

Parent company

At 31 December 2018, if interest rates at that date had been 50 basis points higher/lower with all other variables held constant, consolidated profit for the year would have been lower/higher by RO Nil (2017-0.872 million).

Consolidated

At 31 December 2018, if interest rates at that date had been 50 basis points higher/lower with all other variables held constant, consolidated profit for the year would have been lower/higher by RO 7.2 million.

28 Financial risk management (continued)

Financial risk factors

b) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation causing the other party to incur a financial loss. Financial assets, which potentially subject the Group to credit risk, consist principally of fixed and short notice bank deposits, bonds, trade and other receivables, contract assets and loans to associates. The Group manages this risk by placing fixed and short term bank deposits with high credit rating financial institutions. Credit risk with respect to trade receivables is limited due to dispersion across large number of customers and by using experienced collection agencies to recover past due amounts. Credit risk of dealers, roaming and interconnect operators, due from associates and others including third parties on whose behalf financial guarantees are issued by the Group is managed by periodic evaluation of their credit worthiness or obtaining bank guarantees in certain cases.

Expected credit loss (ECL) measurement

IFRS 9 outlines a ‘three-stage’ model for impairment based on changes in credit quality since initial recognition wherein if a financial instrument that is not credit-impaired on initial recognition is classified in Stage 1. If a significant increase in credit risk (‘SICR’) since initial recognition is identified, the financial instrument is moved to Stage 2 but is not yet deemed to be credit-impaired and if the financial instrument is credit-impaired, the financial instrument is then moved to Stage 3.

Significant increase in credit risk

When determining whether the risk of default has increased significantly since initial recognition, the Group considers quantitative, qualitative information and backstop indicators and analysis based on the Group’s historical experience and expert credit risk assessment, including forward-looking information. For customer, dealers, roaming and interconnect trade receivables significant increase in credit risk criteria does not apply since the group is using simplified approach which requires use of lifetime expected loss provision.

For amounts due from Banks the Group uses the low credit risk exemption as permitted by IFRS 9 based on the external rating agency credit grades. If the financial instrument is rated below BBB- (sub investment grade) on the reporting date, the Group considers it as significant increase in credit risk.

Financial instrument is determined to have low credit risk if:

- The financial instrument has a low risk of default,
- The debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and
- Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers a financial asset to have low credit risk when the asset has external credit rating of ‘investment grade’ in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of ‘performing’. Performing means that the counterparty has a strong financial position and there is no past due amounts.

Credit impaired assets

The Group considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Group in full, there is sufficient doubt about the ultimate collectability; or the customer is past due for more than 90 days.

Incorporation of forward looking information

The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. The Group has performed historical analysis and identified Gross Domestic Product (GDP) of each geography in which they operate as the key economic variables impacting credit risk and ECL for each portfolio. Relevant macro-economic adjustments are applied to capture variations from economic scenarios. These reflect reasonable and supportable forecasts of future macro-economic conditions that are not captured within the base ECL calculations. Incorporating forward-looking information increases the degree of judgement required as to how changes in GDP will affect ECLs. The methodologies and assumptions including any forecasts of future economic conditions are reviewed regularly

28 Financial risk management (continued)

Financial risk factors

b) Credit risk

Consolidated

	31-Dec-18					1-Jan-18
	ECL staging					
	Stage 1	Stage 2	Stage 3	Simplified approach		
	12-month	Lifetime	Lifetime	Lifetime	Total	Total
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Cash & Bank	401,068	107,242	-	-	508,310	380,996
Less: ECL	-	-	-	-	(4,887)	(8,223)
	401,068	**107,242**	**-**	**-**	**503,423**	**372,773**
Customer receivables	-	-	-	399,207	399,207	242,755
Dealer receivables	-	-	-	38,296	38,296	14,282
Contract assets	-	-	-	121,182	121,182	79,659
Less: ECL	-	-	-	(222,137)	(222,137)	(134,596)
	-	**-**	**-**	**336,548**	**336,548**	**202,100**
Roaming receivables	-	-	-	21,373	21,373	19,121
Interconnect receivables	-	-	-	89,963	89,963	64,193
Less: ECL	-	-	-	(19,949)	(19,949)	(24,664)
	-	**-**	**-**	**91,387**	**91,387**	**58,650**
Due from associates						
Gross carrying amount	-	-	-	-	-	521,445
Less:- ECL	-	-	-	-	-	(1,357)
Carrying amount	**-**	**-**	**-**	**-**	**-**	**520,088**
Other receivables	-	-	-	209,654	209,654	143,995
Less:-ECL	-	-	-	(4,403)	(4,403)	(4,826)
	-	**-**	**-**	**205,251**	**205,251**	**139,169**
Financial guarantees	-	-	-	-	-	-
Less:-ECL	-	-	-	(1,394)	(1,394)	(3,300)
	-	**-**	**-**	**(1,394)**	**(1,394)**	**(3,300)**

