

1. Incorporation and activities

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

The principal activities of the Company are establishment, operation, maintenance and development of telecommunication services in the Sultanate of Oman. The Company and its subsidiaries (“the Group”) along with its associates provides telecommunications services in Sultanate of Oman and 8 other countries (refer note 3 for details).

These consolidated financial statements were authorized and approved for issue by the Board of Directors of the Company on 10 March 2021 and are subject to approval of the shareholders at their forthcoming Annual General Meeting.

2. Basis of preparation and significant accounting policies**2.1 Basis of preparation**

These consolidated financial statements have been prepared in conformity with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) 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 2019, as amended. These consolidated financial statements are prepared under the historical cost basis of measurement adjusted for the effects of inflation where entities operate in hyperinflationary economies and modified by the revaluation at fair value of financial assets held as “at fair value through profit or loss”, “at fair value through other comprehensive income” and “derivative financial instruments”. These consolidated financial statements have been presented in Omani Rials (RO), rounded to the nearest thousand.

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

In 2015, the Group noted that the economy of the Republic of Sudan, where the Group has subsidiaries, may be hyperinflationary from the beginning of 2015. This was based on the general price index showing the cumulative three-year rate of inflation exceeding 100% at that time. However, International Accounting Standard, IAS 29: Financial Reporting in Hyperinflationary Economies, does not establish an absolute rate at which hyperinflation is deemed to arise and states that it is a matter of judgment when restatement of financial statements in accordance with this Standard becomes necessary. In addition, the Group noted that in the 2014 International Monetary Fund (IMF) Sudan country report, the cumulative projected three year inflation rate outlook for Sudan in 2016 to be around 57% and thus, applying IAS 29 in 2015, could have entailed going in and out of hyperinflation within a short period which was confirmed when the Republic of Sudan went out of hyperinflation in 2016. The Republic of Sudan has been again declared as hyperinflationary in 2018. Based on the above matters, Group believes that there is no definitive basis to apply IAS 29 at this stage. However, Group will review it on an ongoing basis, accordingly it has not quantified the impact of applying IAS 29 in 2020.

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that may affect the reported amounts of assets and liabilities and disclosure of contingent assets and contingent liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. It also requires management to exercise its judgment in the process of applying the accounting policies. The areas involving a high degree of judgment or complexity or areas where assumptions and estimates are significant to these consolidated financial statements are disclosed in note 34.

Going concern

The directors have, at the time of approving the financial statements, a reasonable expectation that the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

2.2 Changes in accounting policy

As permitted by IFRS 9, the Group has elected to transition to applying the hedge accounting requirements of IFRS 9 effective 1 July 2020. On transition to IFRS 9 in 2018, the Group had elected to continue to apply the hedge accounting requirements of IAS 39.

The IFRS 9 general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for 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 replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about the Group's risk management activities have also been introduced.

The Group's qualifying hedging relationships in place as at 1 July 2020 also qualify for hedge accounting in accordance with IFRS 9 and were therefore regarded as continuing hedging relationships. No rebalancing of any of the hedging relationships was necessary on transition. As the critical terms of the hedging instruments match those of their corresponding hedged item, the hedging relationships continue to be effective under IFRS 9's effectiveness assessment requirements. The Group has also not designated any hedging relationships under IFRS 9 that would not have met the qualifying hedge accounting criteria under IAS 39.

The application of the IFRS 9 hedge accounting requirements has had no significant impact on the results and financial position of the Group for the current and/or prior years.

Group's accounting policy under hedge accounting requirements of IFRS 9 is described in Note 2.4.3.

2.3 New and revised accounting standards

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

2.3.1. Effective for the current year

The Group has applied the following new and revised IFRS Standards that have been issued and effective:

Impact of the initial application of Interest Rate Benchmark Reform amendments to IFRS 9 and IFRS 7

In September 2019, the IASB issued Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7). These amendments modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the on-going interest rate benchmark reforms.

The amendments are relevant to the Group given that it applies hedge accounting to its benchmark interest rate exposures. The application of the amendments impacts the Group's accounting in the following ways:

- The Group has floating rate debt, linked to LIBOR, which it cash flow hedges using interest rate swaps. The amendments permit continuation of hedge accounting even though there is uncertainty about the timing and amount of the hedged cash flows due to the interest rate benchmark reforms.
- The Group will retain the cumulative gain or loss in the cash flow hedge reserve for designated cash flow hedges that are subject to interest rate benchmark reforms even though there is uncertainty arising from the interest rate benchmark reform with respect to the timing and amount of the cash flows of the hedged items. Should the Group consider the hedged future cash flows are no longer expected to occur due to reasons other than interest rate benchmark reform, the cumulative gain or loss will be immediately reclassified to profit or loss.

The amendments also introduce new disclosure requirements to IFRS 7 for hedging relationships that are subject to the exceptions introduced by the amendments to IFRS 9. The new disclosure requirements are presented in notes 29 and 30.

Impact of the initial application of Covid-19-Related Rent Concessions Amendment to IFRS 16

In May 2020, the IASB issued Covid-19-Related Rent Concessions (Amendment to IFRS 16) that provides practical relief to lessees in accounting for rent concessions occurring as a direct consequence of COVID-19, by introducing a practical expedient to IFRS 16. The practical expedient permits a lessee to elect not to assess whether a COVID-19-related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the COVID-19-related rent concession the same way it would account for the change applying IFRS 16 if the change were not a lease modification.

The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 and only if all of the following conditions are met:

- a) The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- b) Any reduction in lease payments affects only payments originally due on or before 30 June 2021 (a rent concession meets this condition if it results in reduced lease payments on or before 30 June 2021 and increased lease payments that extend beyond 30 June 2021); and
- c) There is no substantive change to other terms and conditions of the lease.

The application of these amendments did not have a significant impact on the Group's consolidated financial statements, since there were no material rent concession from lessors during the year.

Impact of the initial application of other new and amended IFRS Standards that are effective for the current year

In the current year, the Group has applied the below amendments to IFRS Standards and Interpretations issued by the Board that are effective for an annual period that begins on or after 1 January 2020. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Amendments to References to the Conceptual Framework in IFRS Standards

The Group has adopted the amendments included in Amendments to References to the Conceptual Framework in IFRS Standards for the first time in the current year. The amendments include consequential amendments to affected Standards so that they refer to the new Framework. Not all amendments, however, update those pronouncements with regard to references to and quotes from the Framework so that they refer to the revised Conceptual Framework.

The Standards which are amended are 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.

Amendments to IFRS 3 Definition of a business

The Group has adopted the amendments to IFRS 3 for the first time in the current year. The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

The amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. The amendments also introduce additional guidance that helps to determine whether a substantive process has been acquired.

The amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets. The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after 1 January 2020.

Amendments to IAS 1 and IAS 8 Definition of material

The Group has adopted the amendments to IAS 1 and IAS 8 for the first time in the current year. The amendments make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition.

The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'. The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the Conceptual Framework that contain a definition of 'material' or refer to the term 'material' to ensure consistency.

2.3.2. Standards issued but not effective

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

New and revised IFRSs**Effective date**

Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.

The effective date is yet to be set. Earlier application is permitted.

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The directors of the Company anticipate that the application of these amendments may have an impact on the Group's consolidated financial statements in future periods should such transactions arise.

Amendments to IAS 1 – Classification of Liabilities as Current or Non-current

The amendments to IAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

The amendments are applied retrospectively for annual periods beginning on or after 1 January 2023, with early application permitted.

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

New and revised IFRSs**Effective date**

Amendments to IFRS 3 – Reference to the Conceptual Framework

The amendments update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. They also add to IFRS 3 a requirement that, for obligations within the scope of IAS 37, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date.

Finally, the amendments add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The amendments are effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022. Early application is permitted if an entity also applies all other updated references.

Amendments to IAS 16 – Property, Plant and Equipment—Proceeds before Intended Use

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognises such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with IAS 2 Inventories.

The amendments also clarify the meaning of ‘testing whether an asset is functioning properly’. IAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes.

If not presented separately in the statement of comprehensive income, the financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity’s ordinary activities, and which line item(s) in the statement of comprehensive income include(s) such proceeds and cost.

The amendments are applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments.

The entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

1 January 2022, with early application permitted.

<u>New and revised IFRSs</u>	Effective date
<p>Amendments to IAS 37 – Onerous Contracts—Cost of Fulfilling a Contract</p> <p>The amendments specify that the ‘cost of fulfilling’ a contract comprises the ‘costs that relate directly to the contract’. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labour or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).</p> <p>The amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments. Comparatives are not restated. Instead, the entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.</p> <p>Annual Improvements to IFRS Standards 2018–2020</p> <p>The Annual Improvements include amendments to four Standards.</p> <p><i>IFRS 1 First-time Adoption of International Financial Reporting Standards</i></p> <p>The amendment provides additional relief to a subsidiary which becomes a first-time adopter later than its parent in respect of accounting for cumulative translation differences. As a result of the amendment, a subsidiary that uses the exemption in IFRS 1:D16 (a) can now also elect to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent’s consolidated financial statements, based on the parent’s date of transition to IFRS Standards, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. A similar election is available to an associate or joint venture that uses the exemption in IFRS 1:D16 (a).</p> <p><i>IFRS 9 Financial Instruments</i></p> <p>The amendment clarifies that in applying the ‘10 per cent’ test to assess whether to derecognise a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other’s behalf.</p> <p>The amendment is applied prospectively to modifications and exchanges that occur on or after the date the entity first applies the amendment.</p> <p><i>IFRS 16 Leases</i></p> <p>The amendment removes the illustration of the reimbursement of leasehold improvements.</p>	<p>1 January 2022, with early application permitted.</p> <p>1 January 2022, with early application permitted.</p> <p>1 January 2022, with early application permitted.</p> <p>No effective date is stated.</p>

<u>New and revised IFRSs</u>	<u>Effective date</u>
<i>Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)</i>	January 1, 2021

The amendments address issues that might affect financial reporting as a result of the reform of an interest rate benchmark, including the effects of changes to contractual cash flows or hedging relationships arising from the replacement of an interest rate benchmark with an alternative benchmark rate. The amendments provide practical relief from certain requirements in IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 relating to: – changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities; and – hedge accounting.

Change in basis for determining cash flows

The amendments will require an entity to account for a change in the basis for determining the contractual cash flows of a financial asset or financial liability that is required by interest rate benchmark reform by updating the effective interest rate of the financial asset or financial liability. The disclosures on Group's exposure to IBOR reforms are presented in note 29.

Hedge accounting

The amendments provide exceptions to the hedge accounting requirements in the following areas. – Allow amendment of the designation of a hedging relationship to reflect changes that are required by the reform. – When a hedged item in a cash flow hedge is amended to reflect the changes that are required by the reform, the amount accumulated in the cash flow hedge reserve will be deemed to be based on the alternative benchmark rate on which the hedged future cash flows are determined. – When a group of items is designated as a hedged item and an item in the group is amended to reflect the changes that are required by the reform, the hedged items are allocated to subgroups based on the benchmark rates being hedged. – If an entity reasonably expects that an alternative benchmark rate will be separately identifiable within a period of 24 months, it is not prohibited from designating the rate as a non-contractually specified risk component if it is not separately identifiable at the designation date.

