1 Legal information and activities

Oman Telecommunications Company SAOG (the "Parent Company" or the "Company") is an Omani joint stock company registered under the Commercial Companies Law of the Sultanate of Oman. The Company's principal place of business is located at 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.

2 Summary of significant accounting policies

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

2.1 Basis of preparation

(a) Statement of compliance and basis of measurement

The financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") and the disclosure requirements set out in the Rules for Disclosure and Proformas issued by the Capital Market Authority and comply with the requirements of the Commercial Companies Law of 1974, as amended. The financial statements are prepared on the historical cost basis adjusted for the effects of inflation where entities operate in hyperinflationary economies and modified by the revaluation at "fair value of financial assets held at fair value through profit or loss", "at fair value through comprehensive income and "derivative financial instruments". These financial statements for the year ended 31 December 2019 comprise the Parent Company and its subsidiaries (together "the Group") and the Group's interest in associates and a joint venture.

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The significant accounting judgments and estimates are disclosed in note 33.

2.2 New and revised accounting standards

Effective for current year

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

2.2.1 Impact of adoption of IFRS 16 Leases

In the current year, the Group applied IFRS 16 Leases that is effective for annual periods that begin on or after 1 January 2019.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets when such recognition exemptions are adopted. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged.

The Group has opted for the modified retrospective application permitted by IFRS 16 upon adoption of the new standard. The Group did not restate any comparative information, instead the cumulative effect of applying the standard is recognised as an adjustment to the opening balance of retained earnings at the date of initial application.

The accounting policies of this new standard are disclosed in note 2.6. The impact of the adoption of IFRS 16 on the Group's consolidated financial statements is described below.

2 Summary of significant accounting policies (continued)

(a) Impact of the new definition of a lease

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

The change in definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on 'risks and rewards' in IAS 17 and IFRIC 4.

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

(b) Impact on Lessee Accounting

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

Applying IFRS 16, for all leases (except as noted below), the Group:

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

- Recognises lease liabilities at the present value of the remaining lease payments, discounted using the incremental borrowing rate as of 1 January 2019.

- Recognises depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of profit or loss;

- separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within financing activities) in the consolidated statement of cash flows.

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

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

The Group has used the following practical expedients when applying the cumulative catch-up approach to leases previously classified as operating leases applying IAS 17.

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

c) Financial impact of initial application of IFRS 16

The lessees incremental borrowing rate applied to lease liabilities recognised in the statement of financial position on 1 January 2019 ranges from 3% to 21%.

2 Summary of significant accounting policies (continued)

The following table shows the operating lease commitments disclosed applying IAS 17 at 31 December 2018, discounted using the incremental borrowing rate at the date of initial application and the lease liabilities recognized in the statement of financial position at the date of initial application.

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

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

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

2.2.2 Impact of adoption of IFRIC 23 *Uncertainty over Income Tax Treatments*

The Group has adopted IFRIC 23 for the first time in the current year. IFRIC 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The Interpretation requires the Group to:

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

The Group has not restated comparative information, instead recognised the cumulative effect of initially applying the Interpretation as an adjustment to the opening balance of retained earnings.

Accordingly, the management determined an additional tax liability of RO 55.74 million for the years 2011 to 2018 which was adjusted to opening retained earnings as on 1st January 2019.

Other amendments to IFRSs, which are effective for annual accounting period starting from 1 January 2019, did not have any material impact on the accounting policies, financial position or performance of the Group.

2 Summary of significant accounting policies (continued)

Standards issued but not yet 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 for annual periods beginning on or after**
Definition of Material - Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors	January 1, 2020
The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.'	
Definition of a Business – Amendments to IFRS 3 *Business Combinations*	January 1, 2020
The amendments clarify that to be considered a business, an integrated 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 output. IASB also clarify that a business can exist without including all of the inputs and processes needed to create outputs. That is, the inputs and processes applied to those inputs must have 'the ability to contribute to the creation of outputs' rather than 'the ability to create outputs'.	
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.	
Amendments to references to the Conceptual Framework in IFRS Standards.	January 1, 2020
Amendments to references to the Conceptual Framework in IFRS Standards related to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32 to update those pronouncements with regard to references to and quotes from the framework or to indicate where they refer to a different version of the Conceptual Framework.	
IFRS 7 Financial Instruments: Disclosures and IFRS 9 — Financial Instruments	January 1, 2020
Amendments regarding pre-replacement issues in the context of the IBOR reform	
Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* (2011) relating to the treatment of the sale or contribution of assets from an investor to its associate or joint venture.	Effective date deferred indefinitely. Adoption is still permitted.

The management do not expect that the adoption of the Standards listed above will have a material impact on the consolidated financial statements of the Group in future periods.

2 Summary of significant accounting policies (continued)

2.3.1 Subsidiary companies

The financial statements comprise the financial statements of the Parent Company and its subsidiaries as at 31 December 2019. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

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

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

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

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

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

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

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

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

2.3.2 Transactions with non-controlling interests

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

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

2 Summary of significant accounting policies (continued)

2.3.3 Investment in associates and joint ventures

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

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

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

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

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

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

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

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

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

2.3.4 Business combinations and goodwill

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

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

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

2 Summary of significant accounting policies (continued)

2.3.4 Business combinations and goodwill (continued)

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

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

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

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

2.4 Segment reporting

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses including revenues and expenses relating to transactions with other components of the same entity, whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. The accounting policies of the reportable segments are the same as the Group's accounting policies described under note 2. Identification of segments and reporting are disclosed in note 34.

2.5 Revenue

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

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

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

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

Handsets and telecommunication services

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

2 Summary of significant accounting policies (continued)

2.5 Revenue (continued)

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

Value added services - Principal vs. agent

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

Significant financing component

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

Commissions and other contract costs

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

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

Customer loyalty programs

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

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 and dividend income

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

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

2 Summary of significant accounting policies (continued)

2.5 Revenue (continued)

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.

2.6 Leases

Policy applicable from 1 January 2019

The Group as a lessee

The Group assesses whether contract is or contains a lease , at inception of the Contract. The Group recognizes a right of use asset and a corresponding lease liability on the date on which the lessor makes the asset available for use by the Group (the commencement date).

On that date, the Group measures the right of use at cost, which comprises of:

- the amount of the initial measurement of the lease liability.
- any lease payments made at or before the commencement date, less any lease incentives received
- any initial direct costs, and
- an estimate of costs to be incurred to restoring the underlying asset to the condition required by the terms and conditions of the lease as a consequence of having used the underlying asset during a particular period; this is recognised as part of the cost of the right of use asset when the Group incurs the obligation for those costs, which may be at the commencement date or as a consequence of having used the asset during a particular period.

At the commencement date, the Group measures the lease liability at the present value of the lease payments that are not paid at that date. On that date, the lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

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

Payments associated with leases of short term leases and low-value assets are recognized on a straight-line basis as an expense in profit or loss.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

2 Summary of significant accounting policies (continued)

2.6 Leases (continued)

Subsequent Measurement

After the commencement date, the Group measures the right-of-use asset at cost less accumulated depreciation and impairment losses. Depreciation is calculated on a straight line basis over the shorter of the asset's useful life and the lease term. The Group determines whether a right of use asset is impaired and recognizes any impairment loss identified in the statement of profit or loss. The depreciation starts at the commencement date of the lease.

The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for an identified impairment loss as described in note 2.14.

After the commencement date, the Group measures lease liability by increasing the carrying amount to reflect interest on the lease liability and reducing the carrying amount to reflect the lease payment 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 significant event or change in circumstances resulting in 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 an unchanged 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 based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Each lease payment is allocated between the liability and the finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The constant periodic rate of interest is the discount rate used at the initial measurement of lease liability.

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.

Policy applicable before 1 January 2019
Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Where the Group is the lessee

Operating leases

Leases of property and equipment under which, all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the consolidated statement of profit or loss on a straight-line basis over the period of the lease.

2 Summary of significant accounting policies (continued)

2.6 Leases (continued)

Finance leases

Leases of property and equipment where the Group assumes substantially all the benefits and risks of ownership are classified as finance leases. Finance leases are recognized as assets in the consolidated statement of financial position at the estimated present value of the related lease payments. Each lease payment is allocated between the liability and finance charge so as to produce a constant periodic rate of interest on the liability outstanding.