ECL allowance of the receivables other than cash & bank balances are assessed as follows:

	2018	2017
	RO '000	RO '000
Collectively assessed	222,169	134,479
Individually assessed	24,320	29,608
	246,489	**164,087**

The following table shows the movement in the loss allowance that has been recognized for trade and other receivables:

	Collectively assessed	Individually assessed	Total
	RO '000	RO '000	RO '000
1 January 2018 under IAS 39	111,808	14,524	126,332
Adjustment on initial application of IFRS 9	27,549	15,266	42,815
1 January 2018 under IFRS 9	139,357	29,790	169,147
On business combination	68,145	591	68,736
Amounts credited to MOF	(156)	-	(156)
Amounts written off	(16,955)	-	(16,955)
Foreign exchange gains and losses	(2,551)	(1,586)	(4,137)

Net increase in loss allowance	34,329	(4,475)	29,854
31 December 2018	**222,169**	**24,320**	**246,489**

28 Financial risk management (continued)

Financial risk factors (continued)

b) Credit risk (continued)

Consolidated (continued)

For customer, dealer receivables and contract assets the Group uses a provision matrix based on the historic default rates observed and adjusted for forward looking factors to measure ECL as given below.

The following table details the risk profile of trade receivables from post-paid customers and dealers based on the Company's provision risk matrix. As the Company's historical credit loss experience does not show significantly different loss patterns from different customers segments, the provision for loss allowance based on past due status is not further distinguished between the Company's different customer bases.

	31 December 2018			1 January 2018 (Restated)		
Aging brackets of postpaid trade receivables	**Estimated total gross carrying amount at default**	**Expected credit loss rate**	**Lifetime ECL**	Estimated total gross carrying amount at default	Expected credit loss rate	Lifetime ECL
	RO '000	**%**	**RO '000**	RO '000	%	RO '000
< 30 days	**107,304**	**3%**	**2,742**	38,398	3%	1,061
31 – 60 days	**37,283**	**7%**	**2,705**	31,314	7%	2,232
61 – 90 days	**17,690**	**20%**	**3,530**	12,567	22%	2,805
91 – 180 days	**32,534**	**36%**	**11,626**	20,474	41%	8,391
> 181 days	**242,692**	**80%**	**195,187**	154,284	72%	111,663
	437,503		**215,790**	**257,037**		**126,152**

Credit quality of roaming, interconnect and other balances:

	31 December 2018	1 January 2018
Credit quality – Performing	**303,813**	205,280
Impaired	**17,177**	22,029
ECL	**(24,352)**	(29,490)
	296,638	**197,819**

The net increase in the loss allowance during the year is mainly attributed to the increase in gross exposures at default, on account of acquisition of SMTC.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery.

28 Financial risk management (continued)

Financial risk factors (continued)

b) Credit risk (continued)