At 31 December 2020, the Group has cash flow hedges of US\$ LIBOR risk. The Group expects that indexation of the hedged items and hedging instruments to US\$ LIBOR will be replaced with Secured Overnight Financing Rate (SOFR). Whenever the replacement occurs, the Group expects to apply the amendments related to hedge accounting. However, there is uncertainty about when and how replacement may occur. When the change occurs to the hedged item or the hedging instrument, the Group will remeasure the cumulative change in fair value of the hedged item or the fair value of the interest rate swap, respectively, based on SOFR. Hedging relationships may experience hedge ineffectiveness if there is a timing or other mismatch between the transition of the hedged item and that of the hedging instrument to SOFR. The Group does not expect that amounts accumulated in the cash flow hedge reserve will be immediately reclassified to profit or loss because of IBOR transition.

The management does not expect the adoption of the Standards and Interpretations listed above to have a material impact on the consolidated financial statements of the Group in future periods.

2.4 Significant accounting policies

2.4.1. Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interest issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with IAS 12 and IAS 19 respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 at the acquisition date (see below); and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Other contingent consideration is remeasured to fair value at subsequent reporting dates with changes in fair value recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held interests (including joint operations) in the acquired entity are remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

2.4.2. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Group made up to 31 December each year. Control is achieved when the Group:

- has the power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affects its returns.

The Group reassesses 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 listed above.

When the Group has less than a majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Group are eliminated on consolidation.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. Those interests of non-controlling shareholders that are present ownership interests entitling their holders to a proportionate share of net assets upon liquidation may initially be measured at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement is made on an acquisition-by-acquisition basis. Other non-controlling interests are initially measured at fair value. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Group and to the non-controlling interests. Total comprehensive income of the subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the noncontrolling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

When the Group loses control of a subsidiary, the gain or loss on disposal recognised in profit or loss is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), less liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as required/permitted by applicable IFRS Standards). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 when applicable, or the cost on initial recognition of an investment in an associate or a joint venture.

2.4.3. Financial instruments

Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in the statement of profit or loss.

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

(i) Debt instruments designated at amortised cost

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Amortised cost and effective interest rate method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial instruments other than purchased or originated credit-impaired financial assets (i.e. assets that are credit-impaired on initial recognition), the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased or originated credit-impaired financial assets, the Group recognises interest income by applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest income is recognised in profit or loss and is included in the "interest income" line item.

(ii) Equity instruments designated as at FVTOCI

On initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investments revaluation reserve. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, they will be transferred to retained earnings.

Dividends on these investments in equity instruments are recognised in profit or loss in accordance with IFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the 'investment income' line item in profit or loss.

(iii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition.
- Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency ('accounting mismatch') that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The Group has not designated any debt instruments as at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCI, trade receivables, contract assets, as well as on financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables and contract assets. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

(i) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

For financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of a financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

The Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

- (1) The financial instrument has a low risk of default,
- (2) The borrower has a strong capacity to meet its contractual cash flow obligations in the near term, and
- (3) 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.

(ii) Definition of default

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.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- (a) significant financial difficulty of the issuer or the borrower;
 - (b) a breach of contract, such as a default or past due event (see (ii) above);
 - (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
 - (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
 - (e) the disappearance of an active market for that financial asset because of financial difficulties.
- (iv) Write-off policy

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

- (v) Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Financial liabilities

Financial liabilities measured subsequently at amortised cost

Financial liabilities are measured subsequently at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Derivative financial instruments and hedging activities

The Group enters into derivative financial instruments to manage its exposure to interest rate. Derivatives are recognised initially at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. Derivatives are not offset in the financial statements unless the Group has both a legally enforceable right and intention to offset.

Hedge accounting

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).

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

Fair value hedges

The fair value change on qualifying hedging instruments is recognised in profit or loss except when the hedging instrument hedges an equity instrument designated at FVTOCI in which case it is recognised in other comprehensive income. The carrying amount of a hedged item not already measured at fair value is adjusted for the fair value change attributable to the hedged risk with a corresponding entry in profit or loss. For debt instruments measured at FVTOCI, the carrying amount is not adjusted as it is already at fair value, but the hedging gain or loss is recognised in profit or loss instead of other comprehensive income. When the hedged item is an equity instrument designated at FVTOCI, the hedging gain or loss remains in other comprehensive income to match that of the hedging instrument. Where hedging gains or losses are recognised in profit or loss, they are recognised in the same line as the hedged item. The Group discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit or loss from that date.

Cash flow hedges

The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of cash flow hedging reserve, limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'other gains and losses' line item.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are removed from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability. This transfer does not affect other comprehensive income. Furthermore, if the Group expects that some or all of the loss accumulated in the cash flow hedging reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

The Group discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. Any gain or loss recognised in other comprehensive income and accumulated in cash flow hedge reserve at that time remains in equity and is reclassified to profit or loss when the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in cash flow hedge reserve is reclassified immediately to profit or loss.

Hedges of net investments in foreign operations

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the foreign currency forward contracts relating to the effective portion of the hedge is recognised in other comprehensive income and accumulated in the foreign currency translation reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'other gains and losses' line item. Gains and losses on the hedging instrument accumulated in the foreign currency translation reserve are reclassified to profit or loss on the disposal or partial disposal of the foreign operation.

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.

2.4.4. Cash and cash equivalents

Cash on hand, demand and time deposits with banks whose original maturities do not exceed three months are classified as cash and cash equivalents in the consolidated statement of cash flows.

2.4.5. Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average cost method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

2.4.6. Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. 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.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5.

Under the equity method, an investment in an associate or a joint venture is recognised initially in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of IAS 36 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture. When the Group retains an interest in the former associate or a joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IFRS 9. The difference between the carrying amount of the associate or a joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or a joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the associate or joint venture is disposed of.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities. When a Group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group. The Group applies IFRS 9, including the impairment requirements, to long-term interests in an associate or joint venture to which the equity method is not applied and which form part of the net investment in the investee. Furthermore, in applying IFRS 9 to long-term interests, the Group does not take into account adjustments to their carrying amount required by IAS 28 (i.e. adjustments to the carrying amount of long-term interests arising from the allocation of losses of the investee or assessment of impairment in accordance with IAS 28).

2.4.7. Property and equipment

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Freehold land is not depreciated.

Property and equipment are depreciated on a straight-line basis over their estimated economic useful lives, which are as follows:

	Years
Buildings	3-50
Telecommunication equipment	3 – 20
Furniture and office equipment	3 – 5

These assets are reviewed periodically for impairment. If there is an indication that the carrying value of an asset is greater than its recoverable amount, the asset is written down to its recoverable amount and the resultant impairment loss is taken to the consolidated statement of profit or loss. The residual value, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

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.

2.4.8. Intangible assets and goodwill*Intangible assets acquired separately*

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives which are disclosed in note 12. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are recognized initially at their fair value at the acquisition date (which is regarded as their cost). These includes the brand and customer relationship; their useful life ranges from 4 to 9 years and 20 years respectively.

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Reacquired rights

These represents rights which were previously granted to the acquiree to use one or more of the recognized or unrecognized assets of the acquirer, but reacquired as part of a business combination. These reacquired rights are measured on the basis of the remaining contractual term of the related contract regardless of whether market participants would consider potential contractual renewals of the contract or other binding arrangement in determining its fair value.

A reacquired right is an identifiable intangible asset and is recognized separately from goodwill and are amortised over the remaining contractual period in which the right was granted.

IRUs

IRU are the rights to use a portion of the capacity of a terrestrial or submarine transmission cable granted for a fixed period. IRUs are recognized at cost as an asset when the Group has the specific indefeasible right to use an identified portion of the underlying asset, generally optical fibers and the duration of the right is for the major part of the underlying asset's economic life. They are amortised on a straight line basis over the shorter of the expected period of use and the life of the contract which ranges between 10 to 20 years.

De-recognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Goodwill

Goodwill is initially recognised and measured as set out in note 2.4.1 above.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing 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 risk specific to the asset for which the estimates of future cash flows have not been adjusted. The Group prepares formal four to five year plans for its businesses. These plans are used for the value in use calculation. Long range growth rates are used for cash flows into perpetuity beyond the four to five year period. Fair value less costs to sell is determined with reference to published quoted prices.

On disposal of a cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

The Group's policy for goodwill arising on the acquisition of an associate is described in note 2.4.6 above.

2.4.9. Impairment of property, plant and equipment right-of-use of assets and intangible assets excluding goodwill

At each reporting date, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use of assets and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with an indefinite useful life are tested for impairment at least annually and whenever there is an indication at the end of a reporting period that the asset may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing 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 specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss to the extent that it eliminates the impairment loss which has been recognised for the asset in prior years.

2.4.10. Fair value measurement

Fair values

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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For financial instruments quoted in an active market, fair value is determined by reference to quoted market prices. Bid prices are used for assets and offer prices are used for liabilities.

For unquoted financial instruments, fair value is determined by reference to the market value of a similar investment, discounted cash flows, other appropriate valuation models or brokers' quotes.

For financial instruments carried at amortized cost, the fair value is estimated by discounting future cash flows at the current market rate of return for similar financial instruments.

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. For the purpose of fair value disclosures, the Group determines classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

2.4.11. Taxation

The income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

A provision is recognised for those matters for which the tax determination is uncertain but it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are measured at the best estimate of the amount expected to become payable. The assessment is based on the judgement of tax professionals within the Group supported by previous experience in respect of such activities and in certain cases based on specialist independent tax advice.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, a deferred tax liability is not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the reporting date.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current tax and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

2.4.12. Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present

obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

2.4.13. Post-employment 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 consolidated statement of financial position date. This basis is considered to be a reliable approximation of the present value of the final obligation.

2.4.14. Leases

The Group as lessee

The Group assesses whether contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line item in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The Group did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

The right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use of asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use of assets are presented as a separate line in the statement of financial position.

The Group applies IAS36 to determine whether a right-of-use asset is impaired and accounts for an identified impairment loss as described in the 'Impairment of property, plant and equipment right-of-use of assets and intangible assets excluding goodwill' policy.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs.

As a practical expedient, IFRS16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has used this practical expedient. For a contracts that contain a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Sale and leaseback

The Group enters into sale and leaseback transactions whereby it sells certain assets to a third-party and immediately leases them back. Where sale proceeds received are judged to reflect the fair value, any gain or loss arising on disposal is recognised in the statement of profit or loss, to the extent that it relates to the rights that have been transferred. Gains and losses that relate to the rights that have been retained are included in the carrying amount of the right of use asset recognised at commencement of the lease. Where sale proceeds received are not at the fair value, any below market terms are recognised as a prepayment of lease payments, and above market terms are recognised as additional financing provided by the lessor.

The Group as lessor

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

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.

Amounts due from lessees under finance leases are recognised 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.

Subsequent to initial recognition, the Group regularly reviews the estimated unguaranteed residual value and applies the impairment requirements of IFRS 9, recognising an allowance for expected credit losses on the lease receivables. When a contract includes lease and non-lease components, the Group applies IFRS 15 to allocate consideration under the contract to each component.

