

Oman Telecommunications Company SAOG

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2017

1 Legal information and activities

Oman Telecommunications Company SAOG (the "Parent Company" or the "Company") is an Omani joint stock company registered under the Commercial Companies Law of the Sultanate of Oman. The Company's principal place of business is located at Al Mawaleh, Muscat, Sultanate of Oman. The company's shares are listed on Muscat Securities Market.

The principal activities of the Company are establishment, operation, maintenance and development of telecommunication services in the Sultanate of Oman.

The Company and its subsidiaries ("the Group") along with its associates provides telecommunications services in Sultanate of Oman and 9 other countries.

2 Summary of significant accounting policies

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

2.1 Basis of preparation

(a) Statement of compliance and basis of measurement

The financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") and the disclosure requirements set out in the Rules for Disclosure and Proformas issued by the Capital Market Authority and comply with the requirements of the Commercial Companies Law of 1974, as amended. The financial statements are prepared on the historical cost basis adjusted for the effects of inflation where entities operate in hyperinflationary economies and modified by the revaluation at "fair value of financial assets held at fair value through profit or loss", "available for sale" and "derivative financial instruments". These financial statements for the year ended 31 December 2017 comprise the Parent Company and its subsidiaries (together "the Group") and the Group's interest in associates and a joint venture. The separate financial statements represent the financial statements of the Parent Company on a standalone basis. The consolidated and separate financial statements are collectively referred to as "the financial statements".

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

(b) Standards, amendments and interpretation effective in 2017

Adoption of new and amended standards and interpretations to IFRS

For the year ended 31 December 2017, the Group has adopted all of the following new and revised standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for periods beginning on 1 January 2017.

- Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative
- Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses
- Annual Improvements Cycle - 2014-2016
 - Amendments to IFRS 12 Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in IFRS 12

The adoption of these standards and interpretations has not resulted in any significant changes to the Group's accounting policies and has not affected the amounts reported for the current year.

(c) Standards issued but not yet effective

The following new standards and amendments have been issued by the International Accounting Standards Board (IASB) which may impact the financial statements of the Group but are not yet mandatory for the year ended 31 December 2017:

- IFRS 9 Financial Instruments
- IFRS 15 Revenue from Contracts with Customers
- IFRS 16 Leases
- IFRS 17 Insurance Contracts
- Transfers of Investment Property — Amendments to IAS 40
- Annual Improvements 2014-2016 Cycle (issued in December 2016)
 - IFRS 1 First-time Adoption of International Financial Reporting Standards - Deletion of short-term

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2017

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(c) Standards issued but not yet effective (continued)

- IAS 28 Investments in Associates and Joint Ventures - Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice
- IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration
- IFRIC Interpretation 23 Uncertainty over Income Tax Treatment exemptions for first-time adopters

Other IASB Standards and Interpretations that have been issued but are not yet mandatory, and have not been early adopted by the group, are not expected to have a material impact on the Group's financial statements.

The following new standards and amendments have been issued by the International Accounting Standards Board (IASB) which may impact the financial statements but are not yet mandatory for year ended 31 December 2017:

IFRS 9 Financial Instruments:

The Group will adopt IFRS 9 on 1 January 2018 and will not restate the comparative information in accordance with the IFRS guidelines. IFRS 9 Financial Instruments Standard issued July 2014, replaces the existing IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and de-recognition of financial instruments from IAS 39.

Key requirements of IFRS 9:

- all recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income (FVOCI). All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading nor contingent consideration recognised by an acquirer in a business combination) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- with regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of a financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of such changes in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.
- in relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.
- the new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The Group plans to adopt the new standard on the required effective date and will not restate comparative information. Overall, the Group expects no significant impact on its statement of financial position and equity except for the effect of applying the classification and impairment requirements of IFRS 9. This assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Group in 2018 when the Group will adopt IFRS 9.

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2017

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(c) Standards issued but not yet effective (continued)

IFRS 15 "Revenue from Contracts with Customers"

In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers, effective for periods beginning on 1 January 2018 with early adoption permitted. IFRS 15 defines principles for recognizing revenue arising from contracts with customers and establishes a five-step model for that. Under IFRS 15 revenue will be recognised as goods and services are transferred, to the extent that the transferor anticipates entitlement to consideration in exchange for those goods and services. The standard also specifies a comprehensive set of disclosure requirements regarding the nature, extent and timing as well as any uncertainty of revenue and corresponding cash flows with customers.

Management has identified the below areas where key revenue recognition and other accounting changes under IFRS 15 will have an impact on the Group's financial statements.

Subsidised handsets

The Group provides subsidised handsets to its customers and IFRS 15 requires entities to allocate a contract's transaction price to each performance obligation based on their relative stand-alone selling price. This will result in a greater amount of revenue on subsidised handsets up-front, a difference between the reported revenue and the amount billed and decrease the average revenue per user for ongoing services.

Portfolio accounting

The Group enters into contracts with customers, which have similar characteristics. Under IFRS 15, an entity can choose to apply it to a portfolio of contracts or performance obligations with similar characteristics if the outcome isn't materially different than contract-by-contract accounting by:

- An evaluation of which items constitute a portfolio considering, for example, the impact of different offerings, periods of time, geographic locations and contract modifications;
- An assessment, on an ongoing basis, whether the portfolio approach gives a materially different result;
- Exercise of judgment in determining when the portfolio approach may be appropriate, including considering whether any customer-specific agreements would be eligible.

Upgrade rights

The Group offers early upgrade rights for additional services. This will require the Group to determine the appropriate accounting, including whether a material right has been granted to the customer, if the right affects the transaction price, if modification accounting applies or if waived amounts are an incentive to enter into a new contract. A material right is an option to acquire additional goods or services at a price that does not reflect the good's or service's stand-alone selling price and is considered a separate performance obligation.

Customer retention discounts

Even if customer retention discounts aren't explicit in the contract, customary business practice could mean that fixed consideration is, in substance, variable. Alternatively, such discounts could be viewed as contract modifications. IFRS 15 requires an assessment as to whether the discount is variable consideration or a contract modification. This will require judgement and may impact the timing of revenue recognition. IFRS 15 requires an assessment as to whether promotional offers to current customers are contract modifications or marketing transactions and set up processes and systems capable of tracking and monitoring all discounts, concessions and promotional offers granted to customers.

Significant financing component

If a customer can pay for purchased equipment over a period along with network services, under IFRS 15 judgement is required to determine if the contract includes a significant financing component. If the contract includes a significant financing component, then the transaction price must be 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 will be deferred on the 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. However, a company may choose to expense contract acquisition costs if the amortization period of the resulting asset is one year or less.

Transition options

IFRS 15 may be adopted retrospectively, by restating comparatives and adjusting retained earnings at the beginning of the earliest comparative period. – Alternatively, IFRS 15 may be adopted as of the application date, by adjusting retained earnings at the beginning of the first reporting year (the cumulative effect approach).