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

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

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

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

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

2.7 Borrowing costs

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

2.8 Foreign currency

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

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

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

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

2 Summary of significant accounting policies (continued)

2.8 Foreign currency (continued)

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

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

2.9 Property, plant and equipment

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

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

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

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

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

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

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

2.10 Intangible assets

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

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

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

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

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

2 Summary of significant accounting policies (continued)

2.10 Intangible assets (continued)

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

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

Amortisation

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

Licences	4 to 40 years
Customer's contracts and relationships	4 to 9 years
Software	3 to 5 years
Brand	20 years

2.11 Inventories

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

2.12 Financial instruments

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

Classification

The Group classifies its financial assets as follows:

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

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

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

Business model assessment

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

2 Summary of significant accounting policies (continued)

2.12 Financial instruments (continued)

Contractual cash flow characteristics test

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

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

Financial liabilities

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

Recognition/derecognition

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

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

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

If the modification is not substantial, the difference between: 1) the carrying amount of the liability before the modification; and 2) the present value of the cash flows after modification is recognized in profit or loss as the modification gain or loss within other gains or losses.

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

Measurement

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

Financial assets at amortised cost

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

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

2 Summary of significant accounting policies (continued)

2.12 Financial instruments (continued)

Financial assets at FVOCI

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

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

Financial asset at FVTPL

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

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

Financial liabilities

Financial liabilities “other than at fair value through profit or loss” are subsequently measured and carried at amortized cost using the effective yield method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss. Equity interests are classified as financial liabilities if there is a contractual obligation to deliver cash or another financial asset.

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

Impairment

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

General approach

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

2 Summary of significant accounting policies (continued)

2.12 Financial instruments (continued)

Simplified approach

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

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

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

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

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

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

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

Derivative financial instruments and hedging activities

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

2 Summary of significant accounting policies (continued)

2.12 Financial instruments (continued)

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).

Fair value hedge

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

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

Cash flow hedge

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

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

Net investment hedge

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

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

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

Offsetting financial assets and financial liabilities

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

2 Summary of significant accounting policies (continued)

2.13 Non-current assets held for sale and discontinued operations

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

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

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

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

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

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of income.

Additional disclosures are provided in note 3. All other notes to the financial statements include amounts for continuing operations, unless otherwise mentioned.

2.14 Impairment of non-financial assets

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

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

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

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

2.15 Retirement benefits

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

2.16 Provisions

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

2 Summary of significant accounting policies (continued)

2.17 Taxation

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

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

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

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

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

2.18 Directors' remuneration

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

2.19 Dividend distribution

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

2.20 Financial reporting in hyperinflationary economies

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

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

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

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

2.21 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. 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.

2 Summary of significant accounting policies (continued)

2.21 Fair value measurement (continued)

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 Summary of significant accounting policies (continued)

2.22 Impact of adoption of IFRS 16

The following table summarizes the impact on the Group's consolidated statement of financial position as of 31 December 2019:

Balance Sheet	**As reported RO'000**	**IFRS 16 RO'000**	**As previously reported RO'000**
Current assets			
Cash and bank balances	470,575	-	470,575
Trade and other receivables	823,726	40,112	863,838
Contract assets	98,417	-	98,417
Inventories	69,837	-	69,837
Investments at fair value through profit or loss	18,590	-	18,590
Non-current assets held for sale	21,787	(12,315)	9,472
	1,502,932	27,797	1,530,729
Non-current assets			
Contract assets	34,805	-	34,805
Investments at fair value through profit or loss	26,779	-	26,779
Investments at FVOCI	7,868	-	7,868
Investment securities amortised cost	2,000	-	2,000
Investments in associates and joint ventures	106,865	-	106,865
Other assets	84,921	-	84,921
Right of use assets	245,173	(245,173)	-
Property, plant and equipment	2,055,101	-	2,055,101
Intangible assets and goodwill	3,567,637	-	3,567,637
	6,131,149	(245,173)	5,885,976
Total assets	7,634,081	(217,376)	7,416,705
Current liabilities			
Trade and other payables	1,322,203	4,838	1,327,041
Contract liability	156,748	-	156,748
Liabilities of disposal group held for sale	6,678	(6,678)	-
Income tax payables	76,422	-	76,422
Borrowings	229,384	-	229,384
Lease liabilities	57,765	(57,765)	-
	1,849,200	(59,605)	1,789,595
Non-current liabilities			
Borrowings	2,352,073	-	2,352,073
Other liabilities	616,285	-	616,285
Lease liabilities	194,842	(194,842)	-
	3,163,200	(194,842)	2,968,358
Total Liabilities	5,012400	(254,447)	4,757,953

2 Summary of significant accounting policies (continued)

Balance Sheet	**As reported RO'000**	**IFRS 16 RO'000**	**Amounts without adoption of IFRS 16 RO'000**
Equity			
Attributable to the Group's shareholders			
Share capital	**75,000**	**-**	**75,000**
Legal reserve	**25,000**	**-**	**25,000**
Voluntary reserve	**49,875**	**-**	**49,875**
Capital contribution	**7,288**	**-**	**7,288**
Capital reserve	**36,893**	**-**	**36,893**
Foreign currency translation reserve	**(60,150)**	**-**	**(60,150)**
Fair value reserve	**(1,425)**	**-**	**(1,425)**
Other reserves	**(2,846)**	**-**	**(2,846)**
Retained earnings	**435,136**	**4,344**	**439,480**
	564,771	**4,344**	**569,115**
Non-controlling interests	**2,056,910**	**32,727**	**2,089,637**
Total equity	**2,621,681**	**37,071**	**2,658,752**
Total liabilities and equity	**7,634,081**	**(217,376)**	**7,416,705**

The following table summarizes the impact on the condensed consolidated statement of profit or loss for the year ended 31 December 2019.

	As reported RO'000	**IFRS 16 RO'000**	**Amounts without adoption of IFRS 16 RO'000**
Revenue	**2,592,226**	**-**	**2,592,226**
Cost of sales	**(744,315)**	**(2,714)**	**(747,029)**
	1,847,911	**(2,714)**	**1,845,197**
Operating and administrative expenses	**(687,334)**	**(98,891)**	**(786,225)**
Depreciation and amortization	**(617,023)**	**72,603**	**(544,420)**
Expected credit loss on financial assets	**(62,859)**	**-**	**(62,859)**
Operating profit	**480,695**	**(29,002)**	**451,693**
Net monetary gain	**6,248**	**-**	**6,248**
Interest income	**10,632**	**-**	**10,632**
Investment income	**640**	**-**	**640**
Share of results of associates and joint ventures	**2,657**	**-**	**2,657**
Other (expense) / income	**37,225**	**(146)**	**37,079**
Gain on re measurement of term loan	**6,606**	**-**	**6,606**
Finance costs	**(191,662)**	**17,024**	**(174,638)**
Loss from currency revaluation	**(16,249)**	**-**	**(16,249)**
Profit before taxation	**336,792**	**(12,124)**	**324,668**
Taxation	**(37,120)**	**40**	**(37,080)**
Profit for the period	**299,672**	**(12,084)**	**287,588**
Attributable to:			
Shareholders of the Company	**77,709**	**(2,657)**	**75,052**
Non-controlling interest	**221,963**	**(9,427)**	**212,536**
	299,672	**(12,084)**	**287,588**

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

This represents the carrying value of telecom tower assets amounting to RO 9,36 million (31 December 2018 – RO 9.453 million) and right of use of assets amounting to RO 12.316 million (31 December 2018 – Nil) in Kuwait and its related lease liabilities amounting to RO 6.678 million (31 December 2018 – Nil), classified as disposal group held for sale from September 2017, on the basis that management is committed to a plan to sell these assets to a Tower Company.

On 11 February 2020, Zain Kuwait completed the sale and lease back for a total sale consideration of US$ 130 million (RO 50.1 million) after completing all regulatory approvals. The Company will also assume a minority shareholding in this newly formed Tower Company. Total gain from this transaction on sale of all tower assets is estimated to be around RO 16 million.