2.4.15. Revenue

Revenues from operations consist of recurring revenues, such as billings to customers for monthly subscription fees, roaming, leased line and airtime usage fees, and non-recurring revenues, such as one-time connection fees, and telephone equipment and accessory sales.

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.

The Group provides subsidized handsets to its customers along with mobile telecommunication services. The contract's transaction price is allocated to each performance obligation based on their relative stand-alone selling price. This results in reallocation of a portion of revenue from trading revenue to service revenue and correspondingly creation of a contract assets. 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

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 distributors 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.

Installation and maintenance contracts

The Group also enters into installation and maintenance contracts where the revenue is recognised over time based on the cost-to-completion method. The related costs are recognised in profit or loss when they are incurred. Advances received are included in contract liabilities.

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.

2.4.16. Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets (including property, plant and equipment) are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

2.4.17. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.4.18. Foreign currencies

In preparing the financial statements of the Group entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each reporting date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Nonmonetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on transactions entered into to hedge certain foreign currency risks; and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur in the foreseeable future (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the net investment.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the reporting date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a foreign exchange translation reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in a foreign exchange translation reserve in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that includes a foreign operation that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

2.4.19. Financial reporting in hyperinflationary economies

The financial statements of subsidiaries 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 recognized 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 consolidated 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 recognized 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 consolidated 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.

All items recognized in the income statement are restated by applying the change in the general price index from the dates when the items of income and expenses were initially earned or incurred.

Gains or losses on the net monetary position are recognized in profit or loss.

All items in the consolidated statement of cash flows are expressed in terms of the general price index at the end of the reporting period.

2.4.20. Non-current assets held for sale

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition 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 classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

When the Group is committed to a sale plan involving disposal of an investment in an associate or, a portion of an investment in an associate, the investment, or the portion of the investment in the associate, that will be disposed of is classified as held for sale when the criteria described above are met. The Group then ceases to apply the equity method in relation to the portion that is classified as held for sale. Any retained portion of an investment in an associate that has not been classified as held for sale continues to be accounted for using the equity method.

2.4.21. Contingencies

Contingent assets are not recognized as an asset until realisation becomes virtually certain. Contingent liabilities, other than those arising on acquisition of subsidiaries, are not recognized as a liability unless as a result of past events it is probable that an outflow of economic resources will be required to settle a present, legal or constructive obligation; and the amount can be reliably estimated. Contingent liabilities arising in a business combination are recognized if their fair value can be measured reliably.

2.4.22. Directors' remuneration

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

2.4.23. 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 financial statements only in the year in which the dividends are approved by the Company's shareholders.

3. Subsidiaries and Associates/Joint Venture

The principal subsidiaries and associates/joint venture are:

Subsidiary	Country of incorporation	Percentage of ownership		Nature of business
		2020	2019	
Oztel Holdings SPC Limited	UAE	100%	100%	Special purpose vehicle for acquiring shares in Zain group
Omantel International Limited	Cayman	100%	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	100%	80%	Engaged in the provision of data services
Omantel France SAS	France	100%	100%	Engaged in provision of wholesale services
Infoline LLC (refer note 9)	Oman	100%	45%	Engaged in provision of IT enabled and outsourced 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
Equinix Muscat LLC	Oman	50%	50%	Engaged in the provision of Data centre services
Majan Telecommunications LLC (Renna)	Oman	40%	40%	Mobile telecommunication services in Sultanate of Oman

Acquisition of Zain Group

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. The Group concluded that it is able to control Zain Group through its majority representation on the board of directors and accordingly considered it as a subsidiary effective from that period (refer note 34)

As of 31 December 2020 the fair value of the Group's investment in Zain Group being its quoted market share price on the Kuwait stock exchange amounted to RO 729.6 million (2019: RO 703.8 million)

Non-controlling interest

The Group recognised non-controlling interest in Zain group at its fair value on initial recognition. The summarised financial information of Zain Group is set out in Note 26.

Shareholding directly held by Zain Group

Subsidiary	Country of incorporation	Percentage of ownership	
		2020	2019
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%	55.40%
Mobile Telecommunications Company Lebanon ("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 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")	Kingdom of Saudi Arabia	37.045%	37.045%
Al Mouakhaa Lil Kadamat Al-Logistya Wal Al-Itisalat ("Mada Jordan")	Jordan	99.1%	99.1%
Nexgen Advisory Group FZ LLC ("Nexgen")	UAE	86.7%	86.7%
Associate/Joint Venture			
IHS Kuwait Limited (note 9)	Kuwait	30%	-
Zain Al Ajial S.A (Wana Corporate S.A is an associate of this joint venture)	Morocco	50%	50%

Pella owns 100% of Jordan Mobile Telecommunications Services Co. JSC – "JMTC". Al Khatem owns 100% of Atheer.

JMTC, MTCB, Zain Sudan, Zain South Sudan, Atheer and SMTC operate the cellular mobile telecommunications network in Jordan, Bahrain, Sudan, South Sudan, Iraq and the Kingdom of Saudi Arabia (KSA) respectively. MTCL managed the state owned cellular mobile telecommunications network in Lebanon. Mada Jordan provides WiMAX services in Jordan.

Lebanon

The MTCL's Network Management Agreement (NMA) with the Government of Lebanon to manage the state owned cellular mobile telecommunications network was not renewed on its expiry on 31 December 2019. The Group was requested to continue to manage the network for another sixty days from the approval of the above by the Presidency of the Council of Ministers, to facilitate the handover to the Government. The actual handover took place on 1 November 2020. Accordingly, the financial statements of MTCL included in these consolidated financial statements is prepared on other than going concern basis.

SMTC

In July 2018, the Group 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 from that period.

Capital restructuring and rights issue

The Extraordinary General Assembly meetings of SMTC held in October 2020 approved its capital restructuring by first reducing the share capital from SAR 5.837 billion to SAR 4.487 billion through cancellation of issued shares and then increasing it through a rights issue by SAR 4.5 billion to SAR 8.987 billion. The rights issue was completed in November 2020 and the total cash proceeds to SMTC net off share issue cost and conversion of debt amounted to SAR 2.77 billion (equivalent to RO 0.278 billion). This share capital restructuring did not result in any changes to Company's percentage holding in SMTC. After the right issue, SMTC also complied with mandatory prepayment clause under the Murabaha agreement (Refer note 15).

Atheer

In December 2020, the devaluation of the Iraqi Dinar (IQD) against the USD resulted in a reassessment of the Company's functional currency. Management considers the effect of the devaluation provides strong evidence that the functional currency is and was previously USD and not IQD. Previously, the financial statements of Atheer indicated that the functional currency was IQD, however since the IQD was pegged to the USD this resulted in no material impact on the reported figures (refer note 34).

MTCB

In January 2021, Zain Group purchased additional shares representing 9.6% of share capital of MTCB, increasing Group's effective holding in MTCB to 65%.

Sudan

On 21 February 2021, the Central Bank of Sudan has revised its exchange rate policy from "fixed rate" to "flexible managed floating rate". Accordingly, the SDG has devalued from 55 pounds to 375 pounds per US Dollar as on that date. The Company is in the process of determining its impact.

Financial support to Group companies

Zain Group has committed to provide working capital or other financial support to certain Group entities including Pella, SMTC, Al Khatem and Zain South Sudan whose working capitals are in deficit.

4. Cash and bank balances

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

	2020	2019
	RO'000	RO '000
Cash on hand and at banks	459,562	264,744
Short-term deposits with banks	145,877	226,387
Government certificates of deposits held by subsidiaries	110	134
	605,549	491,265
Expected credit loss	(22,537)	(20,690)
Total cash and bank balances	583,012	470,575
Cash at banks under lien	(36,231)	(44,707)
Deposits with maturity exceeding three months	(25,218)	(2,560)
Government certificates of deposits	(110)	(134)
	521,453	423,174

5. Trade and other receivables

	2020	2019
	RO'000	RO '000
Trade receivables:		
Customers	509,349	479,296
Distributors	63,449	67,626
Other operators (interconnect)	103,993	104,412
Roaming partners	14,741	16,531
Expected Credit Loss	(313,444)	(271,108)
	378,088	396,757
Other receivables:		
Accrued income	6,766	6,071
Staff	3,846	3,998
Deposits and other receivables	49,021	47,844
Prepayments and advances	213,145	179,893
Others (refer below)	192,112	192,367
Expected Credit Loss	(4,221)	(3,204)
	460,669	426,969
	838,757	823,726

Notes to the Consolidated Financial Statements – 31 December 2020

In 2011, the Group paid US\$ 473 million (equivalent to RO 179 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 London Arbitration 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 arbitration award in and outside KSA. During the year, the courts in KSA rejected the Company's application to enforce the arbitral award in KSA. The Company has now written to Supreme Judicial Counsel requesting that the matter be referred back to the enforcement court for reconsideration.

In 2010, the Group paid US\$ 40 million (equivalent to RO 15.2 million) to settle guarantees provided by the Company to lending bank for loans to a founding shareholder of 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 KSA at the Supreme Commercial Court following the rejection by the Enforcement court.

Both the above amounts are secured by an agreement to transfer to the Group, the founding shareholder's shares in SMTC.

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

	2020	2019
	RO'000	RO '000
Omani Rial	95,311	96,515
Kuwaiti Dinar	72,793	84,647
US Dollar	425,163	416,935
Bahraini Dinar	13,998	15,573
Sudanese Pound	6,048	6,905
Jordanian Dinar	26,894	26,475
Iraqi Dinar	-	50,085
Saudi Riyals	185,607	122,234
Others	12,943	4,357
	838,757	823,726

6. Inventories

	2020	2019
	RO'000	RO '000
Handsets and accessories	79,065	78,604
Provision for obsolescence	(10,663)	(8,767)
	68,402	69,837

7. Investment securities

	2020	2019
	RO'000	RO '000
<i>Current investments</i>		
<i>Investments securities at amortised cost</i>	2,000	-
<i>At fair value through profit or loss</i>		
Quoted equities	7,389	8,025
Funds -mandatorily at FVTPL	4,464	5,861
Other funds	7,593	4,704
	19,446	18,590
<i>Noncurrent investments</i>		
<i>At fair value through profit or loss</i>		
Funds -mandatorily at FVTPL	21,608	20,572
UnQuoted equities- designated at inception	6,136	6,207
	27,744	26,779

Notes to the Consolidated Financial Statements – 31 December 2020

<i>At fair value through other comprehensive income</i>		
Quoted equities- designated at inception	2,065	1,534
Funds	2,337	2,588
Unquoted equities - designated at inception	2,159	3,746
	6,561	7,868
<i>Investments securities at amortised costs</i>		
	-	2,000
Investment securities are denominated in the following currencies:		
	2020	2019
	RO'000	RO '000
Omani Rial	17,476	17,432
Kuwaiti Dinar	6,529	7,820
US Dollar	25,676	29,313
Other currencies	6,070	672
	55,751	55,237

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

8.a) In February 2020, Zain Group completed the sale and lease back of 1,022 telecom towers in Kuwait classified as held for sale for a total sale consideration of US\$ 82.012 million (RO 30.8 million). Total gain from this transaction was RO 5.8 million. Zain Group also assumed a 30% minority shareholding in the newly formed Tower Company (refer note 9).