The Group intends to adopt the standard using the cumulative effect approach, which means that the Group will recognise the cumulative effect of initially applying this standard as an adjustment to the opening balance of retained earnings of the annual reporting period that includes the date of initial application. The Group is continuing to analyse the impact of the changes and will implement in the changes in the first interim financial information as of 31 March 2018 that includes the effects of it application from the effective date.

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2017

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(c) Standards issued but not yet effective (continued)

IFRS 16 "Leases"

In January 2016, the IASB issued IFRS 16 'Leases' with an effective date of annual periods beginning on or after 1 January 2019. IFRS 16 results in lessees accounting for most leases within the scope of the standard in a manner similar to the way in which finance leases are currently accounted for under IAS 17 'Leases'. Lessees will recognise a 'right of use' asset and a corresponding financial liability on the balance sheet. The asset will be amortised over the length of the lease and the financial liability measured at amortised cost. Lessor accounting remains substantially the same as in IAS 17. The Group is in the process of evaluating the impact of IFRS 16 on the Group's financial statements.

2.2.1 Subsidiary companies

The financial statements comprise the financial statements of the Parent Company and its subsidiaries as at 31 December 2017. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

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

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2017

2 Summary of significant accounting policies (continued)

2.2.2 Transactions with non-controlling interests

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

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

2.2.3 Investment in associates and joint ventures

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

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

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

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

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

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

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

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

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

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

2.2.4 Business combinations and goodwill

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

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2017

2 Summary of significant accounting policies (continued)

2.2 Basis of consolidation (continued)

2.2.4 Business combinations and goodwill (continued)

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.

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

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

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

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

2.3 Segment reporting

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

2.4 Revenue

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2017

2 Summary of significant accounting policies (continued)

2.4 Revenue (continued)

Incentives are provided to customers in various forms and are usually offered on signing a new contract or as part of a promotional offering. Where such incentives are provided on connection of a new customer or the upgrade of an existing customer, revenue representing the fair value of the incentive, relative to other deliverables provided to the customer as part of the same arrangement, is deferred and recognised in line with the Group's performance of its obligations relating to the incentive.

In revenue arrangements including more than one deliverable, the arrangement consideration is allocated to each deliverable based on the fair value of the individual element. The Group generally determines the fair value of individual elements based on prices at which the deliverable is regularly sold on a standalone basis.

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

2.5 Leases

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

The Group as lessor

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

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

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

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

The Group as lessee

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

2.6 Borrowing costs

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

2.7 Foreign currency

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

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

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2017

2 Summary of significant accounting policies (continued)

2.7 Foreign currency (continued)

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

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

2.8 Property, plant and equipment

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

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

	Years
Buildings & lease hold improvements	3- 50
Telecommunication equipment	3- 20
Aircraft	8- 10
Furniture and office equipment	3 - 5

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

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

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

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

2.9 Intangible assets

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

The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

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

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

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2017

2 Summary of significant accounting policies (continued)

2.9 Intangible assets (continued)

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

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

Amortisation

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

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

2.10 Inventories

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

2.11 Financial instruments

(a) Non-derivative financial assets

The Group initially recognises loans and receivables on the date they are originated. All other financial assets (including assets designated as at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:
 - The Group has transferred substantially all the risks and rewards of the asset; Or
 - The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the group has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when and only when the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies non-derivative financial assets into the following categories:

Financial assets at fair value through profit or loss

Financial assets and financial liabilities classified in this category are those that have been designated by management upon initial recognition. Management may only designate an instrument at fair value through profit or loss upon initial recognition when the following criteria are met, and designation is determined on an instrument-by-instrument basis:

- i) The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis.

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2017

2 Summary of significant accounting policies (continued)

2.11 Financial instruments (continued)

- ii) The assets and liabilities are part of a group of financial assets, financial liabilities or both, which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.
- iii) The financial instrument contains one or more embedded derivatives, which significantly modify the cash flows that would otherwise be required by the contract.

Financial assets and financial liabilities at fair value through profit or loss are recorded in the statement of financial position at fair value. Changes in fair value are recorded in other operating income. Interest earned or incurred is accrued in interest income or interest expense, respectively, using the EIR, while dividend income is recorded in other operating income when the right to the payment has been established.

Held-to-maturity investments

Investments with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity are classified as held to maturity investments. Held-to-maturity investments are recorded at amortised cost using the effective rate if interest method less any impairment, with revenue recognised on an effective yield basis. Held to maturity financial assets comprises debt securities.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to the initial recognition, loans and receivables are recognised at amortised cost using the effective interest method, less any impairment losses. Loans and receivables comprise cash and cash equivalents, trade and other receivables.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short term commitments.

Available-for-sale financial assets

Available-for-sale investments include equity and debt securities. Equity investments classified as available-for-sale are those which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are intended to be held for an indefinite period of time and may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, available-for-sale financial investments are subsequently measured at fair value.

Unrealised gains and losses are recognised directly in equity (other comprehensive income) in the change in fair value of investments available-for-sale. When the investment is disposed of, the cumulative gain or loss previously recognised in equity is recognised in the profit or loss in other operating income. Interest earned whilst holding available-for-sale financial investments is reported as interest income using the EIR. Dividends earned whilst holding available-for-sale financial investments are recognised in the profit or loss as other operating income when the right of the payment has been established. The losses arising from impairment of such investments are recognised in the profit or loss in impairment for investments and removed from the change in fair value of investments available-for-sale.

(b) Non derivative financial liabilities

Borrowings

Borrowings are recognised initially at fair value, being their issue proceeds (fair value of consideration received) net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds, net of transaction costs, and the redemption value is recognised in the consolidated statement of income over the period of the borrowings using the effective interest method.

Trade and other payables

Liabilities are recognised for amounts to be paid for goods and services received, whether or not billed to the Group, at amortised cost.

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2017

2 Summary of significant accounting policies (continued)

2.11 Financial instruments (continued)

Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in the consolidated statement of income immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in the consolidated statement of income depends on the nature of the hedge relationship.

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months.

Hedge accounting

At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in cash flows of the hedged item.

The effective portion of the changes in the fair value of the interest rate swap that is designated and qualifies as a cash flow hedge is deferred in equity. The gain or loss relating to the ineffective portion is recognised immediately in the consolidated statement of income.

Amounts deferred in equity are recycled in profit or loss in the periods when the hedged item is recognised in the consolidated statement of income.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss deferred in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recognised immediately in the consolidated statement of income.

2.12 Non-current assets held for sale and discontinued operations

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

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

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

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

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

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

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

2.13 Impairment

(a) 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.

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2017

2 Summary of significant accounting policies (continued)

2.13 Impairment (continued)

(a) Non-financial assets (continued)

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.