4. Subsidiaries and associates

The principal subsidiaries and associates are:

Shareholding directly held by parent:

Subsidiary	**Country of incorporation**	**Percentage of ownership**		**Nature of business**
		2019	2018	
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
Internet of Things LLC	Oman	65%	65%	Engaged in developments of app and services for smart and M2M communication
Associate				
Oman Fibre Optic Company SAOG	Oman	40.96%	40.96%	Engaged in the manufacture and design of optical fibre and cables
Infoline LLC	Oman	45%	45%	Engaged in the provision of IT enabled services
Equinix Muscat LLC	Oman	50%	50%	Engaged in the provision of Data centre services
Majan Telecommunications LLC (Renna)	Oman	40%	-	Mobile telecommunication services in Sultanate of Oman

4. Subsidiaries and associates (continued)

i) Acquisition of Zain Group (Purchase price allocation)

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

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

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

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.

ii) Shareholding directly held by Zain Group

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

Subsidiary	Country of incorporation	Percentage of ownership 2019	2018
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 (MTC) S.A.R.L. -“MTCL”	Lebanon	100%	100%
Sudanese Mobile Telephone (Zain) Company Limited “Zain Sudan”	Sudan	100%	100%
Kuwaiti Sudanese Holding Company (KSHC)	Sudan	100%	100%
South Sudanese Mobile Telephone (Zain) Company Limited -“Zain South Sudan”	South Sudan	100%	100%
Al Khatem Telecoms Company –“Al Khatem”	Iraq	76%	76%
Atheer Telecom Iraq Limited – “Atheer”	Cayman Islands	76%	76%
Mobile Telecommunications Company (“SMTC”)	Saudi Arabia	37.045%	37.045%
Al Mouakhaa Lil Kadamat Al-Logistya Wal Al-Itisalat	Jordan	99.1%	99.1%
Horizon Scope for Mobile Telecommunication Company (HSMTC)	Iraq	51%	51%
Nexgen Advisory Group FZ LLC- “Nexgen”	UAE	84.66%	84.66%
Associate/Joint Venture			
Zain Al Ajial S.A (Wana Corporate S.A is an associate of this joint venture)	Morocco	50%	50%

4. Subsidiaries and associates (continued)

ii) Shareholding directly held by Zain Group (continued)

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

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

iii) Mobile Telecommunications Company Saudi Arabia (SMTC)

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

iv) Lebanon

The Group'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. Accordingly the financial statements of MTCL included in this consolidated financial statements is prepared on a non-going concern basis.

v) Financial support to Group companies

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

vi) As at 31 December 2019 the fair value of the Group's investment in Zain, being its quoted market share price on the Kuwait Stock Exchange, amounted to RO 703.8 million.

5 Cash and bank balances

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

	2019	2018
	RO'000	RO'000
Cash on hand and at banks	**264,744**	290,333
Short-term deposits with banks	**226,521**	217,851
Government certificates of deposits	**-**	126
	491,265	508,310
Expected credit loss	**(20,690)**	(4,887)
	470,575	503,423
Cash at bank under lien	**(18,524)**	(9,355)
Deposits with maturity exceeding three months	**(2,560)**	(3,000)
Government certificates of deposits with maturities exceeding three months	**(134)**	(126)
	449,357	490,942

6 Trade and other receivables

	2019 RO'000	2018 RO'000
Trade receivables:		
Customers	**479,296**	399,207
Distributors	**67,626**	38,296
Other operators (interconnect)	**104,412**	89,963
Roaming partners	**16,531**	21,373
Expected Credit loss	**(271,108)**	(235,739)
	396,757	313,100
Other receivables		
Accrued income	**6,071**	6,654
Staff	**3,998**	4,514
Deposits and other receivables	**47,844**	44,681
Prepayments and advances	**179,893**	201,949
Others (refer note below)	**192,367**	194,896
Expected Credit loss	**(3,204)**	(4,403)
	426,969	448,291
	823,726	761,391

In 2011, Zain Group paid RO 179 million (US$ 473 million) to settle the guarantees provided by the Company to lending banks for loans to a founding shareholder of SMTC. The Group has been pursuing legal action for its recovery and in November 2016 the court upheld the Group's right to recover the US$ 473 million paid in addition to interest and costs. These amounts are secured by an agreement to transfer to the Group, the founding shareholder's shares in SMTC which is currently pledged to the murabaha lenders of SMTC and the shareholder loan in SMTC owed to the founding shareholder. The Company has initiated the legal procedures necessary to enforce the arbitral award in and outside KSA. However in January 2020 Riyadh Appeal Court issued a decision dismissing Zain Groups application to enforce the arbitral award in KSA. Zain Group has submitted a motion for reconsideration to the Riyadh Appeal Court through the Riyadh Enforcement Court, while continuing to pursue enforcement outside KSA.

In 2010, the Group paid USD 40 million (equivalent to RO 15.2 million (2018-US$ 40 million equivalent to RO 15.2 million) receivable from a founding shareholder in SMTC secured by an agreement to transfer to the Group, the founding shareholder's shares in SMTC. In 2013, the Group won a legal action for the recovery of that amount and is currently pursuing further legal action for its implementation in Saudi Arabia. These amounts are secured by an agreement to transfer to the Group, the founding shareholder's share in SMTC.

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

	2019 RO'000	2018 RO'000
Omani Rial	**96,515**	86,079
Kuwaiti dinar	**84,647**	72,165
US Dollar	**416,935**	403,562
Bahraini Dinar	**15,573**	15,476
Sudanese Pound	**6,905**	5,466
Jordanian Dinar	**26,475**	26,642
Iraqi Dinar	**50,085**	40,636
Saudi Riyal	**122,234**	107,689
Others	**4,357**	3,676
	823,726	761,391

7 Inventories

	2019	2018
	RO'000	RO'000
Handsets, accessories and spares	**78,604**	79,081
Provision for inventory obsolescence	**(8,767)**	(10,575)
	69,837	68,506

8 Investment securities

	Current		**Non-current**	
	2019	2018	**2019**	2018
	RO'000	RO'000	**RO'000**	RO'000
Investments at fair value through profit or loss	**18,590**	29,759	**26,779**	32,947
Investments at fair value through other comprehensive income	**-**	-	**7,868**	8,692
Held to maturity investments	**-**	1,000	**2,000**	2,000
	18,590	30,759	**36,647**	43,639

Investment comprise the following:

	2019	2018
	RO'000	RO'000
Swap asset	**-**	2,301
Fund	**35,725**	34,989
Quoted equities	**9,559**	14,593
Unquoted equities	**9,953**	22,515
	55,237	74,398

8 Investment securities

Investment securities are denominated in the following currencies:

	2019	2018
	RO'000	RO'000
Omani Rial	**17,432**	23,776
Kuwaiti dinar	**7,820**	7,737
US dollar	**29,313**	34,068
Other currencies	**672**	8,817
	55,237	74,398

9 Investment in associated companies

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

	2019	2018
	RO'000	RO'000
Opening balance	**13,669**	648,803
Additions during the year (refer note (b) below)	**5,000**	-
Other additions	**-**	3,851
Impact of adoption of IFRS 15	**-**	4,876
Share of results	**(744)**	(4,945)
Share of other comprehensive income of associate companies	**-**	(522)
Foreign currency translation losses	**-**	(4,470)
Reclassification of equity interest on acquisition of a subsidiary (refer note (c))	**-**	(633,924)
Dividend received	**(889)**	-
Closing balance	**17,036**	13,669

(b) On June 25,2019, Company acquired 40% of the share capital in Majan Telecommunication LLC (Renna) for a consideration of RO 5 million. Pursuant to a shareholder agreement, the Company has the right to cast 40% of the votes at shareholders meetings and a right to appoint two out of five directors on the Board.

(c) The Group has concluded that it controls SMTC effective July 2018 and accordingly has consolidated SMTC from that date.