Parent Company

	31-Dec-18					1-Jan-18
	ECL staging					
	Stage 1	Stage 2	Stage 3	Simplified approach		
	12-month	Lifetime	Lifetime	Lifetime	Total	Total
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Cash & Bank	97,169	16,256	-	-	113,425	73,184
Less: ECL	-	-	-	-	(74)	(74)
	97,169	**16,256**	**-**	**-**	**113,351**	**73,110**
Customer receivables	-	-	-	105,508	105,508	107,175
Dealer receivables	-	-	-	10,262	10,262	3,310
Contract assets	-	-	-	13,660	13,660	9,175
Less: ECL	-	-	-	(56,057)	(56,057)	(53,949)
	-	**-**	**-**	**73,373**	**73,373**	**65,711**
Roaming receivables	-	-	-	3,616	3,616	2,591
Interconnect receivables	-	-	-	30,445	30,445	29,917
Less: ECL	-	-	-	(10,433)	(10,433)	(12,157)
	-	**-**	**-**	**23,628**	**23,628**	**20,351**
Other receivables	-	-	-	5,380	5,380	2,076
Less:-ECL	-	-	-	(773)	(773)	(1,036)
	-	**-**	**-**	**4,607**	**4,607**	**1,040**

ECL allowance of the receivables other than cash & bank balances are assessed as follows:

	2018	2017
	RO '000	RO '000
Collectively assessed	56,057	53,949
Individually assessed	11,206	13,193
	67,263	**67,142**

The following table shows the movement in the loss allowance that has been recognized for trade and other receivables:

	Collectively assessed	Individually assessed	Total
	RO '000	RO '000	RO '000
1 January 2018 under IAS 39	43,285	6,172	49,457
Adjustment on initial application of IFRS 9	10,664	7,021	17,685
1 January 2018 under IFRS 9	53,949	13,193	67,142
Recoveries	-	(2,042)	(2,042)
Amounts credited to MOF	(156)	-	(156)
Amounts written off	(12,177)	-	(12,177)
Net increase in loss allowance	14,441	55	14,496
31 December 2018	**56,057**	**11,206**	**67,263**

28 Financial risk management (continued)

Financial risk factors (continued)

b) Credit risk (continued)

Parent Company (continued)

For customer, dealer receivables and contract assets the Group uses a provision matrix based on the historic default rates observed and adjusted for forward looking factors to measure ECL as given below.

The following table details the risk profile of trade receivables from post-paid customers and dealers based on the Company's provision risk matrix. As the Company's historical credit loss experience does not show significantly different loss patterns from different customers segments, the provision for loss allowance based on past due status is not further distinguished between the Company's different customer bases.

	31 December 2018			1 January 2018 (Restated)		
Aging brackets of postpaid trade receivables	Estimated total gross carrying amount at default	Expected credit loss rate	Lifetime ECL	Estimated total gross carrying amount at default	Expected credit loss rate	Lifetime ECL
	RO '000	%	RO '000	RO '000	%	RO '000
< 30 days	31,180	4%	1,375	23,499	3%	662
31 – 60 days	12,191	12%	1,410	11,721	6%	676
61 – 90 days	7,325	20%	1,464	6,612	11%	741
91 – 180 days	12,724	36%	4,622	10,918	35%	3,832
> 181 days	52,350	87%	45,878	57,735	82%	47,093
	115,770		**54,749**	**110,485**		**53,004**

Credit quality of roaming, interconnect and other balances:

	31 December 2018	1 January 2018
	RO'000	RO'000
Credit quality – Performing	33,163	26,264
Impaired	6,278	8,320
ECL	(11,408)	(13,193)
	28,033	**21,391**

The Company writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery.

29 Liquidity risk

Liquidity risk is the risk that the Group may not be able to meet its funding requirements. The Group manages this risk by maintaining sufficient cash and marketable securities, availability of funding from committed credit facilities and its ability to close out market positions on short notice. The Company's Board of Directors increases capital or borrowings based on ongoing review of funding requirements.
The Group has committed to provide working capital and other financial support to some of its affiliates (refer note 4 (v)). Other than cash and bank balance of RO 15.2 million equivalent held in Sudanese pounds and RO 2.28 million held in South Sudanese pounds, all other cash and bank balance are maintained in freely convertible currencies.