(b) Financial assets

A financial asset not classified at fair value through profit or loss is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that loss events had an impact on the estimated future cash flows of that asset that can be estimated.

Objective evidence that financial assets are impaired include default or delinquency by a debtor, adverse change in the payment status etc. In addition for an investment in equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

2.14 Retirement benefits

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

2.15 Voluntary end of service benefits

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

2.16 Provisions

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

2.17 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.

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2017

2 Summary of significant accounting policies (continued)

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 Loyalty programme

The Group has a customer loyalty programme whereby customers are awarded credits ("Points") based on the usage of products and services, entitling customers to the right to redeem the accumulated points via specified means. The fair value of the consideration received or receivable in respect of the initial sale is allocated between the Points and the other components of sale. The amount allocated to Points is estimated by reference to the fair value of the right to redeem it at a discount for the products of the Group or for products or services provided by third parties. The fair value of the right to redeem is estimated based on the amount of discount, adjusted to take into account the expected forfeiture rate. The amount allocated to Points is deferred and included in deferred revenue. Revenue is recognised when these Points are redeemed and the Group has fulfilled its obligations to the customer. Deferred revenue is also released to revenue when it is no longer considered probable that the Points will be redeemed.

2.21 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.

2.22 Fair value measurement

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

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

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

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

Oman Telecommunications Company SAOG

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2017

3 Assets classified as held for sale

(a) Derecognition of a subsidiary

On 11 October 2016, the Parent Company signed a Share Purchase Agreement (SPA) with WorldCall Services Limited (WSL) and Ferret Consulting for sale of ordinary and convertible preference shares of WTL held by Omantel. At 31 December 2016, Worldcall Telecommunications Limited (WTL) was classified as a disposal group held for sale and as a discontinuing operation. During the year, the transfer of shares was complete and as such the Parent Company no longer controls WTL. Accordingly the investment in WTL has been derecognised in these financial statements.

The assets and liabilities of WTL derecognised and its impact on the financial position of the Group is as follows:

	RO'000
Total assets	8,230
Total liabilities	(59,368)
Fair value reserve	(853)
Excess of liability over assets	(51,991)
Less: non-controlling interests	35,648
Net assets	(16,343)
Loan from National Bank of Oman (NBO) (refer note (a) below)	13,667
Consideration	-
Investment retained in Convertible preference shares (refer note (b) below)	-
Gain on deconsolidation	2,676

- a) As per the terms of the SPA, loan obtained by WTL from NBO including accrued interest against which a Corporate guarantee was provided by the Parent Company will be assumed by the Parent company.
- b) As per the terms of the SPA, Parent company transferred 85% of the convertible preference shares to Ferret Consulting without any consideration. The remaining interest of 15% can be converted into ordinary shares only on the Mandatory conversion date. Management believes that the fair value of the remaining amount approximates to zero.
- c) The details of the assets and liabilities of WTL as at the date of derecognition and as at 31 December 2016 are as follows:

	2017	2016
	RO'000	RO'000
ASSETS		
Non-current assets		
Investment property	140	140
Other financial assets	403	406
	543	546
Current assets		
Inventories	538	813
Trade and other receivables	4,563	5,076
Other financial assets	2,239	882
Prepayments	32	72
Cash and bank balances	315	1,747
	7,687	8,590
Total assets	8,230	9,136
LIABILITIES		
Non-current liabilities		
Borrowings	321	198
Retirement benefit obligation	427	1,492
Other liabilities	126	127
	874	1,817
Current liabilities		
Borrowings	22,911	22,372
Trade and other payables	35,583	35,186
	58,494	57,558
Total liabilities	59,368	59,375

Oman Telecommunications Company SAOG

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2017

3 Assets classified as held for sale (continued)

(a) Derecognition of a subsidiary (continued)

The results of WTL up to the date of derecognition included in the consolidated statement of income is presented below:

	<i>Period ended 2017 RO'000</i>	<i>Year Ended 2016 RO'000</i>
Revenue	2,603	7,079
Expenses	(5,066)	(8,561)
Operating loss	(2,463)	(1,482)
Finance costs- (net)	(1,136)	(966)
Other income– net	576	365
Loss for the period / year from discontinued operations	(3,023)	(2,083)
Taxation	-	352
Loss for the period / year from discontinued operations	(3,023)	(1,731)
Attributable to:		
Equity holders of parent	(1,717)	(983)
Non-controlling interests	(1,306)	(748)
Loss for the period / year from discontinued operations	(3,023)	(1,731)
Loss per share for the period / year from discontinued operations	0.002	0.001
The net cash flows generated/(incurred):		
Operating	(3,550)	(599)
Financing	2,118	899

(b) Property, plant and equipment of a subsidiary classified as held for sale

This represents the carrying value of telecom tower assets in Kuwait of RO 9.6 million classified as held for sale, on the basis that management is committed to a plan to sell these assets and is expected to qualify for recognition as a sale within one year of the date of its classification.

Oman Telecommunications Company SAOG

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2017

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
		2017	2016	
Oztel Holdings SPC Limited	UAE	100%		Special purpose vehicle for - acquiring shares in Zain group
Mobile Telecommunications K.S.C.P (Zain Group) (Refer note (i) below)	Kuwait	21.9%		Mobile telecommunication services in Kuwait and eight - other countries
Oman Data Park LLC	Oman	60%	60%	Engaged in the provision of 60% data services
Omantel France SAS	France	100%	100%	Engaged in provision of wholesale services
Internet of Things LLC	Oman	65%		Engaged in developments of - app and services for smart and M2M communication
Associate				
Oman Fibre Optic Company SAOG	Oman	40.96%	40.96%	Engaged in the manufacture and design of optical fibre and cables
Infoline LLC	Oman	45%	45%	Engaged in the provision of of IT enabled services

i) Summary of acquisition

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.

Oman Telecommunications Company SAOG

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2017

4. Subsidiary and associates (continued)

The acquisition was provisionally accounted as follows:

	2017 RO'000
Cash and bank balances including term deposits	337,494
Trade and other receivables	647,231
Inventories	32,032
Other financial assets	22,958
Assets held for sale	9,746
Investment in associates and a joint venture	239,831
Dues from associates	524,351
Property, plant and equipment	948,286
Intangible assets	411,071
Other assets	19,262
Trade and other payables	(713,803)
Borrowings	(1,154,249)
Other non-current liabilities	(34,935)
Net identifiable assets acquired	1,289,275
Less: Non-controlling interests	(1,050,729)
Less: Consideration transferred in cash	(520,359)
Less: Acquisition date fair value of the previously held equity interest	(329,441)
Provisional goodwill arising on acquisition	611,254
Purchase consideration - cash outflow	
Cash paid for acquiring 9.84% of the shareholding	326,576
Cash paid for acquiring 12.07% of the shareholding	520,359
Total	846,935
Less: Cash and cash equivalents acquired	(289,041)
Net outflow of cash	557,894

At the time the financial statements were authorised for issue the Group had not completed the accounting for the acquisition of Zain Group. The initial accounting for the business combination is provisional due to its complexity and will be adjusted retrospectively, including assessment of defacto control over associate acquired, when the final purchase price allocation is completed during the one year measurement period from the acquisition date.