(d) The summarised financial information of these associates are as follows:

	Assets	*Liabilities*	*Revenues*	*Profit*	*Percentage*
	RO'000	*RO'000*	*RO'000*	*RO'000*	*shareholding*
31 December 2019					
Oman Fiber Optic Co. SAOG	**31,624**	**14,738**	**21,323**	**119**	**40.96**
Infoline LLC	**2,481**	**1,957**	**13,181**	**(629)**	**45**
Majan Telecommunications LLC	**6,763**	**5,038**	**15,745**	**1,257**	**40**
Equinix Muscat LLC	**7,828**	**1,233**	**-**	**(996)**	**50**
31 December 2018					
Oman Fiber Optic Co. SAOG	37,333	18,403	28,120	1,964	40.96
Infoline LLC	3,550	1,742	9,245	(9)	45
Equinix Muscat LLC	7,692	100	-	(110)	50

(e) Interest in a joint venture

This represents the Group's RO 89.829 million (2018- RO 86.247 million) interest in the joint venture, Zain Al Ajial S.A. which owns 31% of the equity shares and voting rights of Wana Corporate, a Moroccan joint stock company which is specialised in the telecom sector in that country). The Group's share of profit for the year in the joint venture amounting to RO 3.401 million (2018- RO 1.219 million) has been recognised in the consolidated statement of income. The carrying value of this joint venture and its results for the year are determined by Group management using the equity method based on management information provided Wana Corporate.

10. Right of use assets

The recognised right of use assets (excluding assets of disposal group classified as held for sale) relate to the following types of assets

	Land and building	Cellular and other equipments	Total
	RO'000	RO'000	RO'000
Balance as of 1 January 2019	**225,515**	**39,663**	**265,178**
Additions	**69,321**	**1,528**	**70,849**
Amortisation	**(60,935)**	**(11,903)**	**(72,838)**
Retirement	**(5,277)**	**(12,423)**	**(17,700)**
Exchange adjustments	**(216)**	**(100)**	**(316)**
	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 8 years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

11 Property, plant and equipment

	Land, building and leasehold improvements	Telecommunications and other equipment	Capital work-in- progress	Total
	RO'000	RO'000	RO'000	RO'000
Cost				
1 January 2019	**228,507**	**4,482,998**	**219,107**	**4,930,612**
Acquisition of a subsidiary	**-**	**1,496**	**-**	**1,496**
Additions	**1,624**	**148,315**	**251,451**	**401,390**
Transfers	**49,675**	**237,556**	**(292,324)**	**(5,093)**
Transfers to other assets	**-**	**-**	**(7,097)**	**(7,097)**
Disposals	**(6,377)**	**(113,545)**	**(9,096)**	**(129,018)**
Exchange adjustment	**1,893**	**9,981**	**(2,210)**	**9,664**
31 December 2019	**275,322**	**4,766,801**	**159,831**	**5,201,954**
Depreciation				
1 January 2019	**118,629**	**2,798,852**	**-**	**2,917,481**
Acquisition of a subsidiary	**-**	**1,430**	**-**	**1,430**
Charge for the year	**8,951**	**331,542**	**-**	**340,493**
Disposals	**(6,039)**	**(110,907)**	**-**	**(116,946)**
Exchange adjustment	**343**	**4,052**	**-**	**4,395**
31 December 2019	**121,884**	**3,024,969**	**-**	**3,146,853**
Net book value				
At 31 December 2019	**153,438**	**1,741,832**	**159,831**	**2,055,101**

11 Property, plant and equipment (continued)

	Land, building and leasehold improvements	Telecommunications and other equipment	Capital work-in- progress	Total
	RO'000	RO'000	RO'000	RO'000
Cost				
1 January 2018	178,229	3,134,358	179,800	3,492,387
Acquisition of a subsidiary	38,336	1,294,180	33,998	1,366,514
Additions	23,169	81,071	239,976	344,216
Transfers	11,850	184,255	(196,105)	-
Transfers to other assets	-	-	(4,533)	(4,533)
Disposals	(43)	(68,016)	(984)	(69,043)
Impairment	(3,792)	(9,223)	(1,031)	(14,046)
Exchange adjustment	(19,242)	(133,627)	(32,014)	(184,883)
31 December 2018	228,507	4,482,998	219,107	4,930,612
Depreciation				
1 January 2018	83,414	1,948,505	-	2,031,919
Acquisition of a subsidiary	31,156	703,448	-	734,604
Charge for the year	6,641	277,623	-	284,264
Impairment	(460)	(1,563)	-	(2,023)
Disposals	(43)	(57,350)	-	(57,393)
Exchange adjustment	(2,079)	(71,810)	-	(73,889)
31 December 2018	118,629	2,798,853	-	2,917,482
Net book value				
At 31 December 2018	109,878	1,684,145	219,107	2,013,130

12 Intangible assets and goodwill

	Goodwill RO'000	Licenses RO'000	Others RO'000	Total RO'000
Cost				
At 1 January 2018	614,391	861,045	809,454	2,284,890
Acquisition of a subsidiary	434,998	2,413,104	179,325	3,027,427
Additions during the year	-	285	65,094	65,379
Exchange adjustment	(9,352)	(24,382)	(34,189)	(67,923)
At 1 January 2019	**1,040,037**	**3,250,052**	**1,019,684**	**5,309,773**
Acquisition of a subsidiary	**20,564**	**-**		**20,564**
Addition during the year	**-**	**154,573**	**18,863**	**173,436**
Write off	**-**	**(12,152)**	**(869)**	**(13,021)**
Exchange adjustment	**2,656**	**4,218**	**2,509**	**9,383**
At 31 December 2019	**1,063,257**	**3,396,691**	**1,040,187**	**5,500,135**
Amortisation				
At 1 January 2018	-	506,236	196,527	702,763
Acquisition of a subsidiary	-	864,468	40,590	905,058
Charge for the year	-	93,918	64,550	158,468
Exchange adjustment	-	(12,244)	(5,680)	(17,924)
At 1 January 2019	**-**	**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 adjustment	**-**	**1,999**	**(2,071)**	**(72)**
At 31 December 2019	**-**	**1,567,418**	**365,080**	**1,932,498**
Net book value				
At 31 December 2019	**1,063,257**	**1,829,273**	**675,107**	**3,567,637**
At 31 December 2018	1,040,037	1,797,674	723,697	3,561,408

License and spectrum

	End of amortisation period	2019	2018
		RO '000	RO '000
Mobile licence and Spectrum-Sultanate of Oman	2034	77,282	639
Fixed licence and Spectrum-Sultanate of Oman	2029	6,177	7,144
License - KSA	2047	1,400,297	1,450,502
License – Iraq	2027	123,531	167,789
License - Jordan	2021 to 2029	87,303	100,015
Spectrum - KSA	2032 and 2033	114,696	65,866
Others		19,987	5,719
		1,829,273	1,797,674

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.

12 Intangible assets and goodwill (continued)

Iraq

Telecom license includes the cost of license amounting to US$ 1.25 billion (RO 481.375 million) issued by CMC to operate in Iraq for a period of 15 years from August 2007 and the cost of 3G license amounting to US$ 307 million (RO 118.22 million) issued in December 2015, for a period up to August 2022. These costs were being amortised over the period of the respective licences.

According to the license agreement, Atheer has an option to apply to CMC for renewal of telecom license for a further period of five years after expiry in August 2020. On 22 August 2019, Atheer requested CMC to renew the license for a further period of five years. On 11 December 2019, CMC informed Atheer about the approval of Board of Commissioners to proceed with the legal procedures related to terms and conditions for such renewal. Management of Atheer believes that Atheer has an absolute right for a five year extension from 31 August 2022 to 30 August 2027. Accordingly, with effect from 11 December 2019, telecom license cost is prospectively amortised over a period ending on 30 August 2027.

Spectrum

During the year SMTC acquired spectrum in the frequency of 2X10 of 800 MHz for a total amount of SAR 840.50 million (equivalent to RO 83.9 million), payable in 14 equal installments of SAR 60 million (equivalent to RO 6 million) each starting from 2019.

Goodwill

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

	2019	2018
	RO'000	RO '000
Zain Kuwait	**195,663**	195,284
Pella Investment Company, Jordan- Pella	**212,134**	211,574
Atheer Telecom Iraq Limited, Cayman Islands (Atheer)	**236,274**	215,375
Mobile Telecommunications Company ("SMTC")	**418,925**	417,540
Others	**261**	264
	1,063,257	1,040,037

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.