In October 2020, the Company completed the sale and lease back of additional 140 telecom towers in Kuwait for a total sale consideration of US\$ 13.84 million (RO 4.24 million). Total gain from this transaction was RO 1.794 million.

The total consideration received, net of deferred consideration and others, amounted to RO 26.85 million.

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

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

8.b) The carrying value of disposal group held for sale comprises of remaining telecom tower assets amounting to RO 3.77 million (31 December 2019 - RO 9.5 million), right of use of assets amounting to RO 4.75 million (31 December 2019 – RO 12.287 million) and related lease liabilities amounting to RO 1.622 million (31 December 2019 – RO 6.678 million). These are expected to be sold during the year 2021.

9. Investments in associates and joint venture

Investments in associate

	2020	2019
	RO'000	RO '000
Oman Fibre Optic Co SAOG	7,584	8,080
Infoline LLC	-	271
Majan Telecommunications LLC	5,438	5,333
Equinix Muscat LLC	2,974	3,352
Block chain Solutions LLC	15	-
IHS Kuwait Ltd	2,680	-
	18,691	17,036

- i) In October 2020, Group purchased additional shares representing 55% of share capital of Infoline LLC, increasing Group's effective holding in Infoline LLC to 100%. Consequently the Group controls Infoline LLC effective October 2020 and accordingly has consolidated Infoline from that date.
- ii) In February 2020, Group acquired 30% of the equity shares and voting rights of the associate in IHS Kuwait Limited interest in IHS Kuwait Limited. The associate became operational in February 2020 pursuant to the sale and lease back of telecommunication towers transaction with the Company.

The Group's share of loss for the year in the associate amounting to RO 0.264 million (2019: loss of RO 0.474 million) has been recognized in the consolidated statement of profit or loss. The carrying value of the associate and its results for the year are determined by Group management using the equity method.

Interest in a joint venture

This represents the Group's RO 91.1 million (2019 – RO 89.829 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 specialized in the telecom sector in that country).

The Group's share of profit for the year in the joint venture amounting to RO 1.675 million (2019 – share of profit of RO 2.183 million) has been recognized in the consolidated statement of profit or loss. 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.

10. Right of use of assets

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

2020

	RO'000		
	Land and building	Cellular and other equipment	Total
As at 1 January 2020	228,408	16,765	245,173
Add: Acquisition of subsidiary	260	-	260
Add: Additions	68,967	3,382	72,349
Less: Amortisation	(59,124)	(8,872)	(67,996)
Less: Retirement	(17,696)	(1,973)	(19,669)
Exchange adjustments	(798)	30	(768)
As at 31 December 2020 (excluding assets of disposal group classified as held for sale)	220,017	9,332	229,349

2019

	RO'000		
	Land and building	Cellular and other equipment	Total
As at 1 January 2019	225,515	39,663	265,178
Add: Additions	69,321	1,528	70,849
Less: Amortisation	(60,935)	(11,903)	(72,838)
Less: Retirement	(5,277)	(12,423)	(17,700)
Exchange adjustments	(216)	(100)	(316)
As at 31 December 2019 (excluding assets of disposal group classified as held for sale)	228,408	16,765	245,173

Land and building comprises mainly of telecommunication sites on lease.

The Group does not have any lease contracts with variable lease payments which are not included in the measurement of the lease liabilities.

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

The Group mostly leases indoor and outdoor spaces for installation of its telecommunications sites. Rental contracts are typically made for fixed periods of 1 to 10 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

11. Property and equipment

	Land and buildings and leasehold improvements	Telecomm and other equipment	Projects in progress	Total
	RO '000	RO '000	RO '000	RO '000
Cost				
As at 31 December 2018	228,507	4,482,998	219,107	4,930,612
On acquisition of subsidiaries	-	1,496	-	1,496
Additions	1,624	148,315	251,451	401,390
Transfers	49,675	237,556	(299,421)	(12,190)
Disposals/write off	(6,377)	(113,545)	(9,096)	(129,018)
Exchange adjustment	1,893	9,981	(2,210)	9,664
As at 31 December 2019	275,322	4,766,801	159,831	5,201,954
On acquisition of subsidiary	-	1,410	-	1,410
Additions	(1,479)	195,948	274,940	469,409
Transfers	2,357	217,044	(222,131)	(2,730)
Disposals/write off	(4,204)	(5,351)	(2,102)	(11,657)
Exchange adjustments	(2,565)	(30,490)	(2,149)	(35,204)
As at 31 December 2020	269,431	5,145,362	208,389	5,623,182
Accumulated depreciation				
As at 31 December 2018	118,629	2,798,852	-	2,917,481
On acquisition of subsidiaries	-	1,430	-	1,430
Charge for the year	8,951	331,542	-	340,493
On disposals	(6,039)	(110,907)	-	(116,946)
Exchange adjustments	343	4,052	-	4,395
As at 31 December 2019	121,884	3,024,969	-	3,146,853
On acquisition of subsidiary	-	1,376	-	1,376
Charge for the year	9,670	350,731	-	360,401
On disposals	(3,856)	(2,543)	-	(6,399)
Exchange adjustment	(368)	(15,202)	-	(15,570)
As at 31 December 2020	127,330	3,359,331	-	3,486,661
Net book value				
As at 31 December 2020	142,101	1,786,031	208,389	2,136,521
As at 31 December 2019	153,438	1,741,832	159,831	2,055,101

Exchange adjustments of 2020 and 2019 includes effect of hyperinflationary restatement of property and equipment in Zain South Sudan based on the respective price index changes.

Other non-current assets include advances of RO 45.4 million (2019: RO 65 million) paid related to project in progress.

12. Intangible assets and goodwill

	Goodwill	Licences and spectrum fees	Others	Total
	RO'000	RO'000	RO'000	RO '000
Cost				
As at 31 December 2018	1,040,037	3,250,052	1,019,684	5,309,773
On acquisition of subsidiaries	20,564	-		20,564
Additions	-	154,573	18,863	173,436
Write off	-	(12,152)	(869)	(13,021)
Exchange adjustments	2,656	4,218	2,509	9,383
As at 31 December 2019	1,063,257	3,396,691	1,040,187	5,500,135
On acquisition of subsidiaries	1,963	-	-	1,963
Additions	-	100,262	28,087	128,349
Write off	(275)	-	-	(275)
Exchange adjustments	(2,005)	(8,935)	(4,271)	(15,211)
As at 31 December 2020	1,062,940	3,488,018	1,064,003	5,614,961
Accumulated amortization/ Impairment				
As at 31 December 2018	-	1,452,378	295,987	1,748,365
Charge for the year	-	123,438	71,861	195,299
Write off	-	(10,397)	(697)	(11,094)
Exchange adjustments	-	1,999	(2,071)	(72)
As at 31 December 2019	-	1,567,418	365,080	1,932,498
Charge for the year	-	98,881	83,248	182,129
Exchange adjustments	-	(4,660)	(648)	(5,308)
As at 31 December 2020	-	1,661,639	447,680	2,109,319
Net book value				
As at 31 December 2020	1,062,940	1,826,379	616,323	3,505,642
As at 31 December 2019	1,063,257	1,829,273	675,107	3,567,637

Other non-current assets include advances of RO 3.077 million (2019: RO 3.430 million) paid related to intangible assets.

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:

	2020 RO'000	2019 RO '000
Zain Kuwait	194,888	195,663
Pella	212,084	212,134
Atheer	253,046	236,274
SMTC	402,553	418,925
Others	369	261
	1,062,940	1,063,257

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.

The Group determines the recoverable amounts of all CGUs based on value in use.

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 up to 1.85% (2019: 0.5%) for Zain Kuwait, 11.02% (2019: 11%) for Atheer , 4.11% (2019: 3%) for Pella and 5.6% for SMTC (2019:5%) during the projected 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 2.5%(2019:3.7%) for Zain Kuwait, 3% (2019:3%) for Atheer, 3% (2019:3%) for Pella and 3% (2019:2.5%) 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 7.9% (2019: 7.9%) for Zain Kuwait, 13.5% (2019: 17.1%) for Atheer and 11.5% (2019: 14.1%) for Pella and 8.7% (2019: 8.67%) 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 cash flow projections based on financial budgets approved by management covering a five year period. The recoverable amounts so obtained were higher than the carrying amount of the CGUs.

License and spectrum

	End of amortisation period	2020	2019
		RO '000	RO '000
Mobile licence and Spectrum-Sultanate of Oman	2034	71,848	77,282
Fixed licence and Spectrum-Sultanate of Oman	2029	5,211	6,177
License – SMTC	2047	1,344,190	1,400,297
License – Atheer	2030	141,305	123,531
License – Pella	2021 to 2029	76,118	87,303
Spectrum – SMTC	2032 to 2034	162,403	114,696

Notes to the Consolidated Financial Statements – 31 December 2020

Others	25,304	19,987
	<u>1,826,379</u>	<u>1,829,273</u>

Sultanate of Oman

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

Atheer

This includes the license fee paid in 2007 and the 3G license fee paid in 2015 to operate in Iraq for a period upto August 2022.

During the year, the Communication and Media Commission of Iraq ("CMC") renewed Atheer's license for an additional eight years ending on 30 August 2030, and for a license for the operation of fourth generation of broadband cellular network technology (4G) starting from 01 January 2021 for a sum of US\$ 233 million (RO 86.9 million), of which US\$ 87 million (RO: 32.47 million) is for renewal of existing license. Refer note 28 for details.

Spectrum - SMTC

During the year, SMTC acquired spectrum in the frequency of 2600 & 3500 Mhz for a total amount of SAR 605 million (RO: 60.369 million).

During 2019 SMTC acquired spectrum in the frequency of 2X10 of 800 MHz for a total amount of SAR 840.50 million (equivalent to RO 83.78 million), payable in 14 equal installments of SAR 60 million (equivalent to RO 5.98 million) each starting from 2019.

13. Trade and other payables

	2020	2019
	RO'000	RO '000
Trade payables and accruals	1,011,209	928,461
Due to roaming partners	15,998	15,032
Due to other operators (interconnect)	38,187	40,722
Dues to regulatory authorities (refer below)	170,701	182,065
Taxes payable	76,564	63,870
Dividend payable	29,731	19,497
Provisions	3,405	3,409
Other payables	45,522	48,591
	<u>1,391,317</u>	<u>1,301,647</u>

i) Dues to regulatory authorities include RO 24.52 million (2019: RO 44.5 million) payable by Company to TRA, Oman for Mobile licence and spectrum. RO 12.50 million is due for payment in Feb 2021 included under dues to regulatory authorities and RO 12.02 million due in Feb 2022 is included under non current liabilities

ii) Dues to regulatory authorities includes amount of SAR 795.542 million (RO 79.4 million) (2019: SAR 906.924 million (RO 90.78 million)) payable by SMTC to Ministry of Finance and US\$ 87 million (RO 32 Million) payable by Atheer to CMC for the renewal of existing license.