29 Liquidity risk (continued)

The following are the contractual maturities of financial liabilities:

Consolidated	***Contract Amount RO'000***	***0-1 year RO'000***	***1-2 year RO'000***	***2-5 years RO'000***	***More 5 years RO'000***
2018					
Borrowings	**2,479,722**	**427,227**	**322,692**	**1,208,074**	**521,729**
Trade and other payables	**1,388,817**	**1,388,040**	**177**	**268**	**332**
Customer deposits	**12,946**	**-**	**9,980**	**-**	**2,966**
Refundable deposits and others	**1,094**	**-**	**1,094**	**-**	**-**
2017					
Borrowings	2,134,080	922,256	275,301	769,084	167,439
Trade and other payables	682,806	681,575	252	379	600
Customer deposits	9,698	-	6,406	-	3,292
Refundable deposits and others	787	-	787	-	-

Parent Company

	Contract Amount RO'000	***0-1 year RO'000***	***1-2 year RO'000***	***2-5 years RO'000***	***More 5 years RO'000***
2018					
Borrowings	**156,291**	**28,448**	**27,950**	**97,945**	**1,948**
Trade and other payables	**205,167**	**205,167**	**-**	**-**	**-**
Customer deposits	**6,478**	**-**	**6,478**	**-**	**-**
Refundable deposits and others	**913**	**-**	**913**	**-**	**-**
2017					
Borrowings	937,541	626,508	68,998	242,035	-
Trade and other payables	151,691	151,691	-	-	-
Customer deposits	5,479	-	5,479	-	-
Refundable deposits and others	608	-	608	-	-

30 Derivative financial instruments

In the ordinary course of business, the Group uses derivative financial instruments to manage its exposure to fluctuations in interest and foreign exchange rates. A derivative financial instrument is a financial contract between two parties where payments are dependent upon movements in price of one or more underlying financial instruments, reference rate or index.

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.

30 Derivative financial instruments (continued)

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.

			Notional amount by terms of maturity			
	Positive fair value	***Negative fair value***	***Notional amount***	***Less than 1 year***	***1-2 years***	***2-5 years***
						RO'000
2018						
Derivatives held for hedging:						
Interest rate swap-Parent Company	**799**	**-**	**69,849**	**12,326**	**12,326**	**45,197**
Interest rate swap-Oztel holdings	**1,502**	**-**	**139,699**	**24,653**	**24,653**	**90,393**
Interest rate swaps-SMTC	**-**	**2,159**	**297,995**	**297,995**	**-**	**-**

			Notional amount by terms of maturity			
	Positive fair value	***Negative fair value***	***Notional amount***	***Less than 1 year***	***1-2 years***	***2-5 years***
						RO'000
2017						
Derivatives held for hedging:						
Interest rate swap-Parent Company	-	122	246,528	36,979	36,979	172,570
Interest rate swaps-share of associates	187	-	120,972	120,972	-	-

Interest rate swaps are contractual agreements between two parties to exchange interest based on notional value in a single currency for a fixed period of time. The Group uses interest rate swaps to hedge changes in interest rate risk arising from floating rate borrowings.

31 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide return on investment to shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In managing capital, the Group considers the financial covenants in various loan agreements that require the Group to maintain specific levels of debt-equity and leverage ratios.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as equity, as shown in the consolidated statement of financial position, plus net debt.

The gearing ratios at the consolidated statement of financial position dates were as follows:

	2018 RO'000	2017 RO'000
Total borrowings	**2,637,676**	1,966,355
Less: Cash and bank balance	**(503,423)**	(380,996)
Net Debt	**2,134,253**	1,585,359
Total equity	**2,613,546**	2,611,829
Total capital	**4,747,799**	4,197,188
Gearing Ratio	**44.95%**	37.77%

32 Fair value of financial instruments

The fair value hierarchy of the Group's financial instruments is as follows.

Consolidated

2018	*Level 1 RO'000*	*Level 2 RO'000*	*Level 3 RO'000*	*Total RO'000*
Financial assets at fair value				
Investments at fair value through profit or loss	**15,326**	**41,055**	**6,325**	**62,706**
Investments at fair value through comprehensive income	**1,250**	**1,080**	**6,362**	**8,692**
	16,576	**42,135**	**12,687**	**71,398**
2017				
Financial assets at fair value				
Investments at fair value through profit or loss	20,417	22,291	7,185	49,893
Available-for-sale investments at fair value	4,197	10,179	-	14,376
	24,614	32,470	7,185	64,269

Available for sale investments include unlisted securities amounting to RO Nil (2017-6.07 million) carried at cost less impairment since it is not possible to reliably measure their fair value.