12 Intangible assets and goodwill (continued)

Impairment testing (continued)

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

Key assumption	Basis used to determine value to be assigned to key assumption
Growth rate	Increase in competition expected but no significant change in market share of any CGU as a result of ongoing service quality improvements and expected growth from technology and license upgrades. The growth rates are consistent with forecasts included in industry and country reports.
	Compounded annual growth in revenue of upto 0.5% for Zain Kuwait , 11% for Atheer, 3% for Pella, 5% for SMTC during the projected four or five year period. Value assigned reflects past experience and changes in economic environment.
	Cash flows beyond the four to five year period have been extrapolated using a growth rate of upto of 3.7% for Zain Kuwait, 3% for Atheer, 3% for Pella and 2.5% for SMTC. This growth rate does not exceed the long-term average growth rate of the market in which the CGU operates.
Capital expenditure	The cash flow forecasts for capital expenditure are based on experience and include the ongoing capital expenditure required to continue rolling out networks to deliver target voice and data products and services and meeting license obligations. Capital expenditure includes cash outflows for the purchase of property, plant and equipment and other intangible assets.
Discount rate	Discount rates of 7.9% for Zain Kuwait, 17.1% for Atheer, 14.1% for Pella and 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 pre-tax cash flow projections based on financial budgets approved by management covering a four to five year period. The recoverable amounts so obtained were higher than the carrying amount of the CGUs.

13 Trade and other payables

	2019	2018
	RO'000	RO'000
Trade payables and accruals	**928,461**	979,636
Due to roaming partners	**15,032**	17,322
Due to other operators	**40,722**	22,470
Dues to regulatory authorities	**182,065**	225,420
Tax payable	**82,400**	69,910
Dividend payable	**19,497**	20,169
Provisions	**3,409**	3,405
Other payables	**50,617**	40,409
	1,322,203	1,378,741

i) Due to regulatory authorities includes amount of RO 44.5 million payable by Company to TRA, Oman for Mobile licence and spectrum.

ii) Due to regulatory authorities also includes amount of SAR 906.924 million (RO 90.78 million) (2018: RO 175.885 million) payable by SMTC.

14 Income tax payables

Income tax payables mainly includes opening retained earnings adjustment amounting to RO 55.84 million in respect of the transition adjustment on adoption of IFRIC 23 (refer note 2.2.2) and provision made (net of payment) during the year.

15 Borrowings

	2019	2018
	RO '000	RO '000
Parent Company		
Long term loan (ii)	**114,380**	116,744
Other long term loan (iii)	**18,380**	15,477
Oztel		
Long term loan (ii)	**137,000**	139,284
Oman Data Park		
Long term loan	**7,191**	7,165
Finance lease obligations	**25**	33
Mobile Telecommunications Company-Kuwait (v)		
Short term loans	**99,685**	136,966
Long term loan	**740,448**	753,311
Zain Jordan		
Long term loan	**8,192**	5,278
SMTC (vi)		
Long term loans	**671,503**	701,465
Atheer – Iraq (vii)		
Long term loan	**208,312**	188,991
Others		
Short term loans	**2,209**	-
Long term loans	**12**	27
Due to banks	**2,007,337**	2,064,741
Oztel-Bonds (iv)	**574,120**	572,935
	2,581,457	2,637,676

15 Borrowings (continued)

The current and non-current amounts are as follows:

	2019 RO'000	*2018 RO'000*
Current	**229,384**	555,941
Non-current	**2,352,073**	2,081,735
	2,581,457	2,637,676

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

	2019 RO'000	*2018 RO'000*
Dollar	**1,946,152**	2,263,015
Saudi Riyal	**554,594**	337,462
Kuwaiti Dinar	**63,085**	24,694
Omani Rial	**7,216**	12,505
Others	**10,410**	-
	2,581,457	2,637,676

The annual effective interest rate as at 31 December 2019 was in the range of between 2.22% to 18% (2018 – 2.42% to 6.99%).

(i) Compliance with debt covenants

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

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

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

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

(ii) Term loan and its re-measurment

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

The loan is secured by way of a pledged on the acquired shares.

15 Borrowings (continued)

iii) Parent company-Other long term loans

- Long-term loans comprise an outstanding balance of RO 6.1 million from National Bank of Oman and is repayable in 16 quarterly instalments commencing from 30 September 2017. The loan is unsecured.
- Export credit loan with an outstanding balance of USD 28.4 million (RO 12.2 million) from a consortium of banks to finance the procurement of capital equipment. The loan is unsecured. The facility carries an interest of 2.28% p.a and was utilized in the following tranches:

  a) Tranche 1 with an outstanding balance of USD 13.2 million (RO 5.1 million) is repayable in semiannual instalments commencing from November 2018.
  b) Tranche 2 with an outstanding balance of USD 12 million (RO 4.615 million) is repayable in semiannual instalments commencing from May 2019.
  c) Tranche 3 with an outstanding balance of USD 6.5 million (RO 2.5 million) is repayable in semiannual instalments commencing from May 2019.

(iv) Bonds

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

a) 5.5 years tranche USD 600 million with coupon rate of 5.63% per annum. The bonds are due for payment in year 2023. The effective interest rate on the bond is 6.05% per annum. The fair value of the bond is USD 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 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.

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

During the year, the Company has;

- drawn down loans amounting to RO 342.3 million (31 December 2018 - RO 126.502 million) from existing and new facilities. This included:
  - US$ 360 million (RO 135.3 million) from an existing US$ 700 million revolving credit facility.
  - US$ 250 million (RO 93.7 million) from an existing US$ 250 million revolving credit facility.
  - US$ 100 million (RO 37.46 million) from a long-term facility amounting to US$ 100 million.
  - US$ 50.447 million (RO 18.915 million) from a long-term facility amounting to US$ 200 million.
  - RO 30.9 million long- term loan facility availed in the current year.
  - US$ 49.363 million (RO 18.56 million) from a long- term loan facility amounting to US$ 200 million.
- repaid loans amounting to RO 392.65 million (31 December 2018 – RO 174.6 million). This includes:
  - US$ 366 million (RO 137.64 million) of a long-term facility amounting to US$ 400 million.
  - US$ 360 million (RO 134.92 million) of an existing US$ 700 million revolving credit facility
  - US$ 40 million (RO 15 million) of a long-term loan facility amounting to US$ 317 million.
  - US$ 100 million (RO 37.56 million) of a short-term loan facility amounting to US$ 100 million.
  - US$ 21.60 million (RO 8.1 million) of a long- term loan facility amounting to US$ 200 million.
  - US$ 100 million (RO 37.47 million) of a long-term loan facility amounting to US$ 100 million.
  - US$ 20.613 million (RO 7.743 million) of a long-term loan facility amounting to US$ 100 million.

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

15 Borrowings (continued)

(vi) SMTC

- SAR 4,463 million (RO 448.4 million) syndicated murabaha facility availed from a consortium of banks. In June 2018, SMTC refinanced and extended the maturity of the syndicated Murabaha facility that was maturing in 2018 to a SAR 5,900 million (RO 589.9 million) facility maturing in June 2023 which includes a working capital facility of SAR 647.3 million (RO 64.7 million) for two years. This working capital facility has not yet been utilized. During the previous year, SMTC made early voluntary payments amounting to SAR 1,125 million (RO 112.5 million). During the second quarter of the current year, SMTC made a voluntary repayment amounting to SAR 300 million (RO 30 million) The murabaha facility is secured partially by a guarantee from the Company and a pledge of the Company's and some of the founding shareholders' shares in SMTC and assignment of certain contracts and receivables.

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

- SAR 2,250 million (RO 226 million) syndicated junior murhaba facility signed in June 2019 from a consortium of banks with a two year tenure with an option to extend for one more year. The facility was drawn down in July 2019 to settle the existing SAR 2,269 million (RO 226.9 million) long-term commercial loan that matured. This facility is guaranteed by Mobile Telecommunications Company K.S.C.P

***(*vii) Atheer**

Long term loans include:

- US$ 100 million (RO 37.5 million) (31 December 2018 – US$ 100 million equivalent to RO 37.4 million) term loan from a commercial bank that is repayable by 17 December 2024.