The acquisition was complete on 15 November 2017. However, the Group for the sake of convenience has designated 31 October 2017 as the acquisition date. Management has evaluated that there are no events between the convenience date and acquisition date which are material.

Provisional goodwill arising on acquisition is attributable to Zain Group's strong financial position, profitability and the synergies expected to arise for the parent.

The acquisition date fair value of the Group's 9.84% equity interest in Zain Group that it held immediately before the acquisition date was determined by the Group based on an independent valuation performed by the consultants which was supported by recent comparable transactions of similar size.

ii) Acquisition related costs

Acquisition related costs of RO 3.4 million is included under other income/expenses and in operating cash flows in the statement of cash flows.

iii) Non-controlling interest

The Group recognised non-controlling interest in Zain group at its proportionate share of the acquired net identifiable assets. The summarised financial information of Zain Group is set out in Note 27.

Oman Telecommunications Company SAOG

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2017

4. Subsidiary and associates (continued)

iv) Revenue and profit contribution

The acquired business contributed revenues of RO 219.6 million and net profit of 35.7 million to the Group for the period from 1 November 2017 to 31 December 2017. After adjusting for the non-controlling interests the acquired business contributed profit of RO 7.6 million to the Group profit.

If the acquisition had occurred on 1 January 2017, consolidated revenue and profit (after incorporating impact of the related borrowing cost for the full year) for the year ended 31 December 2017 would have been RO 1.82 billion and RO 232.2 million, respectively. After adjusting for the non-controlling interests, the profit attributable to the parent would have been RO 71.9 million. These amounts have been calculated using the annual results of the Zain group.

v) Shareholding directly held by Zain Group

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

<u>Subsidiary</u>	<u>Country of incorporation</u>	<u>Percentage of Ownership</u> <u>2017</u>
Zain International B.V. – “ZIBV”	The Netherlands	100%
Pella Investment Company – “Pella”	Jordan	96.516%
Zain Bahrain B.S.C - “MTCB”	Bahrain	54.78%
Mobile Telecommunications Company Lebanon (MTC) S.A.R.L. -“MTCL”	Lebanon	100%
Sudanese Mobile Telephone (Zain) Company Limited “Zain Sudan”	Sudan	100%
Kuwaiti Sudanese Holding Company	Sudan	100%
South Sudanese Mobile Telephone (Zain) Company Limited -“Zain South Sudan”	South Sudan	100%
Al Khatem Telecoms Company – “Al Khatem”	Iraq	76%
Atheer Telecom Iraq Limited – “Atheer”	Cayman Islands	76%
Al Mouakhaa Lil Kadamat Al-Logistya Wal Al-Itisalat	Jordan	99.1%
Nexgen Advisory Group FZ LLC- “Nexgen”	UAE	84.66%
Associate		
Mobile Telecommunications Company (“SMTC”)	Saudi Arabia	37.045%
Wana Corporate S.A (associate of a joint venture, Zain Al Ajial S.A)	Morocco	15.5%

Pella owns 100% of Jordan Mobile Telecommunications Services Co. JSC – “JMST”.

JMST, 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.

Zain South Sudan

The Group provides telecom services in South Sudan through Zain South Sudan and is awaiting the issue of a formal telecom license.

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 2017 the fair value of the Group’s investment in Zain, being its quoted market share price on the Kuwait Stock Exchange, amounted to RO 515.85 million.

Oman Telecommunications Company SAOG

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2017

5 Cash and bank balances

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

	Parent Company		Consolidated	
	2017 RO'000	2016 RO'000	2017 RO'000	2016 RO'000
Cash on hand and at banks	70,184	8,456	228,854	10,022
Short-term deposits with banks	3,000	58,500	151,840	58,500
Government certificates of deposits	-	-	302	-
	<u>73,184</u>	<u>66,956</u>	<u>380,996</u>	<u>68,522</u>
Less:				
Cash at bank under lien	-	-	(9,463)	-
Deposits with maturity exceeding three months	(3,000)	(58,500)	(40,852)	(58,500)
Government certificates of deposits with maturities exceeding three months	-	-	(302)	-
	<u>70,184</u>	<u>8,456</u>	<u>330,379</u>	<u>10,022</u>

6 Trade and other receivables

	Parent Company		Consolidated	
	2017 RO'000	2016 RO'000	2017 RO'000	2016 RO'000
Trade receivables:				
Customers	112,471	84,685	332,016	86,291
Distributors	3,310	2,550	14,282	2,550
Other operators (interconnect)	29,917	25,888	64,193	25,888
Roaming partners	2,591	2,514	19,121	2,514
Provision for impairment	(48,684)	(39,506)	(124,281)	(39,625)
	<u>99,605</u>	<u>76,131</u>	<u>305,331</u>	<u>77,618</u>
Other receivables				
Accrued income	140	1,051	4,160	1,051
Staff	2,076	1,088	4,549	1,088
Prepayments, advances and other deposits	17,825	19,534	202,453	18,091
Others (refer note below)	-	-	179,178	-
Provision for impairment	(773)	(773)	(2,051)	(773)
	<u>19,268</u>	<u>20,900</u>	<u>388,289</u>	<u>19,457</u>
	<u>118,873</u>	<u>97,031</u>	<u>693,620</u>	<u>97,075</u>

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.

Oman Telecommunications Company SAOG

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2017

6 Trade and other receivables (continued)

As of 31 December 2017, trade receivables of RO 168.7 million (2016 - RO 30.2 million) were neither past due nor impaired. Trade receivables of RO 136.6 million (2016 - RO 47.6 million) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. These trade receivables are uncollateralised and are due as follows:

	Parent company		Consolidated	
	2017 RO'000	2016 RO'000	2017 RO'000	2016 RO'000
Upto 3 months	21,323	10,800	39,206	10,922
3 – 6 months	10,096	7,288	25,799	7,538
6 - 12 months	9,579	10,031	19,523	10,176
More than 12 months	16,117	18,690	52,014	18,953
	<u>57,115</u>	<u>46,809</u>	<u>136,542</u>	<u>47,589</u>

As of 31 December 2017, trade receivables of RO 124.3 million (2016 – RO 39.6 million) were impaired against which the Group carries a provision of RO 124.3 million (2016 – RO 39.6 million). The individually impaired receivables mainly relate to post-paid customers. It has been assessed that a portion of the impaired receivables is expected to be recovered.