Parent

2018	*Level 1 RO'000*	*Level 2 RO'000*	*Level 3 RO'000*	*Total RO'000*
Financial assets at fair value				
Investments at fair value through profit or loss	**10,598**	**25,119**	**6,326**	**42,043**
	10,598	**25,119**	**6,326**	**42,043**
2017				
Financial assets at fair value				
Investments at fair value through profit or loss	19,202	22,530	7,185	48,917
Available-for-sale investments at fair value	239	-	-	239
	19,441	22,530	7,185	49,156

Fair values of the financial instruments carried at amortised cost approximate their carrying value. This is based on level 3 inputs, with the discount rate that reflects the credit risk of counterparties, being the most significant input.

33 Adjustments relating to hyperinflationary economies

i) Zain's group's subsidiary in South Sudan
Following management's assessment, the Zain group's subsidiary in South Sudan was accounted for as an entity operating in hyperinflationary economy since 2016.

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

	Index	Conversion factor
31 December 2018	6,306	1.0
31 December 2017	4,502	1.4
31 October 2017	4127	1.5

Based on the above, the Group determined net monetary gain from the date of acquisition to be local currency equivalent of RO 58.5 million (2017- RO 25.3 million), stated net of the foreign exchange loss on the monetary amount of the Group's net investment in South Sudan.

The Group then reduced the restated carrying value of property and equipment to its recoverable amount and recognised the resultant decline as an impairment loss of RO 12.1 million (2017-RO 20.7 million). The recoverable amount was computed at the fair value less cost of disposal determined using the current replacement cost, with level 3 inputs of the fair value hierarchy and service capacity assessment being the most significant unobservable input. (refer note 14).

ii) Zain group's subsidiary in Republic of Sudan

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 2017. The Republic of Sudan has been again declared as hyperinflationary in 2018. Based on the above matters, the Group believes that this is temporary and that there is no definitive basis to apply IAS 29 and to review it on an ongoing basis and accordingly has not quantified the impact of applying IAS 29 in 2018. However, Group will review it on an ongoing basis.

34 Significant accounting judgements and estimates

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are as follows:

Judgments

Assessment of control

In cases where the entity hold less than the majority voting rights, management exercises significant judgment which takes into account many factors such as Board representation, voting patterns of other dominant shareholders to reach a conclusion on whether the entity has control. For the acquisition during the year and previous year please refer note 4 for the judgment exercised.

34 Significant accounting judgements and estimates (continued)

Judgments (continued)

Business combinations

To allocate the cost of a business combination management exercises significant judgment to determine identifiable assets and liabilities and contingent liabilities whose fair value can be reliably measured, to determine provisional values on initial accounting and final values of a business combination and to determine the amount of goodwill and the Cash Generating Unit to which it should be allocated.

Identifying performance obligations in a bundled sale of equipment and installation services

The Group provides telecommunications services that are either sold separately or bundled together with the sale of equipment (hand sets) to a customer. The Group uses judgement in determining whether equipment and services are capable of being distinct. The fact that the Group regularly sells both equipment and services on a stand-alone basis indicates that the customer can benefit from both products on their own. Consequently, the Group allocated a portion of the transaction price to the equipment and the services based on relative stand-alone selling prices.

Principal versus agent considerations

Revenue from value added services (VAS) sharing arrangements depend on the analysis of the facts and circumstances surrounding these transactions. The determination of whether the Group is acting as an agent or principal in these transactions require significant judgement and depends on the following factors:

- The Group is primarily responsible for fulfilling the promise to provide the service.
- Whether the Group has inventory risk
- Whether the Group has discretion in establishing the price

Consideration of significant financing component in a contract

The Group sells bundled services on a monthly payment scheme over a period of one to two years.

In concluding whether there is a significant financing component in a contract requires significant judgements and is dependent on the length of time between the customers payment and the transfer of equipment to the customer, as well as the prevailing interest rates in the market. The Group has concluded that there is no significant financing component in its contract with customers after such assessment.