- US$ 55 million (RO 20.6 million) (31 December 2018 – US$ 55 million equivalent to RO 20.6 million) term loan from a commercial bank which is repayable by 31 March 2020.

- US$ 50 million (RO 18.7 million) (31 December 2018 – US$ 50 million equivalent to RO 18.7 million) term loan from a commercial bank repayable by 30 April 2020.

- US$ 50 million (RO 18.7 million) (31 December 2018 – US$ 50 million equivalent to RO 18.7 million) term loan from a commercial bank repayable by 09 April 2021.

- US$ 150.917 million (RO 56.5 million) (31 December 2018 – US$ 100 million equivalent to RO 37.4 million) term loan from a financial institution repayable by 31 May 2025.

- US$ 150 million (RO 56.2 million) (31 December 2018 – US$ 150 million equivalent to RO 56.2 million) revolving credit facilities from a commercial bank repayable by 17 December 2022.

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

16 Other liabilities

	2019	*2018*
	RO'000	*RO'000*
Payable to Ministry of Finance-Saudi Arabia (Refer note below)	**358,239**	289,845
Due to CITC-Saudi Arabia for acquisition of spectrum	**92,367**	41,633
Customer deposits	**11,053**	12,945
Post-employment benefits	**48,100**	45,019
Others	**106,526**	92,260
	616,285	481,702

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

17 Lease liabilities

	2019
	RO'000
1 January 2019	**271,316**
Additions	**68,291**
Accretion of interest	**16,824**
Payments	**(81,756)**
Retirements	**(21,821)**
Exchange adjustments	**(247)**
31 December 2019 (excluding liabilities of disposal group classified as held for sale)	**252,607**

The current and non-current amounts are as follows:

	2019
	RO'000
Current	**57,765**
Non-current	**194,842**
	252,607

Maturity analysis of the lease liability is given in note 28 to the Consolidated financial statements.

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

	2019
	RO'000
Omani Rial	**21,180**
Saudi Riyals	**147,778**
US dollar	**42,888**
Jordanian Dinar	**20,775**
Bahraini Dinar	**10,513**
Kuwaiti dinar	**7,312**
Other currencies	**2,161**
	252,607

18 Share capital and reserves

The share capital comprises 750,000,000 (31 December 2018: 750,000,000) authorised and issued, ordinary shares of RO 0.100 (31 December 2018: RO 0.100) each fully paid. Shareholders of the Company who own not less than 10% of the Company's shares at the reporting date are as follows:

	31 December 2019		*31 December 2018*	
	Shares held	**%**	Shares held	%
United International Telecommunication Investment & Projects LLC	**382,500,345**	**51.00**	382,500,345	**51.00**

The directors have recommended a dividend of RO 0.055 (2018- RO0.050) per share amounting to RO 41.25 million (2018-RO37.50 million) which is subject to approval of shareholders in the Annual general Meeting.

As per the directives of the CMA the amount of unpaid dividend which is outstanding for more than seven months is required to be transferred to the "Investor's Trust fund" established by the CMA. During the year unpaid cash dividend amounting to RO 113,615 was transferred to the Investor's Trust fund (2018: RO 65,599)

18 Share capital and reserves (continued)

Legal reserve

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

Voluntary reserve

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

Capital contribution

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

The Group engaged an independent firm of consultants to determine the fair value of the licences as at 11 February 2004, who determined the fair value of the fixed and mobile licences as being in the amount of approximately RO 44.881 million.

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

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

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

Capital reserve

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

Foreign currency translation reserve

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

Fair value reserve

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

Hedge reserve

The hedging reserve is used to record gains or losses on derivatives that are designated and qualify as cash flow hedges and that are recognised in comprehensive income as described in note 29. Amounts are reclassified to statement of income when the associated hedged item affects statement of income.

19 Revenue and Contract balances

19.1 Revenue

The total revenue disaggregated by major service lines is:

	2019 RO'000	2018 RO'000
Airtime, data and subscription-Mobile	**2,059,746**	1,762,975
Airtime, data and subscription-Fixed	**122,638**	146,185
Wholesale revenue	**158,412**	103,472
Trading revenue	**251,430**	173,382
	2,592,226	2,186,014

The total revenue disaggregated by primary geographical market and timing of revenue recognition is disclosed in Note 34.

19.2 Contract balances

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

Contract assets

	2019 RO'000	2018 RO'000
Asset related to sale of handsets and terminal equipment-Current and non current	**137,696**	121,182
Less: Expected Credit Loss	**(4,474)**	(6,347)
	133,222	114,835

Contract liabilities

	2019 RO'000	2018 RO'000
Deferred revenue-Prepaid customers	**148,192**	158,329
Billing in advance	**8,556**	11,526
	156,748	169,855

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.

20.1 Operating and administrative expenses

This includes staff costs of RO 232.4 million (2018 – RO 205.3 million).

20.2 Other income/(expense)

Other income / (expenses) mainly includes reversal of excess accruals amounting to RO 55.77 million (2018 charge of provision amounting to RO 37 million)

21 Investment income

	2019 RO'000	2018 RO'000
Gain/(loss) on investments at fair value through profit or loss	**(678)**	2,808
Dividend income	**1,318**	1,339
	640	4,147

22 Taxation

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

	2019	2018
	RO'000	RO'000
Income tax	**36,746**	39,819
Other levies	**374**	510
	37,120	40,329

The tax rate applicable to the Company and taxable subsidiary companies is in the range of 15 % to 24 % (2018: 15% to 24%) whereas the effective income tax rate for the year ended 31 December 2019 is in the range of 15 % to 33% (2018: 15% to 27%). 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.

23 Basic and diluted earnings per share

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

	2019	*2018*
Profit for the year attributable to parent company (RO'000)	**77,709**	64,798
Weighted average number of shares outstanding (Nos)	**750,000,000**	750,000,000
Basic and Diluted earing per share (RO)	**0.104**	0.086

24 Related parties

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

Transactions

	2019	2018
	RO'000	RO '000
Revenue	**5,675**	1,550
Purchase of goods and services	**4,949**	11,998
Management fee (included in other income)	**-**	2,525
Dividend income from associate	**889**	-
Interest income on loans to an associate	**-**	14,439
Key management compensation		
Salaries and other short term employee benefits	**3,029**	2,766
Post-employment benefits	**136**	135
Director's remuneration	**831**	582
Balances		
Trade receivables	**10,985**	-
Trade payables	**1,749**	1,920

25 Commitments and contingencies

(a) Commitments

	2019 RO'000	2018 RO'000
Capital Commitment	**342,120**	237,259
Uncalled share capital of investee companies	**431**	1,189
Letters of guarantee	**112,155**	102,340
Investments	**1,459**	1,128

The above includes guarantees amounting to RO 9 million (2018-RO 9 million) provided by Zain Group relating to Loans availed by SMTC.

The group believes that the collaterals provided by the founding shareholder to the bank covers the credit facilities.

(b) Claims

(i) Parent company

The Company during FY 2015 received demand notice amounting to RO 4.4 million and RO 0.5 million during year 2018 from the TRA towards additional royalty payable for the prior years on certain categories of wholesale revenue. The Parent Company has paid RO 2.2 million under protest to TRA. Based upon legal opinion and interpretation of the relevant provisions of the Parent Company's license terms, the management believes that the additional royalty amount is not payable.

(ii) Claims pertaining to Zain Group

Income taxes in Iraq

During the period 2012 to 2014, Atheer received additional income tax claims for the years 2004 to 2010 from Iraq General Commission for Taxes (IGCT). In November 2016, Atheer signed an agreement with Iraq's Ministry of Finance under which it obtained the right to submit its objection to these additional income tax claimed by the IGCT amounting to US$ 244 million (RO 91.76 million) and submitted its objections against the full amount of the tax claim.