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

	Parent company		Consolidated	
	2017 RO'000	2016 RO'000	2017 RO'000	2016 RO'000
Omani Rial	91,451	69,872	94,442	69,916
Kuwaiti dinar	-	-	154,517	-
US Dollar	27,422	27,159	308,494	27,159
Bahraini Dinar	-	-	24,018	-
Sudanese Pound	-	-	8,319	-
Jordanian Dinar	-	-	23,149	-
Iraqi Dinar	-	-	77,472	-
Others	-	-	3,209	-
	<u>118,873</u>	<u>97,031</u>	<u>693,620</u>	<u>97,075</u>

(ii) The movement in provision for impairment of receivables is as follows:

	Parent Company		Consolidated	
	2017 RO'000	2016 RO'000	2017 RO'000	2016 RO'000
Opening balance	40,279	41,431	40,398	48,469
Acquisition of a subsidiary	-	-	75,703	-
Charge for the year-continuing operations	9,178	2,087	11,805	2,082
Write off during the year	-	(3,129)	(92)	(3,129)
Transfer to Government	-	(110)	-	(110)
Transfer to assets held for sale	-	-	-	(6,914)
Exchange adjustment	-	-	(1,108)	-
Adjustment	-	-	(374)	-
Closing balance	<u>49,457</u>	<u>40,279</u>	<u>126,332</u>	<u>40,398</u>

Oman Telecommunications Company SAOG

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2017

7 Inventories

	Parent Company		Consolidated	
	2017 RO'000	2016 RO'000	2017 RO'000	2016 RO'000
Handsets, accessories and spares	13,590	12,405	60,927	12,406
Provision for inventory obsolescence	(4,344)	(3,066)	(8,527)	(3,066)
	<u>9,246</u>	<u>9,339</u>	<u>52,400</u>	<u>9,340</u>

8 Other financial assets

	Parent Company		Consolidated	
	Current 2017 RO'000	2016 RO'000	Non-current 2017 RO'000	2016 RO'000
Investments at fair value through profit or loss	18,043	27,024	31,850	34,452
Available for sale investment carried at cost	101	-	8,644	2,933
Available for sale investment carried at fair value	-	-	14,376	241
Held to maturity investments	6,000	3,420	3,000	9,000
	<u>24,144</u>	<u>30,444</u>	<u>57,870</u>	<u>46,626</u>
Long term deposits	-	-	-	4,000
	<u>24,144</u>	<u>30,444</u>	<u>57,870</u>	<u>50,626</u>

	Parent company		Consolidated	
	Current 2017 RO'000	2016 RO'000	Non-current 2017 RO'000	2016 RO'000
Investments at fair value through profit or loss	17,067	27,024	31,850	34,452
Available for sale investment carried at cost	101	-	2,566	2,933
Available for sale investment carried at fair value	-	-	239	241
Held to maturity investments	6,000	3,420	3,000	9,000
	<u>23,168</u>	<u>30,444</u>	<u>37,655</u>	<u>46,626</u>
Long term deposits	-	-	-	4,000
	<u>23,168</u>	<u>30,444</u>	<u>37,655</u>	<u>50,626</u>

Investment comprise the following:

	Parent company		Consolidated	
	2017 RO'000	2016 RO'000	2017 RO'000	2016 RO'000
Fund	16,070	17,658	26,009	17,658
Quoted equities	28,441	43,333	33,614	43,333
Unquoted equities	16,312	16,079	22,391	16,079
	<u>60,823</u>	<u>77,070</u>	<u>82,014</u>	<u>77,070</u>

Oman Telecommunications Company SAOG

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2017

8 Other financial assets (continued)

Investment securities are denominated in the following currencies:

	Parent company		Consolidated	
	2017	2016	2017	2016
	RO'000	RO'000	RO'000	RO'000
Omani Rial	30,659	37,201	30,659	37,201
Kuwaiti dinar	-	-	8,021	-
US dollar	26,458	30,954	36,443	30,954
Other currencies	3,706	8,915	6,891	8,915
	<u>60,823</u>	<u>77,070</u>	<u>82,014</u>	<u>77,070</u>

9 Investment in subsidiaries

	Parent company	
	2017	2016
	RO'000	RO'000
Investment in Oztel Holdings SPC Limited (refer note below)	851,728	-
Investment in Oman Data Park LLC	1,650	900
Investment in Omantel France SAS	26	26
Investment in First Issue SAOC	500	500
Internet of Things LLC	864	250
At 31 December	<u>854,768</u>	<u>1,676</u>

This represents amount receivable from Oztel Holdings SPC Limited and was provided to finance the acquisition of shares in Zain group.

10 Other assets - consolidated

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

11 Investment in associated companies

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

	Parent Company		Consolidated	
	2017	2016	2017	2016
	RO'000	RO'000	RO'000	RO'000
Opening balance	3,896	3,896	9,776	9,381
Additions during the year (refer note (b) below)	-	-	327,945	-
Relating to acquisition of a subsidiary	-	-	150,877	-
Other additions	41	-	41	-
Share of results	-	-	4,644	1,172
Share of other comprehensive income of associate companies	-	-	397	-
Foreign currency translation losses	-	-	(4,188)	-
Reclassification of equity interest on acquisition of a subsidiary (refer note 4)	-	-	(330,810)	-
Dividend received	-	-	(932)	(777)
Closing balance	<u>3,937</u>	<u>3,896</u>	<u>157,750</u>	<u>9,776</u>

Oman Telecommunications Company SAOG

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2017

11 Investment in associated companies (continued)

(b) On August 24, 2017, Oztel Holding SPC Limited (SPV) which is wholly owned by the parent company acquired 425.7 million treasury shares representing 9.84% of the share capital in Mobile Telecommunication Company (Zain) at a price of 0.060 Kuwaiti Dinar. The total consideration for the acquisition amounted to RO 326.6 million. The investment was reclassified to Investment in a subsidiary upon acquisition of an additional stake of 12.06% in Zain Group (refer note 4). The Group has recorded share of results of Zain amounting to RO 3.453 million before it was converted to a subsidiary.

(c) Summarised financial information of SMTC

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

As at 31 December 2017 the fair value of the Group's investment in SMTC, being its quoted market share price on the Saudi Stock Exchange, amounted to RO 159.52 million.

Zain group's shareholding and that of the other founding shareholders, in SMTC are pledged to the associate's murabaha lenders as continuing security for the payment and discharge in full by SMTC of the US\$ 2.3 billion syndicated murabaha debt that fully matures in 2018. SMTC is in negotiation with lenders to refinance this facility. Under the murabaha financing agreement, SMTC must also obtain prior written consent of the lenders to declare any dividend or other distribution in cash or in kind to shareholders, modify any shareholder loan agreement or to make any payment under a shareholder loan agreement.