In determining the interest to be applied to the amount of consideration, the Group has concluded that the interest rate implicit in the contract (i.e., the interest rate that discounts the cash selling price of the equipment to the amount paid in advance) is appropriate because this is commensurate with the rate that would be reflected in a separate financing transaction between the entity and its customer at contract inception.

Assets held for sale

In 2017, the Board of Directors of Zain Group announced its decision to sell some of the telecom tower assets in Kuwait. This is considered to have met the criteria as held for sale for the following reasons:

- These assets are available for immediate sale and can be sold to the buyer in its current condition
- The actions to complete the sale were initiated and expected to be completed within one year from the date of initial classification
- A potential buyer has been identified and negotiations as at the reporting date are at an advance stage

These assets continued to be classified as non-current assets held for sale as the Group is committed to its plan to sell the assets and the delay was caused due to events and circumstances beyond the Group’s control.

34 Significant accounting judgements and estimates (continued)

Judgments (continued)

Classification of equity investments

On 1 January 2018, i.e., the date of initial application of IFRS 9, or on acquisition of an equity investment security, the Group decides whether it should be classified as fair value through profit or loss or fair value through other comprehensive income.

Prior to 1 January 2018, the Group on acquisition of an investment decided whether it should be classified as “at fair value through profit or loss”, “available for sale” or as “loans and receivables”. In making that judgement the Group considered the primary purpose for which it was acquired and how it intended to manage and report its performance. Such judgment determined whether it was subsequently measured at cost or at fair value and if the changes in fair value of instruments were reported in the consolidated statement of profit or loss or directly in equity.

Impairment

Prior to 1 January 2018, when there is a significant or prolonged decline in the value of an “available for sale” quoted investment security management uses objective evidence to judge if it may be impaired. At each statement of financial position date, management assessed, whether there was any indication that non-financial assets may be impaired. The determination of impairment required considerable judgment and involved evaluating factors including, industry and market conditions.

Contingent liabilities/liabilities

Contingent liabilities are potential liabilities that arise from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity. Provisions for liabilities are recorded when a loss is considered probable and can be reasonably estimated. The determination of whether or not a provision should be recorded for any potential liabilities or litigation is based on management’s judgment.

Hyperinflation

The Group exercises significant judgement in determining the onset of hyperinflation in countries in which it operates and whether the functional currency of its subsidiaries, associates or joint ventures is the currency of a hyperinflationary economy.

Various characteristics of the economic environment of each country are taken into account. These characteristics include, but are not limited to, whether:

- the general population prefers to keep its wealth in non-monetary assets or in a relatively stable foreign currency;
- prices are quoted in a relatively stable foreign currency;
- sales or purchase prices take expected losses of purchasing power during a short credit period into account;
- interest rates, wages and prices are linked to a price index; and
- the cumulative inflation rate over three years is approaching, or exceeds, 100%.

Sources of estimation uncertainty

Fair values - unquoted equity investments and business combinations

The valuation techniques for unquoted equity investments and identifiable assets, liabilities and contingent liabilities arising in a business combination make use of estimates such as future cash flows, discount factors, yield curves, current market prices adjusted for market, credit and model risks and related costs and other valuation techniques commonly used by market participants where appropriate.

34 Significant accounting judgements and estimates (continued)

Sources of estimation uncertainty (continued)

Provision for expected credit losses of customer, dealer receivables and contract assets

The Group uses a provision matrix to calculate ECLs for customer, dealer receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns. The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year, which can lead to an increased number of defaults the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables and contract asset is disclosed in Note 28.

Prior to 1 January 2018, the Group estimated an allowance for doubtful receivables based on past collection history and expected cash flows from debts that were overdue.

Tangible and intangible assets

The Group estimates useful lives and residual values of tangible assets and intangible assets with definite useful lives. Changes in technology or intended period of use of these assets as well as changes in business prospects or economic industry factors may cause the estimate useful of life of these assets to change.

Taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises a liability for anticipated taxes based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Any changes in the estimates and assumptions used as well as the use of different, but equally reasonable estimates and assumptions may have an impact on the carrying values of the deferred tax assets.