On 15 October 2019, the Appeals Committee of IGCT issued its decision to reduce the amount of claim to USD 109.75 million (RO 42.4 million). This decision can be challenged by IGCT before the Court of Cassation within 15 days of Appeals Committee decision. There is no indication that any appeal has been submitted by IGCT against this decision as of the date of issue of these consolidated financial statements. As on 31 December 2019 Atheer has already settled this claim under earlier payment terms agreed with Iraq's Ministry of Finance in 2016.

Pella-Jordan

Pella is a defendant in lawsuits amounting to RO 41.74 million (31 December 2018 – RO 15.3 million). Based on the report of its attorneys, the Group expects the outcome of these proceedings to be favorable to Pella. Pella has initiated legal proceedings against the claim by regulatory authorities of RO 11.77 million (31 December 2018 - RO 11.77 million) for the years 2002 - 2005 on the grounds that it has already paid the amount that it was obligated to pay for those years. Pella has also initiated legal proceedings against the regulatory authorities claiming refund of excess license fee paid amounting to RO 11.92 million (31 December 2018 - RO 14.4 million) of earlier years. Based on the report of its attorneys, the Group expects the outcome to be favorable to Pella.

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

26 Subsidiaries with significant non-controlling interests

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

	2019	2018
	RO'000	RO'000
Current assets	**1,229,598**	1,259,264
Non-current assets	**4,629,422**	4,299,978
Current liabilities	**1,541,734**	1,820,628
Non-current liabilities	**2,240,692**	1,709,657
Equity attributable to:		
- Owners of the Company	**1,601,036**	1,570,935
- Non-controlling interests	**475,558**	458,023
Revenue	**2,045,040**	1,641,974
Profit for the year	**306,037**	280,954
Other comprehensive income	**(18,700)**	(222,269)
Total comprehensive income	**287,337**	58,685
Total comprehensive income attributable to:		
- Company's shareholders	**255,017**	22,969
- Non-controlling interests	**32,320**	35,716
	287,337	58,685
Net cash flow from operating activities	**802,567**	620,223
Net cash flow used in investing activities	**(395,981)**	(110,294)
Net cash flow used in financing activities	**(434,602)**	(363,177)
Net (decrease)/increase in cash flows	**(28,016)**	146,752

27. Financial risk management

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

	At amortized costs	**At fair value through profit or loss**	**Fair value through comprehensive income**
	RO'000	**RO'000**	**RO'000**
31 December 2019			
Cash and bank balances	**470,575**	**-**	
Trade and other receivables	**643,833**	**-**	
Investment securities	**2,000**	**45,369**	**7,868**
	1,116,408	**45,369**	**7,868**

27 Financial risk management (continued)

	At amortized cost RO'000	At fair value through profit or loss RO'000	Available-for-sale RO'000
31 December 2018			
Cash and bank balances	503,423	-	-
Trade and other receivables	559,442	-	-
Investment securities	3,000	62,706	8,692
	1,065,865	62,706	8,692

All financial liabilities as of 31 December 2019 and 31 December 2018 are categorised 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 aim to develop a disciplined and constructive control environment in which all employees understand their roles and obligations. The Group's Board Committee oversees how management monitors compliance with the risk management policies and procedures and reviews adequacy of the risk management framework in relation to the risks faced by the Group. The Board Committee is assisted in its oversight role by the Internal audit and the Group risk management department. The significant risks that the Group is exposed to are discussed below:

(i) Market risk

Foreign currency risk

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

Parent company

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

Subsidiaries

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

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

The Group is primarily exposed to foreign currency risk because 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.

27 Financial risk management (continued)

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:

	2019	2018
	RO'000	RO'000
USD	**40,730**	60,929
EURO	**126**	195

Equity price risk

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

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

	2019		2018	
	RO'000	**RO'000**	RO'000	RO'000
	Impact on net profit	**Effect on equity**	Impact on net profit	Effect on equity
Increase/decrease in Market index	**684**	**478**	931	593

Cash flow and fair value interest rate risk

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

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

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

At 31 December 2019, 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 8.6 million (2018: RO 7.2 million)

b) Credit risk

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

27 Financial risk management (continued)

Expected credit loss (ECL) measurement

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

Significant increase in credit risk

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

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

Financial instrument is determined to have low credit risk if:

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

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

Credit impaired assets

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

Incorporation of forward looking information

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

27 Financial risk management (continued)

Financial risk factors

The below table shows the analysis of the maximum credit risk exposure of financial statements for which on ECL is recognized.

b) Credit risk

	ECL staging				
31-Dec-19	**Stage 1**	**Stage 2**	**Stage 3**	**Simplified approach**	
	12 month	**Lifetime**	**Lifetime**	**Lifetime**	**Total**
	RO'000	**RO'000**	**RO'000**	**RO'000**	**RO'000**
Cash & Bank	**399,989**	**49,658**	**41,618**	**-**	**491,265**
Less: ECL	**(233)**	**(1,592)**	**(18,865)**	**-**	**(20,690)**
	399,756	**48,066**	**22,753**	**-**	**470,575**
Customer receivables	**-**	**-**	**-**	**479,296**	**479,296**
Distributor receivables	**-**	**-**	**-**	**67,626**	**67,626**
Contract assets	**-**	**-**	**-**	**137,696**	**137,696**
Less: ECL	**-**	**-**	**-**	**(255,173)**	**(255,173)**
	-	**-**	**-**	**429,445**	**429,445**
Roaming receivables	**-**	**-**	**-**	**16,531**	**16,531**
Interconnect receivables	**-**	**-**	**-**	**104,412**	**104,412**
Less: ECL	**-**	**-**	**-**	**(20,278)**	**(20,278)**
	-	**-**	**-**	**100,665**	**100,665**
Other receivables	**-**	**42,844**	**-**	**12,268**	**55,112**
Less:-ECL	**-**	**(2,562)**	**-**	**(773)**	**(3,335)**
	-	**40,282**	**-**	**11,495**	**51,777**
Financial guarantees	**-**	**8,992**	**-**	**-**	**8,992**
Less:-ECL	**-**	**(1,229)**	**-**	**-**	**(1,229)**
	-	**7,763**	**-**	**-**	**7,763**
31-Dec-18					
Cash & Bank	401,068	107,242	-	-	508,310
Less: ECL	-	-	-	-	(4,887)
	401,068	107,242	-	-	503,423
Customer receivables	-	-	-	399,207	399,207
Dealer receivables	-	-	-	38,296	38,296
Contract assets	-	-	-	121,182	121,182
Less: ECL	-	-	-	(222,137)	(222,137)
	-	-	-	336,548	336,548
Roaming receivables	-	-	-	21,373	21,373
Interconnect receivables	-	-	-	89,963	89,963
Less: ECL	-	-	-	(19,949)	(19,949)
	-	-	-	91,387	91,387
Other receivables	-	46,590	-	5,380	51,970
Less:-ECL	-	(3,630)	-	(773)	(4,403)
	-	42,960	-	4,607	47,567
Financial guarantees	-	8,981	-	-	8,981
Less:-ECL	-	(1,394)	-	-	(1,394)
	-	7,587	-	-	7,587

The net increase in the loss allowance for cash and bank balances is mainly attributed to movement of balance of RO 41.6 million from Stage 2 to Stage 3 following a credit downgrade by external rating agencies.