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

	<i>Assets</i>	<i>Liabilities</i>	<i>Revenues</i>	<i>Profit</i>	<i>Percentage</i>
	<i>RO'000</i>	<i>RO'000</i>	<i>RO'000</i>	<i>RO'000</i>	<i>shareholding</i>
31 December 2017					
Oman Fiber Optic Co. SAOG	38,416	21,584	23,660	83	40.96
Infoline LLC	4,581	2,715	10,593	208	45
31 December 2016					
Oman Fiber Optic Co. SAOG	41,878	22,953	29,115	2,536	40.96
Infoline LLC	2,854	1,062	7,198	261	45

12 Interest in a joint venture

This represents the Group's RO 87.6 million interest in the joint venture, Zain Al Ajjal 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 loss for the year in the joint venture amounting to RO 62 thousand has been recognised in the consolidated statement of income. The carrying value of this joint venture and its results for the year are determined by Group management using the equity method based on management information provided by Wana Corporate.

Oman Telecommunications Company SAOG

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2017

13. Due from an associate

	2017 RO'000	2016 RO'000
Loans	335,491	-
Others	185,954	-
	<u>521,445</u>	<u>-</u>

These amounts are due from SMTC and are subordinated to its borrowings from banks (refer note 11(c)). The loans comprise a US\$ loan of US\$ 764.261 million (RO 294.4 million) and KD 36.839 million (RO 46.2 million) with an effective interest rate of 6.75% and 4.25% per annum over six and three months Saudi Inter-Bank Offered Rate (SIBOR) respectively. Others include management fees and interest due on the loans.

14 Property, plant and equipment

Consolidated

	Land, building and leasehold improvements RO'000	Telecommunications and other equipment RO'000	Capital work- in- progress RO'000	Total RO'000
Cost				
1 January 2017	77,532	1,110,125	72,209	1,259,866
Acquisition of a subsidiary (note 4)	93,525	1,937,546	119,605	2,150,676
Additions	7,068	15,361	182,717	205,146
Transfers	4,499	167,849	(172,348)	-
Transfers to other assets	-	-	(2,701)	(2,701)
Disposals	-	(29,303)	(2,171)	(31,474)
Impairment (note 33)	-	(20,069)	(2,083)	(22,152)
Exchange adjustment	(4,110)	(47,436)	(7,665)	(59,211)
31 December 2017	<u>178,514</u>	<u>3,134,073</u>	<u>187,563</u>	<u>3,500,150</u>
Depreciation				
1 January 2017	47,576	695,611	-	743,187
Acquisition of a subsidiary (note 4)	31,361	1,171,029	-	1,202,390
Charge for the year	4,134	124,905	-	129,039
Impairment (note 33)	-	(1,496)	-	(1,496)
Disposals	-	(13,347)	-	(13,347)
Exchange adjustment	(530)	(27,324)	-	(27,854)
31 December 2017	<u>82,541</u>	<u>1,949,378</u>	<u>-</u>	<u>2,031,919</u>
Net book value				
At 31 December 2017	<u>95,973</u>	<u>1,184,695</u>	<u>187,563</u>	<u>1,468,231</u>

Oman Telecommunications Company SAOG

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2017

14 Property, plant and equipment (continued)

Consolidated (continued)

	Land, building and leasehold improvements RO'000	Telecommunications and other equipment RO'000	Capital work- in- progress RO'000	Total RO'000
Cost				
1 January 2016	80,802	1,050,936	68,437	1,200,175
Additions	-	6,257	156,293	162,550
Transfers	1,596	145,868	(147,464)	-
Transfer to other assets	-	-	(5,057)	(5,057)
Adjustment	(4,866)	6,303	-	1,437
Disposals/write-off	-	(99,239)	-	(99,239)
31 December 2016	77,532	1,110,125	72,209	1,259,866
Depreciation				
1 January 2016	45,293	691,590	-	736,883
Charge for the year	3,738	90,577	-	94,315
Adjustment	(1,455)	2,892	-	1,437
Disposals/write-off	-	(89,448)	-	(89,448)
31 December 2016	47,576	695,611	-	743,187
Net book value				
At 31 December 2016	29,956	414,514	72,209	516,679

Parent - movement in property, plant and equipment

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

During the year, the Parent Company had reassessed the useful life of Mobile Core & Access assets from 5 to 8 years based on an internal technical evaluation. The resultant savings in depreciation amounted to RO 2.8 million.

Oman Telecommunications Company SAOG

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2017

14 Property, plant and equipment (continued)

	Land, building and leasehold improvements RO'000	Telecommunications and other equipment RO'000	Capital work- in- progress RO'000	Total RO'000
Cost				
1 January 2016	80,802	1,043,677	68,022	1,192,501
Additions	-	5,918	153,366	159,284
Transfers	1,596	145,145	(146,741)	-
Reclassification	(4,866)	6,303	-	1,437
Transfers to other assets	-	-	(4,987)	(4,987)
Disposals	-	(99,239)	-	(99,239)
31 December 2016	77,532	1,101,804	69,660	1,248,996
Depreciation				
1 January 2016	45,293	690,185	-	735,478
Charge for the year	3,738	89,837	-	93,575
Reclassification	(1,455)	2,892	-	1,437
Disposals	-	(89,448)	-	(89,448)
31 December 2016	47,576	693,466	-	741,042
Net book value as at 31 December 2016	29,956	408,338	69,660	507,954

15 Intangible assets and provisional goodwill Consolidated

	Provisional goodwill RO'000	Licenses RO'000	Others RO'000	Total RO'000
Cost				
At 1 January 2016	-	62,538	22,261	84,799
Addition during the year	-	-	4,922	4,922
Adjustment	-	-	(1,203)	(1,203)
Disposals	-	-	(12)	(12)
At 31 December 2016	-	62,538	25,968	88,506
At 1 January 2017	-	62,538	25,968	88,506
Acquisition of a subsidiary (note 4)	611,254	842,680	214,207	1,668,141
Addition during the year	-	-	6,112	6,112
Write off	-	-	(23,940)	(23,940)
Exchange adjustment	(12,995)	(19,674)	(4,163)	(36,832)
At 31 December 2017	598,259	885,544	218,184	1,701,987
Amortisation				
At 1 January 2016	-	37,871	18,303	56,174
Charge for the year	-	5,655	2,798	8,453
Disposal	-	-	(12)	(12)
Adjustment	-	(5)	(1,198)	(1,203)
At 31 December 2016	-	43,521	19,891	63,412
At 1 January 2017	-	43,521	19,891	63,412
Acquisition of a subsidiary (note 4)	-	479,303	166,513	645,816
Charge for the year	-	15,821	6,869	22,690
Write off	-	-	(23,940)	(23,940)
Exchange adjustment	-	(7,912)	(3,214)	(11,126)
At 31 December 2017	-	530,733	166,119	696,852
Net book value				
At 31 December 2017	598,259	354,811	52,065	1,005,135
At 31 December 2016	-	19,017	6,077	25,094

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2017

15 Intangible assets and goodwill-consolidated (continued)

Impairment test for Goodwill

At the time the financial statements were authorised for issue the Group had not completed the accounting for the acquisition of Zain Group. The initial accounting for the business combination and goodwill is provisional due to its complexity and will be adjusted retrospectively when the final purchase price allocation is completed during the one year measurement period from the acquisition date. The acquisition was recently completed by the Parent Company based on independent valuation performed by the consultants engaged by the Company. Management has assessed that the goodwill cannot be reliably allocated among the CGU's and there are no indicators of an impairment on the provisional goodwill accounted.