14. Income tax payables

	2020	2019
	RO'000	RO '000
Oman	19,416	18,530
Atheer - Iraq	14,905	67,801
Pella - Jordan	7,418	6,574
Other	2,974	2,047
	<u>44,713</u>	<u>94,952</u>

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Tax assessments for Parent Company (Sultanate of Oman) are finalized till tax years 2016. The Company believes that no additional tax liability will arise upon completion of the assessments for the remaining tax years.

At Atheer Iraq, income tax assessment orders for the years 2004 to 2011 are contested and are currently under the consideration of Iraq General Commission for Taxes (IGCT) (refer note 28). Income tax assessment for the year 2012 is finalized and the amount paid by Atheer along with tax returns was treated as final assessment by the IGCT. Income tax self-assessment of US\$ 33.85 million (RO 12.667 million) for the year 2013 was also treated as final by the IGCT in March 2020. This amount has been already been paid by Atheer.

During May 2020, Atheer received additional income tax claims of US\$ 68 million (RO 25.447 million) from IGCT for the years 2014 to 2018. Atheer has agreed to pay the amount in 11 monthly instalments with interest. Atheer has booked the income tax expenses for the year 2019 based on self-assessment, considering most likely outcome. No assessment order has yet been received. Management believes that they have adequate provisions for liabilities in respect of the assessments contested.

15. Borrowings

	2020	2019
	RO'000	RO '000
<i>Parent Company</i>		
Long term loan	115,984	114,380
Other long term loans	17,118	18,380
	133,102	132,760
<i>Oztel</i>		
Long term loan	138,564	137,000
Bonds	575,281	574,120
	713,845	711,120
<i>Oman Data Park</i>		
Long term loans	8,873	7,191
Finance lease obligations	17	25
	8,890	7,216
<i>Mobile Telecommunications Company-Kuwait</i>		
Short term loans	112,265	99,685
Long term loans	693,572	740,448
	805,837	840,133
<i>SMTC</i>		
Long term loans	382,784	671,503
	382,784	671,503
<i>Zain Jordan</i>		
Short term loans	-	8,192
Long term loans	35,547	-
	35,547	8,192
<i>Atheer</i>		
Bank overdrafts	16,698	-
Long term loans	233,309	208,312
	250,007	208,312
<i>Others</i>		
Short term loans	-	2,209
Long term loans	-	12
	-	2,221
	2,330,012	2,581,457

The current and non-current amounts are as follows:

	2020	2019
	RO'000	RO '000
Current liabilities	295,179	229,384
Non-current liabilities	2,034,833	2,352,073
	2,330,012	2,581,457

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

	2020	2019
	RO'000	RO '000
US Dollar	1,929,925	1,946,152
Kuwaiti Dinar	353,034	554,594
Saudi Riyals	38,163	63,085
Omani Rial	8,890	7,216
Others	-	10,410
	2,330,012	2,581,457

The effective interest rate as at 31 December 2020 was 0.855% to 7.09% (2019 – 2.22% to 18%) per annum.

The parent company is compliant with the principal covenant ratios which include:

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

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

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

Parent Company and Oztel

Term loan

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

On 22 October 2019 the Parent company and Oztel signed an amendment to the term loan whereby the term on the loan is extended by 2 years with a corresponding relief on the instalment payment for years 2019 and 2020. From year 2021 the loan is repayable in four annual instalments of USD 170 million. The margin on the term loan was also reduced to 2.55% from the earlier rate of 2.90%. In accordance with IFRS 9, the amendment was not a substantial modification of the terms and as such the difference between the carrying amount of the liability before

the modification and the present value of the cash flows after modification amounting to RO 6.606 million was recognized as a gain in statement of Income in year 2019.

The loan is secured by way of a pledged on the acquired shares. A portion of the loan has been hedged using a interest rate swap.

Other long term loans

Long-term loans comprise an outstanding balance of RO 2.179 million from National Bank of Oman and is repayable in 16 quarterly instalments commencing from 30 September 2017. The loan is unsecured.

Export credit loan with an outstanding balance of USD 38.7 million (RO 14.9 million) from a consortium of banks to finance the procurement of capital equipment. The loan is unsecured. The facility carries an interest of 2.28% p.a and was utilized in the following tranches:

- a) Tranche 1 with an outstanding balance of USD 11.9 million (RO 4.58 million) is repayable in semiannual instalments commencing from November 2018.
- b) Tranche 2 with an outstanding balance of USD 10.4 million (RO 4.017 million) is repayable in semiannual instalments commencing from May 2019.
- c) Tranche 3 with an outstanding balance of USD 17.3 million (RO 6.652 million) is repayable in semiannual instalments commencing from May 2019.

Bonds

The issued bonds are denominated in US Dollars, listed on the Irish stock exchange and consists of the following tranches:

- a) 5.5 years tranche USD 600 million with coupon rate of 5.63% per annum. The bonds are due for payment in year 2023. The effective interest rate on the bond is 6.05% per annum. The fair value of the bond is USD 635.4 million (2019: USD 634.8 million)
- b) 10 years tranche USD 900 million with coupon rate of 6.63% per annum. The bonds are due for payment in year 2028. The effective interest on the bond is 7.09%. The fair value of the bond is USD 967.5 million (2019: USD 945 million)
- c) The bonds are secured by way of a pledge on the acquired shares in Zain Group and is guaranteed by the Parent company.

Mobile Telecommunications Company K.S.C.P

During the year, the Company has;

- drawn down loans amounting to RO 153.58 million (31 December 2019 - RO 342.3 million) from existing and new facilities. This includes:
 - US\$ 300 million (RO 113.63 million) from an existing US\$ 700 million revolving credit facility.
 - US\$ 100 million (RO 37.87 million) from an existing US\$ 100 million revolving credit facility.
- repaid loans amounting to RO 184.02 million (31 December 2019 – RO 392.65 million). This includes:
 - US\$ 300 million (RO 112.26 million) of a revolving credit facility amounting to US\$ 700 million.
 - US\$ 30.769 million (RO 11.51 million) of a long- term loan facility amounting to US\$ 200 million.
 - US\$ 24.265 million (RO 9.08 million) of a long-term loan facility amounting to US\$ 200 million.
 - US\$ 21.60 million (RO 8.08 million) of a long- term loan facility amounting to US\$ 200 million.
 - RO 24.6 million of a short-term loan facility amounting to RO 24.6 million.

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

SMTC

Long-term loans include:

- 1) SAR 1,591 million (RO 158.75 million) (31 December 2019: RO 448.4 million) syndicated murabaha facility availed from a consortium of banks.

In September 2020, SMTC signed an Amendment Agreement (the Agreement) with the consortium of lenders to refinance the existing Murabaha Facilities and secure additional funding for future capital investment. The existing murabaha facility which was earlier refinanced in June 2018 was for SAR 5,900 million and a working capital facility.

The Agreement:

- Includes a Total Term Murabaha Facility of SAR 6,000 million (RO 604.46 million), consisting of SAR 4.880 billion (RO 0.448 billion) and US\$ portion of SAR 1.120 billion (RO 0.12 billion) for refinancing of the existing Term Murabaha Facility amounting to SAR 3.48 billion (KD 0.35 billion) and balance for future specified business purposes.
- Includes a revolving working capital facility of SAR 1,000 million (RO 100.74 million) consisting of SAR 813.393 million (RO 81.94 million) and a US\$ portion totaling to SAR 186.607 million (RO 18.8 million).
- Mandated payment of SAR 2.832 billion (RO 0.282 billion) on successful completion of right issue which can be later drawn down.

The refinancing of existing facility resulted in a gain of SAR 136 million (RO 13.6 million) and was assessed for modification gain or loss separately from the additional funding limits that was availed. Modification gain resulted from the following;

- Reduction of the applicable margin payable over and above the floating SIBOR and LIBOR rate.
- Extension of the loan maturity date to September 2025 from June 2023. The loan is repayable in four equal installment period of 12 months each, starting 24 months after the effective date and ending by 60 months after Effective Date.
- Cash flows under the contingent payment terms, mandatory prepayment in case of successful completion of rights issue and an ability for its subsequent draw down, were assessed on the date of the modification using most likely scenario.

The Murabaha Facility continues to be secured partially by a guarantee from the Company and a pledge of the Company's and some of the founding shareholders' shares in SMTC and assignment of certain contracts and receivables. Under the Murabaha Financing Agreement, SMTC can declare dividend or other distribution in cash or in kind to shareholders, provided SMTC is in compliance with all its obligations under the agreement.

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

- 2) SAR 2,245 million (RO 224 million) syndicated junior murabaha facility signed in June 2019 from a consortium of banks with a two year tenure with an option to extend for one more year. This facility is fully secured by a guarantee by the Company.

Zain Jordan

Long term loans include:

US\$ 95 million (RO 35.54 million) (31 December 2019 – Nil) term loan from a commercial bank that is repayable by 2025.

Atheer

Long term loans include:

- 1) US\$ 95 million (RO 35.55 million) (31 December 2019 – US\$ 100 million equivalent to RO 37.5 million) term loan from a commercial bank that is repayable by 17 December 2024.
- 2) US\$ 105 million (RO 39.3 million) (31 December 2019 – US\$ 105 million equivalent to RO 39.4 million) term loan from a commercial bank which is repayable by 30 June 2023.
- 3) US\$ 50 million (RO 18.71 million) (31 December 2019 – US\$ 50 million equivalent to RO 18.7 million) term loan from a commercial bank repayable by 09 April 2021.
- 4) US\$ 123.454 million (RO 37.493 million) (31 December 2019 – US\$ 150.917 million equivalent to RO 56.328 million) term loan from a financial institution repayable by 31 May 2025.
- 5) US\$ 150 million (RO 56.13 million) (31 December 2019 – US\$ 150 million equivalent to RO 55.985 million) revolving credit facilities from a commercial bank repayable by 17 December 2022.
- 6) US\$ 100 million (RO 37.42 million) (31 December 2019 – Nil) term loan from a commercial bank repayable by 31 July 2023.

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

16. Lease liabilities

	2020	2019
	RO'000	RO'000
As at 1 January	252,607	271,316
Acquisition of subsidiary	257	-
Additions	74,364	68,291
Accretion of interest	16,982	16,824
Payments	(74,950)	(81,756)
Retirements	(17,945)	(21,821)
Exchange adjustments	(6,999)	(247)
As at 31 December	244,316	252,607
(excluding liabilities of disposal group classified as held for sale)		
Current	50,037	57,765
Non-current	194,279	194,842
	244,316	252,607

Maturity analysis of lease liability is given in note 29 to the consolidated financial statements. The weighted average lessee's incremental borrowing rate applied to the lease liabilities was in the range of 3.5% to 21% (2019: 3.5% to 21%). The carrying amounts of the Group's lease liabilities are denominated in the following currencies:

	2020	2019
	RO'000	RO'000
Omani Rials	19,900	21,180
Saudi Riyals	138,123	147,778
US Dollar	42,399	42,888
Jordanian dinar	22,942	20,775
Bahraini dinar	12,258	10,513
Kuwaiti Dinar	6,125	7,312
Others	2,569	2,161
	244,316	252,607

17. Other non-current liabilities

	2020	2019
	RO'000	RO '000
Payable to Ministry of Finance – KSA (refer below)	349,304	358,239
Due for acquisition of spectrum – KSA	138,694	92,367
Payable to TRA Oman-Mobile licence (note 13 (i))	12,020	-
Customer deposits	10,141	11,053
Post-employment benefits	54,237	48,100
Others	117,177	108,552
	681,573	618,311

During 2013, SMTC signed an agreement with the Ministry of Finance – KSA to defer payments that are due until 2021. These amounts will be repaid in seven installments starting June 2021. The current portion of these payables is recorded under trade and other payables.