Impairment of non-financial assets

The Group annually tests non-financial assets for impairment to determine their recoverable amounts based on value-in-use calculations or at fair value less costs to sell. The value in use includes estimates on growth rates of future cash flows, number of years used in the cash flow model and the discount rates. The fair value less cost to sell estimate is based on recent/intended market transactions and the related EBITDA multiples used in such transactions.

35 Segment reporting

Information regarding the Group's operating segments is set out below in accordance with IFRS 8 - Operating segments. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. 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.

35 Segment reporting (continued)

	31 December 2018								
	Oman	Kuwait	Jordan	Sudan	Iraq	Bahrain	KSA	Others	Total
									RO '000
Segment revenues – airtime & data (Point over time)	484,787	331,288	179,784	118,213	426,723	50,591	352,579	50,018	1,993,983
Segment revenues - trading income (Point in time)	35,221	81,619	6,137	628	2,123	15,441	50,826	36	192,031
Net profit before interest and tax	102,830	71,118	34,178	20,327	38,142	1,980	88,989	37,132	394,696
Interest income	1,862	7	573	1,067	101	71	1,755	267	5,703
Finance costs	(1,038)	-	(7,367)	-	(15,364)	(50)	(49,225)	(50)	(73,094)
Income tax expenses	(15,630)	-	(7,993)	(5,312)	(6,921)	-	-	(3,681)	(39,537)
	88,024	71,125	19,391	16,082	15,958	2,001	41,519	33,668	287,768
Unallocated items:									
Investment income									4,147
Share of results of associates and joint venture									(3,726)
Others (including unallocated interest income, income tax and finance costs)									(79,349)
Profit for the period									**208,840**
Segment assets including allocated goodwill	942,654	996,926	576,110	130,255	942,706	120,059	3,129,334	98,252	6,936,296
Unallocated items:									
Investment securities at FVTPL									62,706
Investment securities at amortised cost									3,000
Investment securities at FVOCI									8,692
Investment in associates and joint venture									99,916
Others									203,810
Consolidated assets									**7,314,420**
Segment liabilities	255,441	142,016	168,514	56,634	195,449	24,411	1,529,604	100,191	2,472,260
Due to banks	22,675	-	-	-	188,991	-	701,465	-	913,131
	278,116	142,016	168,514	56,634	384,440	24,411	2,231,069	100,191	3,385,391
Unallocated items:									
Due to banks									1,734,176
Others									(418,693)
Consolidated liabilities									**4,700,874**
Net consolidated assets									**2,613,546**
Capital expenditure incurred during the period	117,124	42,838	29,400	41,004	65,221	1,158	92,475	7,121	396,341
Unallocated									8,491
Total capital expenditure									404,832
Depreciation and amortization	107,342	66,213	38,979	13,164	99,140	13,536	97,161	4,683	440,218
Unallocated									2,514
Total depreciation and amortization									**442,732**

35 Segment reporting (continued)

	31 December 2017			
	Oman	***Zain group***	***Others***	***Total***
	RO'000	***RO'000***	***RO'000***	***RO'000***
Segment revenues	527,515	219,514	4,696	751,725
Segment result before depreciation and amortisation	207,944	60,525	1,474	269,943
Depreciation and amortisation	(115,163)	(42,124)	(979)	(158,266)
Less: Finance cost	(814)	(18,855)	(381)	(20,050)
Segment result	91,967	(454)	114	91,627
Unallocated items:				
Interest income				11,250
Investment income				2,116
Share of results of associates and joint ventures				4,091
Profit from continuing operations before tax				109,084
Taxation				(8,985)
Profit for the year from continued operations				100,099

The segment assets and liabilities at 31 December 2017 and capital expenditures for the year ended are as follows:

	Oman	***Zain group***	***Others***	***Unallocated***	***Total***
	RO'000	***RO'000***	***RO'000***	***RO'000***	***RO'000***
Assets	753,313	3,937,531	6,791	-	4,697,635
Liabilities	217,052	1,840,168	9,791	867,047	2,934,058
Capital expenditures	143,428	63,327	1,802	-	208,557

36 Comparative figures

Figures for previous year are not comparable with the current year on account of acquisition during the year 2018 and 2017 (refer note 4).