Parent - Intangible assets

	<i>License RO'000</i>	<i>Others RO'000</i>	<i>Total RO'000</i>
Cost			
At 1 January 2016	62,538	21,505	84,043
Additions	-	4,852	4,852
Reclassification	-	(1,203)	(1,203)
Disposal	-	(12)	(12)
At 31 December 2016	<u>62,538</u>	<u>25,142</u>	<u>87,680</u>
At 1 January 2017	62,538	25,142	87,680
Additions	-	2,572	2,572
At 31 December 2017	<u>62,538</u>	<u>27,714</u>	<u>90,252</u>
Amortisation			
At 1 January 2016	37,876	18,062	55,938
Charge for the year	5,655	2,598	8,253
Reclassification	(5)	(1,198)	(1,203)
Disposal	-	(12)	(12)
At 31 December 2016	<u>43,526</u>	<u>19,450</u>	<u>62,976</u>
At 1 January 2017	43,526	19,450	62,976
Charge for the year	5,614	3,200	8,814
Disposal	-	-	-
At 31 December 2017	<u>49,140</u>	<u>22,650</u>	<u>71,790</u>
Net book value			
At 31 December 2017	<u>13,398</u>	<u>5,064</u>	<u>18,462</u>
31 December 2016	<u>19,012</u>	<u>5,692</u>	<u>24,704</u>

Oman Telecommunications Company SAOG

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2017

16 Trade and other payables

	Parent Company		Consolidated	
	2017 RO'000	2016 RO'000	2017 RO'000	2016 RO'000
Trade payables and accruals	128,276	99,361	583,220	103,901
Deferred revenue	26,478	29,481	86,394	29,481
Due to roaming partners	2,519	3,164	28,674	3,164
Due to other operators	8,318	5,349	21,817	5,349
Dues to regulatory authorities	25,566	33,902	30,612	33,902
Tax payable (note 23)	2,754	15,903	51,505	15,903
Dividend payable	-	-	16,365	-
Provisions	-	-	3,445	-
Other payables	12,578	10,072	32,729	10,482
	<u>206,489</u>	<u>197,232</u>	<u>854,761</u>	<u>202,182</u>

17 Borrowings

	Parent Company		Consolidated	
	2017 RO '000	2016 RO '000	2017 RO '000	2016 RO '000
Parent company (ii)				
Short term loans	554,010	-	554,010	-
Long term loans	313,037	-	313,037	-
Oman Data Park				
Long term loan	-	-	7,199	7,375
Bank overdraft	-	-	427	489
Finance lease obligations	-	-	276	307
Mobile Telecommunications Company-Kuwait (iii)				
Short term loans	-	-	138,639	-
Long term loan	-	-	780,037	-
Zain Bahrain (iv)				
Long term loan	-	-	1,883	-
Atheer – Iraq (v)				
Long term loan	-	-	170,847	-
	<u>867,047</u>	<u>-</u>	<u>1,966,355</u>	<u>8,171</u>

The current and non-current amounts are as follows:

	Parent Company		Consolidated	
	2017 RO'000	2016 RO'000	2017 RO'000	2016 RO'000
Current	601,393	-	854,934	2,431
Non-current	265,654	-	1,111,421	5,740
	<u>867,047</u>	<u>-</u>	<u>1,966,355</u>	<u>8,171</u>

Oman Telecommunications Company SAOG

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2017

17 Borrowings (continued)

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

	Parent Company		Consolidated	
	2017 RO'000	2016 RO'000	2017 RO'000	2016 RO'000
Dollar	867,047	-	1,916,294	-
Kuwaiti Dinar	-	-	40,276	-
Omani Rial	-	-	7,904	8,171
Others	-	-	1,881	-
	<u>867,047</u>	<u>-</u>	<u>1,966,355</u>	<u>8,171</u>

The annual effective interest rate as at 31 December 2017 was in the range of between 2.01% to 12.00% (2016 –5% to 12.7%).

(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) Parent company

- During the year, the Parent Company acquired a bridge loan facility and term loan of USD 1,450 million and USD 800 million respectively from a consortium of banks for the purpose of financing the acquisition of shares in Mobile Telecommunication Company (Zain Group). The bridge loan facility is drawn down in two separate facilities and is payable within a period of one year from the date of signing and can be extended for another two six months terms. The term loan is payable in five equal annual installments for an amount of 15% of the principal amount and the remaining amount of 25% is payable at the end of the term loan period. The loan is secured by way of a pledged on the acquired shares. The first interest period for the loan is set at 8 months from the date of drawdown and thereafter at a 3 month period till the date of repayment. The Company intends to refinance its bridge loan through long term debt capital instrument.
- Loan term loans comprise an outstanding balance of RO 12.3 million from National Bank of Oman and is repayable in 16 quarterly instalments commencing from 30 September 2017. The loan is unsecured.

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

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

(iv) Zain – Bahrain

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

(v) Atheer

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

Oman Telecommunications Company SAOG

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2017

18 Other liabilities

	Parent Company		Consolidated	
	2017 RO'000	2016 RO'000	2017 RO'000	2016 RO'000
Customer deposits	5,479	5,196	12,465	5,196
Post-employment benefits	4,476	4,426	32,063	4,478
Refundable deposits and others	608	-	14,371	-
	<u>10,563</u>	<u>9,622</u>	<u>58,899</u>	<u>9,674</u>

19 Share capital and reserves

The share capital comprises 750,000,000 (31 December 2016: 750,000,000) authorised and issued, ordinary shares of RO 0.100 (31 December 2016: RO 0.100) each fully paid. Shareholders of the Parent Company who own not less than 10% of the Parent Company's shares at reporting date are as follows:

	31 December 2017		31 December 2016	
	Shares held	%	Shares held	%
United International Telecommunication Investment & Projects LLC	382,500,345	51.00	-	-
Oman Investment Fund	-	-	414,225,000	55.23

The directors have recommended a dividend of RO 0.050 per share amounting to RO 37.5 million which is subject to approval of shareholders in the Annual general Meeting.

For the year 2016, a final cash dividend of RO 0.070 per share (2015: RO 0.060 per share) amounting to RO 52.50 million (2015: RO 45 million) was approved by the shareholders at the annual general meeting held on 30 March 2017.