27 Financial risk management (continued)

b) Credit risk (continued)

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

	2019	2018
	RO '000	RO '000
Collectively assessed	**255,129**	222,169
Individually assessed	**23,657**	24,320
	278,786	246,489

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

	Collectively assessed	**Individually assessed**	**Total**
	RO '000	RO '000	RO '000
1 January 2018 under IAS 39	111,808	14,524	126,332
Adjustment on initial application of IFRS 9	27,549	15,266	42,815
1 January 2018 under IFRS 9	139,357	29,790	169,147
On business combination	68,145	591	68,736
Amounts credited to MOF	(156)	-	(156)
Amounts written off	(16,955)	-	(16,955)
Foreign exchange gains and losses	(2,551)	(1,586)	(4,137)
Net increase in loss allowance	34,329	(4,475)	29,854
31 December 2018	222,169	24,320	246,489
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	**255,129**	**23,657**	**278,786**

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

	31 December 2019			**31 December 2018**		
Aging brackets of postpaid trade receivables	**Estimated total gross carrying mount at default**	**Expected credit loss rate**	**Lifetime ECL**	Estimated total gross carrying amount at default	Expected credit loss rate	Lifetime ECL
	RO '000	**%**	**RO '000**	RO '000	%	RO '000
< 30 days	**282,384**	**3%**	**7,396**	228,486	3%	9,328
31 – 60 days	**46,950**	**6%**	**2,713**	37,283	7%	2,705
61 – 90 days	**17,510**	**21%**	**3,628**	17,690	20%	3,530
91 – 180 days	**36,250**	**34%**	**12,225**	32,534	36%	11,626
> 181 days	**301,524**	**76%**	**229,167**	242,691	80%	194,979
	684,618		**255,129**	558,685		222,169

Credit quality of roaming, interconnect and other balances:

	31 December 2019	31 December 2018
Credit quality – Performing	**162,324**	143,914
Impaired	**13,731**	19,392
ECL	**(23,613)**	(24,352)
	152,442	138,954

The net increase in the loss allowance during the year is mainly attributed to the increase in gross exposures at default. The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery.

28 Liquidity risk

Liquidity risk is the risk that the Group may not be able to meet its funding requirements. The Group manages this risk by maintaining sufficient cash and marketable securities, availability of funding from committed credit facilities and its ability to close out market positions on short notice. The Company's Board of Directors increases capital or borrowings based on ongoing review of funding requirements.

The Group has committed to provide working capital and other financial support to some of its affiliates (refer note 4 (v)). Other than cash and bank balance of RO 41.7 million equivalent held in Sudan, South Sudan and Lebanon, all other cash and bank balance are maintained in freely convertible currencies.

The following are the contractual maturities of financial liabilities:

	0-1 year RO'000	*1-2 year RO'000*	*2-5 years RO'000*	*More 5 years RO'000*
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**
2018				
Borrowings	427,227	322,692	1,208,074	521,729
Trade and other payables	1,388,040	177	268	332
Other non-current liabilities	18,609	29,579	275,075	106,100

29 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.

	Positive fair value	*Negative fair value*	*Notional amount RO'000*
2019			
Derivatives held for hedging:			
Interest rate swap	**-**	**14,829**	**507,811**
2018			
Derivatives held for hedging:			
Interest rate swap	2,301	-	507,543

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.

30 Capital risk management

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

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

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

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

	2019	2018
	RO'000	RO'000
Total borrowings	**2,581,457**	2,637,676
Less: Cash and bank balance	**(470,575)**	(503,423)
Net Debt	**2,110,882**	2,134,253
Total equity	**2,621,681**	2,613,546
Total capital	**4,732,563**	4,747,799
Gearing Ratio	**44.6%**	44.95%

31 Fair value of financial instruments

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

	Level 1	***Level 2***	***Level 3***	***Total***
2019	***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 comprehensive income	**1,534**	**2,587**	**3,747**	**7,868**
	10,470	**32,813**	**9,954**	**53,237**
2018				
Financial assets at fair value				
Investments at fair value through profit or loss	15,326	41,055	6,325	62,706
Investments at fair value through comprehensive income	1,250	1,080	6,362	8,692
	16,576	42,135	12,687	71,398

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

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

32 Adjustments relating to hyperinflationary economies

i) Zain's group's subsidiary in South Sudan

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

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

	Index	Conversion factor
31 December 2019	10,577	1.00
31 December 2018	6,306	1.68
31 December 2017	4,502	2.35
31 October 2017	4127	5.11

Based on the above, the Group determined net monetary gain from the date of acquisition to be local currency equivalent of RO 6.248 million (2018- RO 58.5 million), stated net of the foreign exchange loss on the monetary amount of the Group's net investment in South Sudan.

The Group then reduced the restated carrying value of property and equipment to its recoverable amount and recognised the resultant decline as an impairment loss of RO Nil (2018-RO 12.1 million). The recoverable amount was computed at the fair value less cost of disposal determined using the current replacement cost, with level 3 inputs of the fair value hierarchy and service capacity assessment being the most significant unobservable input.

ii) Zain group's subsidiary in Republic of Sudan

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

33 Significant accounting judgements and estimates

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

Judgments

Assessment of control

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

33 Significant accounting judgements and estimates (continued)

Business combinations

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

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

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

Principal versus agent considerations

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

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

Consideration of significant financing component in a contract

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

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

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

Assets held for sale

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

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

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

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.

33 Significant accounting judgements and estimates (continued)

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 ventures is the currency of a hyperinflationary economy.

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

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

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. The majority of the termination options held are exercisable both by the Group and the respective lessor. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

Discounting of lease payments

The lease payments are discounted using the 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.

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, dealer receivables and contract assets

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

33 Significant accounting judgements and estimates (continued)

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables and contract asset is disclosed in Note 27.

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 67.8 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 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.

34 Segment reporting

Information regarding the Group's operating segments is set out below in accordance with IFRS 8 - Operating segments. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. The Company and its subsidiaries operate in a single business segment telecommunications and related services. Apart from its operations in Oman the Company operates through Zain group in 8 countries.

34 Segment reporting (continued)

	31 December 2019								
	Oman	**Kuwait**	**Jordan**	**Sudan**	**Iraq**	**Bahrain**	**KSA**	**Others**	**Total**
									RO '000
Segment revenues – airtime & data (Point 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
Unallocated items:									
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
Unallocated items:									
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
Due to banks	25,596	-	8,192	2,208	208,312	-	671,503	14	915,825
Unallocated items:									
Due to banks									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**

34 Segment reporting (continued)

	31 December 2018								
	Oman	**Kuwait**	**Jordan**	**Sudan**	**Iraq**	**Bahrain**	**KSA**	**Others**	**Total**
									RO '000
Segment revenues – airtime & data (Point over time)	510,759	331,288	179,784	118,213	426,723	50,591	352,579	24,046	1,993,983
Segment revenues - trading income (Point in time)	35,221	81,619	6,137	628	2,123	15,441	50,826	36	192,031
Net profit before interest and tax	104,239	71,118	34,178	20,327	38,142	1,980	88,989	35,723	394,696
Interest income	1,862	7	573	1,067	101	71	1,755	267	5,703
Finance costs	(1,038)	-	(7,367)	-	(15,364)	(50)	(49,225)	(50)	(73,094)
Income tax expenses	(15,630)	-	(7,993)	(5,312)	(6,921)	-	-	(3,681)	(39,537)
	89,433	71,125	19,391	16,082	15,958	2,001	41,519	32,259	287,768
Unallocated items:									
Investment income									4,147
Share of results of associates and joint venture									(3,726)
Others (including unallocated interest income, income tax and finance costs)									(79,349)
Profit for the period									**208,840**
Segment assets including allocated goodwill	948,537	996,926	576,110	130,255	942,706	120,059	3,129,334	92,369	6,936,296
Unallocated items:									
Investment securities at FVTPL									62,706
Investment securities at amortised cost									3,000
Investment securities at FVOCI									8,692
Investment in associates and joint venture									99,916
Others									185,557
Consolidated assets									**7,296,167**
Segment liabilities	260,011	142,016	168,514	56,634	195,449	24,411	1,529,604	95,621	2,472,260
Due to banks	22,675	-	-	-	188,991	-	701,465	-	913,131
	282,686	142,016	168,514	56,634	384,440	24,411	2,231,069	95,621	3,385,391
Unallocated items:									
Due to banks									1,724,545
Others									(427,315)
Consolidated liabilities									**4,682,621**
Net consolidated assets									**2,613,546**
Capital expenditure incurred during the period	117,124	42,838	29,400	41,004	65,221	1,158	92,475	7,121	396,341
Unallocated									8,491
Total capital expenditure									404,832
Depreciation and amortization	107,342	66,213	38,979	13,164	99,140	13,536	97,161	4,683	440,218
Unallocated									2,514
Total depreciation and amortization									**442,732**

35 Comparative figures

During the year, the Group reclassified advances paid for acquisition of non- current assets from Trade and other receivables and capital work in progress to other non-current assets amounting to RO 70.1 million as at 31 December 2018 This reclassification did not have any impact on the consolidated net profit or equity of the Group.