18. Share capital and reserves

Share capital (par value of RO 0.100 per share)

	2020	2019
	No. of shares	No. of shares
<i>Authorised, Issued and fully paid up</i>	750,000,000	750,000,000
	RO'000	RO'000
<i>Authorised, Issued and fully paid up</i>	750,000	750,000

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

	2020	2019
	No. of shares	No. of shares
United International Telecommunications Investment and Projects LLC	382,500,345	382,500,345

Legal reserve

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

Voluntary reserve

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

Capital contribution

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

Capital reserve

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

Foreign currency translation reserve

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

Other reserves

Other reserves mainly includes hedge reserves loss amounting to RO 10.6 million (2019- RO 2.8 million).

Dividend – 2019

The annual general meeting of shareholders for the year ended 31 December 2019 held on 10 May 2020 approved distribution of cash dividends of 55 baiza per share for the year 2019 (31 December 2018 – 50 baiza).

Proposed dividend

The Board of Directors, subject to the approval of shareholders, recommends distribution of a cash dividend of 55 baiza per share (2019 - 55 baiza per share) to the registered shareholders, after obtaining the necessary regulatory approvals.

19. Revenue**19.1 Disaggregated revenue information**

The total revenue disaggregated by major service lines is:

	<u>2020</u>	<u>2019</u>
	<u>RO'000</u>	<u>RO '000</u>
Airtime, data and subscription-Mobile	2,004,167	2,064,542
Airtime, data and subscription-Fixed	157,783	149,996
Wholesale revenue	121,757	126,258
Trading income	229,703	251,430
	<u>2,513,410</u>	<u>2,592,226</u>

The total revenue disaggregated by primary geographical market and timing of revenue recognition is disclosed in note 25.

The Group has recognized the following contract assets and liabilities related to contract with customers;

19.2 Contract balances**Contract assets**

	<u>2020</u>	<u>2019</u>
	<u>RO'000</u>	<u>RO '000</u>
Assets relating to sale of handsets		
Current and non-current	136,590	137,696
Loss allowance	(6,920)	(4,474)
	<u>129,670</u>	<u>133,222</u>

Contract liabilities

	<u>2020</u>	<u>2019</u>
	<u>RO'000</u>	<u>RO '000</u>
Deferred revenue-Prepaid customers	137,511	148,192
Billing in advance-others	8,682	8,556
	<u>146,193</u>	<u>156,748</u>

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.

20. a) Operating and administrative expenses

This includes staff costs of RO 222.1 million (2019 – RO 232.4 million).

b) Other income

Other income for the year 2019 mainly includes reversal of excess accruals amounting to RO 55.7 million.

21. Investment income

	<u>2020</u>	2019
	<u>RO'000</u>	RO '000
Gain/(loss) on investments at fair value through profit or loss	2,986	(678)
Dividend income	1,070	1,318
	4,056	640

22. Early retirement costs

This represents the early retirement costs paid to employees by Parent company who have retired early pursuant to a Government decision.

23. Income tax expenses and other levies

This represents the income and other taxes of parent company, subsidiaries of Zain Group and withholding taxes.

	<u>2020</u>	2019
	<u>RO'000</u>	RO '000
Income tax	37,614	36,746
Other levies	567	374
	38,181	37,120

The tax rate applicable to the taxable subsidiary companies is in the range of 7% to 26% (2019: 7% to 26%) whereas the effective income tax rate for the year ended 31 December 2020 is in the range of 15% to 28% (2019: 15% to 33%). 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. Earnings per share

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

	<u>2020</u>	2019
	<u>RO'000</u>	RO '000
Profit for the year	66,914	77,709
	<u>No of Shares</u>	No of Shares
Weighted average number of shares in issue	750,000,000	750,000,000
	<u>RO</u>	RO
Basic and diluted earnings per share	0.089	0.104

25. Segment information

The Company and its subsidiaries operate in a single business segment, telecommunications and related services. Apart from its operations in Oman, the Company operates through Zain Group in 8 countries. This forms the basis of the geographical segments.

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

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	31 December 2020								
	Oman RO'000	Kuwait RO'000	Jordan RO'000	Sudan RO'000	Iraq RO'000	Bahrain RO'000	KSA RO'000	Others RO'000	Total RO '000
Segment revenues – airtime, data & subscriptions (Over time)	488,474	295,401	175,334	154,177	352,439	50,338	713,709	41,896	2,271,768
Segment revenues - trading income (Point in time)	44,660	96,956	7,095	1,915	1,150	11,322	78,373	171	241,642
Net profit before interest and tax	89,718	54,311	37,398	33,195	54,720	(5,538)	99,099	19,545	382,448
Interest income	1,843	1,680	547	390	924	225	1,197	58	6,864
Gain on sale and lease back transactions	-	7,594	-	-	-	-	-	-	7,594
Gain on modification of financial liabilities	-	-	-	-	-	-	13,618	-	13,618
Finance costs	(1,719)	(699)	(6,772)	(1,418)	(17,006)	(1,240)	(89,919)	(50)	(118,823)
Income tax expenses	(12,570)	-	(9,452)	(9,827)	(8,549)	-	-	(417)	(40,815)
	77,272	62,886	21,721	22,340	30,089	(6,553)	23,995	19,136	250,886
<i>Unallocated items:</i>									
Investment income									4,056
Share of results of associates and joint venture									1,411
Others (including unallocated income tax and finance costs net of elimination)									(27,347)
Profit for the year									229,006
Segment assets including allocated goodwill	984,466	994,713	587,523	164,304	1,062,366	123,590	3,166,137	98,958	7,182,057
ROU asset	20,747	8,632	22,383	3,120	33,905	12,163	128,210	189	229,349
<i>Unallocated items:</i>									
Investment securities at FVTPL									47,190
Investment securities at FVOCI									6,561
Investment securities at amortised cost									2,000
Investment in associates and joint venture									109,827
Others (net of eliminations)									158,787
Consolidated assets									7,735,771
Segment liabilities	273,688	157,516	175,961	78,234	314,808	37,623	1,418,164	92,798	2,548,792
Lease liabilities (Current & non-current)	19,898	16,842	22,942	2,425	31,682	12,258	138,125	144	244,316
Borrowings	26,008	-	35,547	-	250,006	-	382,784	-	694,345
	319,594	174,358	234,450	80,659	596,496	49,881	1,939,073	92,942	3,487,453
<i>Unallocated items:</i>									
Borrowings									1,635,667
Others (net of eliminations)									(283,374)
Consolidated liabilities									4,839,746
Net consolidated assets									2,896,025
Capital expenditure incurred during the year	87,246	37,870	25,482	41,075	95,836	23,364	293,855	17,553	622,281
Unallocated (net of eliminations)									(26,692)
Total capital expenditure									595,589
Depreciation and amortization	107,512	71,407	39,578	13,073	70,328	22,776	208,706	5,118	538,498
Amortization of ROU assets	8,597	7,081	4,338	663	8,210	4,081	37,372	219	70,561
Unallocated									3,915
Total depreciation and amortization									612,974

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Segment reporting (continued)

	31 December 2019								
	Oman	Kuwait	Jordan	Sudan	Iraq	Bahrain	KSA	Others	Total
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Segment revenues – airtime, data & subscriptions (Over time)	518,766	318,557	177,989	112,941	401,178	50,137	722,549	25,690	2,327,807
Segment revenues - trading income (Point in time)	35,569	92,018	7,497	773	1,660	12,221	114,590	91	264,419
Net profit before interest and tax	94,071	71,739	38,396	24,136	56,029	2,975	147,696	18,638	453,680
Interest income	1,858	331	416	1,306	1,628	283	2,629	515	8,966
Finance costs	(3,019)	(500)	(8,885)	(318)	(22,588)	(1,177)	(104,266)	(122)	(140,875)
Income tax expenses	(13,858)	-	(9,162)	(7,143)	(12,725)	-	-	(2,381)	(45,269)
	79,052	71,570	20,765	17,981	22,344	2,081	46,059	16,650	276,502
<i>Unallocated items:</i>									
Investment income									640
Share of results of associates and joint venture									2,657
Others (including unallocated interest income, income tax and finance costs)									19,873
Profit for the period									299,672
Segment assets including allocated goodwill	1,015,427	1,009,339	551,359	148,241	976,332	130,694	3,122,909	75,462	7,029,763
ROU asset	21,194	8,035	20,648	1,966	38,036	10,128	145,002	164	245,173
<i>Unallocated items:</i>									
Investment securities at FVTPL									45,369
Investment securities at amortised cost									2,000
Investment securities at FVOCI									7,868
Investment in associates and joint venture									106,865
Others									197,043
Consolidated assets									7,634,081
Segment liabilities	333,181	180,885	164,887	59,260	271,014	33,121	1,546,768	81,848	2,670,964
Lease liabilities (Current and non current)	21,179	7,312	20,775	1,988	42,888	10,513	147,779	173	252,607
Borrowings	25,596	-	8,192	2,208	208,312	-	671,503	14	915,825
	379,956	188,197	193,854	63,456	522,214	43,634	2,366,050	82,035	3,839,396
<i>Unallocated items:</i>									
Borrowings									1,665,632
Others									(492,628)
Consolidated liabilities									5,012,400
Net consolidated assets									2,621,681
Capital expenditure incurred during the period	100,755	81,263	18,095	22,499	49,715	19,989	183,142	7,388	482,846
Unallocated									6,414
Total capital expenditure									489,260
Depreciation and amortization	105,122	74,361	38,420	10,432	98,235	13,784	192,510	4,590	537,454
Amortisation of ROU assets	9,948	4,262	3,978	228	8,588	3,871	40,609	1,059	72,543
Unallocated									7,026
Total depreciation and amortization									617,023

26. Subsidiaries with significant non-controlling interests

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

	Zain Group	
	2020	2019
	RO'000	RO'000
Current assets	1,350,434	1,229,598
Non-current assets	4,701,594	4,629,422
Current liabilities	(1,630,684)	(1,541,734)
Non-current liabilities	(2,037,600)	(2,240,692)
Equity attributable to:		
- Owners of the Company	1,614,447	1,601,036
- Non-controlling interests	769,296	475,558
Revenue	1,990,901	2,045,040
Profit for the year	254,793	306,037
Other comprehensive income	(34,742)	(18,700)
Total comprehensive income	220,051	287,337
Total comprehensive income attributable to:		
- Company's shareholders	197,213	255,017
- Non-controlling interests	22,838	32,320
	220,051	287,337
Cash dividend paid to non-controlling Interests	(146,353)	(134,801)
Net cash from operating activities	757,364	802,567
Net cash used in investing activities	(338,051)	(395,981)
Net cash flow used in financing activities	(289,300)	(434,602)
Net increase/(decrease) in cash flows	130,013	(28,016)

27. Related party transactions

The Group has entered into transactions with related parties on terms approved by management. Transactions and balances with related parties are as follows:

	2020	2019
	RO'000	RO'000
Transactions with associate companies		
Revenue	12,302	5,675
Cost of sales and operating and maintenance expenses	1,243	4,949
Purchase of property and equipment	1,827	5,553
Dividend income from associate	1,438	889
Key management compensation		
Salaries and other short term employee benefits	2,689	3,029
Post-employment benefits	121	136
Director's remuneration	83	200
Balances with associate companies		
Trade receivables	2,082	2,627
Trade payables	88	595

Government of Sultanate of Oman (the Government), owns 51% (2019: 51%) of the Company's shares. The Company has applied the exemptions in IAS 24: Related Parties - related to transaction with the Government and other entities controlled, jointly controlled or significantly influenced by the Government. In this respect, the Company has disclosed certain information, to meet the disclosure requirements of IAS 24, in this note.

28. Commitments and contingencies

	2020	2019
	RO'000	RO '000
Capital commitments	162,735	342,120
Uncalled share capital of investee companies	3,826	431
Letters of guarantee and credit	94,616	112,155
Investments	-	1,459

The above does not include a guarantee of USD 40 million (RO 14.9 million) provided under the NMA of Lebanon (note 3), as the underlying obligations are no more effective since the Management Agreement expired (since 31 December 2019) as per terms of contract.

The Company is a guarantor for credit facilities amounting to RO 9 million (2019 – RO 9 million) granted to a founding shareholder in SMTC. The Company believes that the collaterals provided by the founding shareholder to the bank, covers the credit facilities.

Royalty in Sultanate of Oman

The Company during FY 2020 received a letter from TRA clarifying the applicability of royalty on certain categories of Wholesale revenue. While clarifying that these items are exempt from Royalty from year 2020, TRA has demanded to pay royalty on these revenues for the periods from 2013 to 2019. Based upon legal opinion and interpretation of the relevant provisions of the Parent Company's license terms, the management believes that the additional royalty amount is not payable.

Income taxes in Iraq

Atheer received additional income tax claims for the years 2004 to 2010 from Iraq General Commission for Taxes (IGCT). In November 2016, Atheer signed an agreement with Iraq's Ministry of Finance under which it obtained the right to submit its objection to these additional income tax claimed by the IGCT amounting to US\$ 244 million (RO 91.76 million) and submitted its objections against the tax claim. On 15 October 2019, the Appeals Committee of IGCT issued its decision to reduce the amount of claim to US\$ 88.8 million (RO 34.19 million). IGCT had the option to challenge this decision before the Court of Cassation within 15 days of Appeals Committee decision. The challenge period has elapsed and Atheer did not receive any notification from the Cassation Court or the IGCT about challenging the decision. Atheer has petitioned the Cassation Court to direct IGCT to send the case dossier and is awaiting a response. On the basis of the report of its attorneys, Atheer believes that the outcome of all appeals is still subject to the authentication of the Court of Cassation and that it will be determined in favor of Atheer.

In March 2020, Atheer received additional income tax claims of US\$ 19.3 million (RO 7.22 million) and US\$ 20 million (RO 7.484 million) from IGCT for the years 2011 and 2012 respectively. On 12 March 2020, Atheer submitted its objections to these additional income tax claims. On 15 March 2020, IGCT rejected the objection for year 2011. This additional tax claim is now under appeal procedures before the Appeals Committee of IGCT. Atheer believes that it has adequate provisions to meet this liability, if it arises. On 16 March 2020, IGCT accepted the objection for year 2012, cancelled its claim for additional tax and approved the amount of tax self-assessed by Atheer for the year 2012 as final assessed amount.

Renewal of license in Iraq

On 6 July 2020, the CMC Board decided to renew Atheer's license for an additional eight (8) years ending on August 30, 2030, and to grant license for the operation of fourth generation of broadband cellular network technology (4G) starting from January 1, 2021. In August 2020, this decision was challenged by a Member of Parliament, and later by the president of the parliament as a second plaintiff, against the Iraqi Cabinet, CMC and three operators in Iraq ("the defendants") in the Court of First Instance. On 25 August 2020, the Court of First Instance issued a restraining order to prevent CMC from completing the executive procedures of the license renewal and granting of 4G license.

The defendants challenged the restraining order before the Court of First Instance and later in the Court of Appeals, but it was rejected by both in September and October 2020 respectively. The hearing of the main lawsuit started in September 2020. On 15 November 2020, the Court of First Instance issued a decision against the defendants. However, the decision did not object to the extension of existing license and granting of 4G license, but it discussed

the formalities applied in forming the decision dated 6 July 2020, as the quorum in CMC Board was insufficient. To address this, on 24 November 2020, the CMC Board issued a new decision for renewal of Atheer's license which was similar to the decision dated 6 July 2020 but was signed with complete quorum. On 26 November 2020, the defendants challenged the decision of Court of First Instance dated 15 November 2020 in the Court of Appeals. On 23 December 2020, the Court of Appeals confirmed the earlier decision of Court of First Instance. However, the Court of Appeals confirmed the legitimacy of CMC Board decision dated 24 November 2020. Based on this decision, Atheer signed the agreement for license extension with CMC on 7 January 2021. One Member of the Parliament has challenged the Court decision and Atheer challenged the same on 20 January 2021. On the basis of the report of its attorneys, Group believes that this decision will not be overruled.

Pella - Jordan

Pella is a defendant in lawsuits amounting to RO 53.76 million (31 December 2019 – RO 41.74 million). Based on the report of its attorneys, the Group expects the outcome of these proceedings to be favorable to Pella. Pella has initiated legal proceedings against a claim of RO 11.77 million (31 December 2019 - RO 11.77 million) by a regulatory authority for the years 2002 - 2005 on the grounds that it has already paid the amount that it was obligated to pay for those years. Based on the report of its attorneys, the Group expects the outcome to be favorable to Pella. Pella has also initiated legal proceedings against the regulatory authorities claiming refund of excess license fee paid amounting to RO 11.91 million (31 December 2019 - RO 11.92 million) of earlier years. The outcome of the above matter cannot be assessed at this stage, as it is dependent on several legal, regulatory and other technical aspects.

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

29. Financial risk management

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

	Amortized costs	At fair value through profit or loss	Fair value through comprehensive income
	RO'000	RO'000	RO '000
31 December 2020			
Cash and bank balances	583,012	-	-
Trade and other receivables	731,189	-	-
Investment securities	2,000	47,190	6,561
	<u>1,316,201</u>	<u>47,190</u>	<u>6,561</u>
31 December 2019			
Cash and bank balances	470,575	-	-
Trade and other receivables	643,833	-	-
Investment securities	2,000	45,369	7,868
	<u>1,116,408</u>	<u>45,369</u>	<u>7,868</u>

All financial liabilities as of 31 December 2020 and 31 December 2019 are categorized as 'other than at fair value through profit or loss'.

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 aims 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:

(a) Market risk

(i) Foreign exchange 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. The Group 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:

Currency	2020	2019
	RO'000	RO '000
US Dollar	49,852	40,730
Euro	668	126
Other	4,753	-

(ii) 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 as FVOCI. 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:

Market indices	2020		2019	
	Impact on net profit	Effect on equity	Impact on net profit	Effect on Equity
	RO'000	RO'000	RO'000	RO '000

Increase/decrease in market index	±1,671	±103	±684	±478
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Profit for the year would increase/decrease as a result of gains/losses on equity securities classified as 'at fair value through profit or loss'. Equity would increase/decrease as a result of gains/losses on equity securities classified as 'available for sale'.

(iii) 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 carried at amortized cost. Borrowings issued at variable rates expose the Group to cash flow 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. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite, ensuring the most cost-effective hedging strategies are applied.

At 31 December 2020, 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 7.32 million (2019: RO 8.6 million).

Interest rate benchmark reforms

The Group is exposed to the following interest rate benchmark within its hedge accounting relationships, which are subject to interest rate benchmark reform: US\$ LIBOR. As listed in note 15, the hedged items include issued US\$ and SAR floating rate debt.

The Group is closely monitoring the market and the output from the various industry working groups managing the transition to new benchmark interest rates. This includes announcements made by the LIBOR regulators. The regulators have made clear that, at the end of 2021, it will no longer seek to persuade, or compel, banks to submit LIBORs.

In response to the announcements, the Group has set up an LIBOR transition programme comprised of the following work streams: risk management, tax, treasury, legal, accounting and systems. The programme is under the governance of the Chief Financial Officer who reports to the Board. The aim of the programme is to understand where LIBOR exposures are within the business and prepare and deliver on an action plan to enable a smooth transition to alternative benchmark rates. The Group aims to finalise its transition and fall back plans by the end of first half of 2021.

None of the Group's current US\$ LIBOR linked contracts include adequate and robust fall back provisions for a cessation of the referenced benchmark interest rate. Different working groups in the industry are working on fall back language for different instruments and different LIBORs, which the Group is monitoring closely and will look to implement these when appropriate.

For the Group's floating rate debt, the Group has started discussions with Banks to amend the US\$/ SAR bank loan so that the reference benchmark interest rate will change to SOFR. The Group aims to finalise these amendments in the second quarter of 2021.

Refer note 30 for details of the hedging instruments and hedged items in scope of the IFRS 9 amendments due to interest rate benchmark reform, by hedge type. The terms of the hedged items listed match those of the corresponding hedging instruments.

The Group will continue to apply the amendments to IFRS 9 until the uncertainty arising from the interest rate benchmark reforms with respect to the timing and the amount of the underlying cash flows that the Group is exposed to ends. The Group has assumed that this uncertainty will not end until the Group's contracts that reference LIBORs are amended to specify the date on which the interest rate benchmark will be replaced, the cash flows of the alternative benchmark rate and the relevant spread adjustment. This will, in part, be dependent on the introduction of fall back clauses which have yet to be added to the Group's contracts and the negotiation with lenders and bondholders.

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, trade and other receivables, contract assets and loans to associates.

The Group manages the credit risk on bank balances by placing fixed and short term bank deposits with high credit rating financial institutions. Credit risk with respect to trade receivables and contract assets is limited due to dispersion across large number of customers. Group manages credit risk of customers by continuously monitoring and using experienced collection agencies to recover past due outstanding amounts. Credit risk of distributors, 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, distributors, 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.

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The following table contains an analysis of the maximum credit risk exposure of financial instruments for which an ECL allowance is recognized:

	ECL staging				RO'000 Total
	Stage 1	Stage 2	Stage 3	Simplified approach	
	RO'000 12-month	RO'000 Lifetime	RO'000 Lifetime	RO'000 Lifetime	
At 31 December 2020					
Cash and bank balances	459,650	102,374	43,525	-	605,549
Less: ECL	(1,207)	(1,741)	(19,589)	-	(22,537)
	<u>458,443</u>	<u>100,633</u>	<u>23,936</u>	<u>-</u>	<u>583,012</u>
Customers	-	-	-	509,349	509,349
Distributors	-	-	-	63,449	63,449
Contract assets	-	-	-	136,590	136,590
Less: ECL	-	-	-	(307,900)	(307,900)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>401,488</u>	<u>401,488</u>
Roaming partners	-	-	-	14,741	14,741
Other operators (interconnect)	-	-	-	103,993	103,993
Less: ECL	-	-	-	(12,464)	(12,464)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>106,270</u>	<u>106,270</u>
Other receivables	-	57,799	-	8,625	66,424
Less: ECL	-	(3,326)	-	(931)	(4,257)
	<u>-</u>	<u>54,473</u>	<u>-</u>	<u>7,694</u>	<u>62,167</u>
Financial guarantees	-	8,980	-	-	8,980
Less: ECL	-	(1,294)	-	-	(1,294)
	<u>-</u>	<u>7,686</u>	<u>-</u>	<u>-</u>	<u>7,686</u>
At 31 December 2019					
Cash and bank balances	399,989	49,658	41,618	-	491,265
Less: ECL	(233)	(1,592)	(18,865)	-	(20,690)
	<u>399,756</u>	<u>48,066</u>	<u>22,753</u>	<u>-</u>	<u>470,575</u>
Customers	-	-	-	479,296	479,296
Distributors	-	-	-	67,626	67,626
Contract assets	-	-	-	137,696	137,696
Less: ECL	-	-	-	(255,173)	(255,173)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>429,445</u>	<u>429,445</u>
Roaming partners	-	-	-	16,531	16,531
Other operators (interconnect)	-	-	-	104,412	104,412
Less: ECL	-	-	-	(20,278)	(20,278)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>100,665</u>	<u>100,665</u>
Other receivables	-	42,844	-	12,268	55,112
Less: ECL	-	(2,562)	-	(773)	(3,335)
	<u>-</u>	<u>40,282</u>	<u>-</u>	<u>11,495</u>	<u>51,777</u>
Financial guarantees	-	8,992	-	-	8,992
Less: ECL	-	(1,229)	-	-	(1,229)
	<u>-</u>	<u>7,763</u>	<u>-</u>	<u>-</u>	<u>7,763</u>

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ECL allowance of trade and other receivables are assessed as follows:

	31 December 2020	31 December 2019
	RO'000	RO'000
Collectively assessed	307,837	255,129
Individually assessed	16,784	23,657
	324,621	278,786

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

	Collectively assessed	Individually assessed	Total
	RO'000	RO'000	RO'000
1 January 2019	222,169	24,320	246,489
Recoveries	396	(4,392)	(3,996)
Amounts written off	(14,630)	(798)	(15,428)
Foreign exchange gains and losses	348	(319)	29
Net increase in loss allowance	46,846	4,846	51,692
31 December 2019	<u>255,129</u>	<u>23,657</u>	<u>278,786</u>
Recoveries	278	(4,038)	(3,760)
Acquisition of a subsidiary	230	-	230
Amounts written off	(8,150)	(2,739)	(10,889)
Foreign exchange gains and losses	(2,861)	(254)	(3,115)
Net increase in loss allowance	63,211	158	63,369
31 December 2020	<u>307,837</u>	<u>16,784</u>	<u>324,621</u>

For customer, distributor 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.

	31 December 2020			31 December 2019		
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
Not due /< 30 days	278,454	3%	8,366	282,384	3%	7,396
31 – 60 days	24,132	6%	1,518	46,950	6%	2,713
61 – 90 days	15,782	16%	2,584	17,510	21%	3,628
91 – 180 days	29,857	27%	8,057	36,250	34%	12,225
> 181 days	361,163	80%	287,375	301,524	76%	229,167
	<u>709,388</u>		<u>307,900</u>	<u>684,618</u>		<u>255,129</u>

Credit quality of roaming, interconnect and other balances:

	31 December 2020	31 December 2019
	RO'000	RO'000
Credit quality – Performing	174,631	162,324
Impaired	10,527	13,731
ECL	(16,721)	(23,613)
	<u>168,437</u>	<u>152,442</u>

The net increase in the loss allowance during the year is mainly attributed to the increase in gross exposures at default, which are past due for more than 90 days.

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.

(c) 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 3). Other than the total cash and bank balances of RO 53.47 million (2019 - RO 41.7 million) equivalent held in Sudan, South Sudan and Lebanon, all other cash and bank balances are maintained in freely convertible currencies.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the consolidated statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Less than 1 year RO'000	Between 1 and 2 years RO'000	Between 2 and 5 years RO'000	Over 5 years RO'000
At 31 December 2020				
Borrowings	359,142	737,950	1,225,245	413,348
Trade and other payables	1,323,902	-	-	-
Other non-current liabilities	89,213	127,035	230,633	285,414
Lease liabilities	63,568	66,566	81,167	82,516
At 31 December 2019				
Borrowings	403,470	390,207	1,998,527	438,211
Trade and other payables	1,239,801	-	-	-
Other non-current liabilities	27,326	123,775	307,126	125,417
Lease liabilities	81,352	84,966	98,072	103,110

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.

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 amounts by term to maturity		
	Positive fair value	Negative fair value	Notional amount
	RO'000	RO'000	RO'000
At 31 December 2020			
<i>Derivatives held for hedging:</i>			
<i>Cash flow hedges</i> - Receive 3-month LIBOR/ SIBOR, pay fixed interest rate			
Profit rate swaps (maturing after one year)	-	29,729	391,798
At 31 December 2019:			
<i>Derivatives held for hedging:</i>			
<i>Cash flow hedges</i> - Receive 3-month LIBOR/ SIBOR, pay fixed interest rate			
Profit rate swaps (maturing after one year)	-	14,829	507,811

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 bank balances. 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:

	2020	2019
	RO'000	RO'000
Total borrowings including lease liabilities (refer note 15 and 16)	2,574,328	2,834,064
Less: Cash and bank balances (refer note 4)	(583,012)	(470,575)
Net debt	1,991,316	2,363,489
Total equity	2,896,029	2,621,681
Total capital	4,887,345	4,732,563
Gearing ratio	40.7%	49.9%

32. Fair value of financial instruments

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

31 December 2020

	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	8,301	32,752	6,137	47,190
Investments at fair value through other comprehensive income	2,065	2,337	2,159	6,561
Total assets	10,366	35,089	8,296	53,751

31 December 2019

	Level 1	Level 2	Level 3	Total
	RO'000	RO'000	RO'000	RO'000
Financial assets at fair value:				
Investments at fair value through profit or loss	8,936	30,226	6,207	45,369
Investments at fair value through other comprehensive income	1,534	2,587	3,747	7,868
Total assets	10,470	32,813	9,954	53,237

Fair values of the financial instruments carried at amortized 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.

During the year, there were no transfers between any of the fair value hierarchy levels.

33. Net monetary gain

Following management's assessment, the 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 2020	18,863	1.00
31 December 2019	10,657	1.77
31 December 2018	6,306	2.99
31 December 2017	4,502	4.19

Based on the above, the Group determined net monetary gain to be local currency equivalent to RO 6.318 million (2019: RO 6.248 million) stated net of the foreign exchange loss on the monetary amount of the Group's net investment in South Sudan.

34. Significant accounting judgments and estimates

In accordance with the accounting policies contained in IFRS and adopted by the Group, management makes the following judgments and estimations that may significantly affect amounts reported in these consolidated financial statements.

Judgments*Business combinations*

To allocate the cost of a business combination management exercises significant judgment to determine identifiable assets, 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.

Consolidation of entities in which the Group holds less than a majority of voting right (de facto control)

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 Group considers that it controls SMTC though it owns less than 50% of the voting rights. In assessing whether the Group has de-facto control, the 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. If the Group had concluded that the ownership interest was insufficient to give the Group control in SMTC, it would instead have been classified as an associate and the Group would have accounted for it using the equity method of accounting.

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 2018, the Board of Directors announced its decision to sell some of the telecom tower assets in Kuwait. Part of these telecom towers were sold during the year and the remaining towers are recorded under "assets and liabilities of disposal group classified as held for sale". This is considered to have met the criteria as held for sale for the following reasons:

- a. These assets are available for immediate sale and can be sold to the buyer in its current condition
- b. The actions to complete the sale were initiated and expected to be completed within one year from the date of initial classification
- c. 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.

Classification of equity investments

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.

Contingent 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 venture 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%.

Management exercises judgement as to when a restatement of the financial statements of a Group entity becomes necessary.

Determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension and termination options are included in a number of leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. Extension options (or periods after termination options) are only included in the lease term if the lessee is reasonably certain to extend (or not to terminate) the lease. The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

Discounting of lease payments

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

Determining whether capacity sales arrangement meets the definition of a lease

In determining whether a capacity sale arrangement meets the definition of a lease management exercises significant judgement and in particular whether the asset under question meets the definition of "physically distinct and identifiable asset". Further management also assesses whether it has substantive rights under the agreement before concluding on whether the arrangement meets the definition of a lease.

Determination of functional currency

The devaluation of the Iraqi Dinar (IQD) against the USD in December 2020 resulted in a reconsideration of the functional currency of Atheer. Previously the financial statements indicated that the functional currency was IQD however, since the IQD was pegged to the USD there was no material impact on the reported figures whichever currency had been identified as the functional currency. In consideration of the primary indicators in IAS 21: 9, following the devaluation the Company has immediately decided on an increase in tariffs to customers and is implementing those increases in order to follow its long term strategy to maintain a relatively consistent USD margin which is driven by its predominantly USD cost base. This provides a strong evidence that USD is the currency that mainly influences sales prices for goods and services and USD is also the currency of the country whose competitive forces and regulations mainly determine the sales prices of its goods and services. Furthermore, in consideration of the secondary indicators in IAS 21:10, the majority of the Company's financing is generated in USD and the majority of the Company's funds from operating activities are retained in USD. Therefore, in accordance with IAS 21:12, the Company determined that, in its judgement, all the factors described above provide sufficient evidence that the USD is the functional currency that most faithfully reflect the underlying transactions, events and conditions relevant to the Company.

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.

Provision for expected credit losses of customer, distributor receivables, other operators and contract assets

The Group uses a provision matrix to calculate ECLs for customer, distributor 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 assets is disclosed in note 29.

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's current tax provision as disclosed in note 14 relates to management's assessment of the amount of tax payable on open tax positions where the liabilities remain to be agreed with the tax authorities. Uncertain tax items for which a provision of RO 67.53 million is made, relate principally to the interpretation of tax legislation. Due to the uncertainty associated with such tax items, there is a possibility that, on conclusion of open tax matters at a future date, the final outcome may differ significantly.

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 recognizes 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. IMPACT OF COVID-19

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

In light of COVID-19, the Group has considered whether any adjustments and changes in judgments, estimates and risk management are required to be considered and reported in the consolidated financial statements. Below are the key assumptions about the future and other key sources of estimation that may have a significant risk of causing material adjustments to the consolidated financial statements.

Impairment of non-financial assets

The Group has considered any impairment indicators arising and any significant uncertainties around its property, plant and equipment, and right-of-use assets especially arising from any change in lease terms and concluded there is no material impact due to COVID-19. For impairment assessment of goodwill refer note 12.

Expected Credit Losses (“ECL”) and impairment of financial assets

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

Commitments and contingent liabilities

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

Going concern

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