An interim cash dividend of RO 0.020 per share (30 June 2016: RO 0.040) amounting to RO 15 million (30 June 2016: RO 30 million) was approved by the Board of Directors on 7 August 2017.

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 122,210 was transferred to the Investor's Trust fund (2016: RO 80,748)

Legal reserve

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

Voluntary reserve

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

Capital contribution

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

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

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

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

Oman Telecommunications Company SAOG

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2017

19 Share capital and reserves (continued)

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

Hedge reserve

The hedging reserve is used to record gains or losses on derivatives that are designated and qualify as cash flow hedges and that are recognised in comprehensive income as described in note 30. Amounts are reclassified to statement of income when the associated hedged item affects statement of income.

20 Revenue

	Parent company		Consolidated	
	2017 RO'000	2016 RO'000	2017 RO'000	2016 RO'000
Airtime, data and subscription	515,030	506,394	715,088	511,072
Trading revenue	12,485	8,664	36,637	8,279
	<u>527,515</u>	<u>515,058</u>	<u>751,725</u>	<u>519,351</u>

21. Operating and administrative expenses

This includes staff costs of RO 86.4 million (2016 – RO 68.98 million). At parent company this includes staff costs of RO 68.9 million (2016 – RO 67.94 million).

22 Investment income

	Parent company		Consolidated	
	2017 RO'000	2016 RO'000	2017 RO'000	2016 RO'000
Fair value gain on investments at fair value through profit and loss	482	1,151	420	1,151
Realised loss on investments at fair value through profit or loss	(63)	(1,069)	(63)	(1,069)
Realised gain on available for sale investments	-	-	(70)	-
Impairment loss on available for sale investment	-	-	435	-
Dividend income	2,327	2,210	1,394	1,433
	<u>2,746</u>	<u>2,292</u>	<u>2,116</u>	<u>1,515</u>

23 Taxation

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

(a) The tax charge for the year for continuing operations comprises:

	Parent Company	
	2017 RO'000	2016 RO'000
Current taxation	2,747	15,898
Deferred taxation	9,020	276
	<u>11,767</u>	<u>16,174</u>

Oman Telecommunications Company SAOG

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2017

23 Taxation (continued)

(b) The reconciliation of tax on the accounting profit with the taxation charge in the statement of income is as follows:

Tax on accounting profit	12,359	16,038
Add / (less) tax effect of:		
Expenses not deductible	1,750	345
Income not subject to tax	11	(209)
Change in tax rate	(2,353)	-
Tax charge as per statement of income	11,767	16,174

(c) Status of tax assessments

Assessments have been completed up to the taxable year 2014 for the Parent Company. The tax rate applicable to the Parent Company is 15% (2016 – 12%). Further, management is not aware and does not expect any additional tax liabilities to be incurred relating to open tax years.

Assessments of the subsidiaries are at various stages of completion.

(d) The net deferred tax (asset) / liability and deferred tax charge / (credit) in the statement of income are attributable to the following items set out below:

	1 January 2017 RO'000	Impact of change in tax rate RO '000	Others RO '000	Charged / (credited) to statement of income RO '000	31 December 2017 RO '000
Temporary differences					
Provision for impaired receivables	(2,843)	(711)	-	(1,377)	(4,931)
Provision for inventory obsolescence	(40)	(10)	-	(192)	(242)
Fair value gain on investments	583	146	-	214	943
Disposal / impairment of investment in subsidiary	(11,361)	(2,840)	-	14,201	-
Depreciation and amortisation	4,865	1,216	-	(1,473)	4,608
Licence amortisation	(615)	(154)	297	-	(472)
	<u>(9,411)</u>	<u>(2,353)</u>	<u>297</u>	<u>11,373</u>	<u>(94)</u>

	1 January 2016 RO'000	Charged / (credited) to statement of income RO '000	Others RO '000	31 December 2016 RO '000
Temporary differences				
Provision for impaired receivables	(2,968)	125	-	(2,843)
Provision for inventory obsolescence	(115)	75	-	(40)
Fair value gain on investments	490	93	-	583
Disposal / impairment of investment in subsidiary	(11,252)	(109)	-	(11,361)
Depreciation and amortisation	4,773	92	-	4,865
Licence amortisation	-	-	(615)	(615)
	<u>(9,072)</u>	<u>276</u>	<u>(615)</u>	<u>(9,411)</u>

Oman Telecommunications Company SAOG

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2017

24 Basic and diluted earnings per share

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

	2017	2016
Profit for the year attributable to parent company (RO'000)	79,717	116,671
Weighted average number of shares outstanding (Nos)	750,000,000	750,000,000
Basic and Diluted earing per share (RO)	0.106	0.156

25 Related parties

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

Consolidated

Transactions

	2017	2016
	RO '000	
Revenue	901	10
Purchase of goods and services	14,048	10,289
Management fee (included in other income)	839	-
Dividend income from associate	932	777
Interest income on loans to an associate	4,768	-
Key management compensation		
Salaries and other short term employee benefits	1,066	2,343
Post-employment benefits	78	101
Director's remuneration	573	210
Balances		
Trade receivables	20,769	96
Trade payables	14,442	1,201

Parent Company

	2017	2016
	RO '000	
Revenue	436	480
Purchase of goods and services	14,048	10,633
Dividend income from associate	932	777
Interest income on loans to an associate	-	-
Key management compensation		
Salaries and other short term employee benefits	1,066	2,343
Post-employment benefits	78	101
Director's remuneration	200	200
Balances		
Trade receivables	1,626	1,181
Trade payables	1,843	1,112

Oman Telecommunications Company SAOG

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2017

26 Commitments

(a) Commitments

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

	Parent company		Consolidated	
	2017 RO'000	2016 RO'000	2017 RO'000	2016 RO'000
Capital Commitment	109,424	99,678	156,741	99,678
Capital commitments - share of associates	-	-	76,299	-
Uncalled share capital of investee companies	-	-	5,876	-
Letters of guarantee	-	13	570,424	1,327
Investments	4,141	5,153	4,141	5,153

The above includes guarantees amounting to RO 497 million provided by Zain Group relating to Loans availed by SMTC.

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

(b) Claims

(i) Parent company

The Parent Company during FY 2015 received demand notice amounting to RO 4.4 million from the TRA towards additional royalty payable for the prior years on certain categories of wholesale revenue. The Parent Company has paid RO 1.7 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

- In 2011, the Communications and Media Commission (CMC) claimed an amount of US\$ 100 million (RO 37.8 million) from Atheer, citing non-compliance with certain license terms. This claim was resolved in favor of Atheer during the second quarter of 2015. However, in March 2016, the Executive Director of the CMC filed a complaint with the Hearing Panel of the CMC claiming US\$ 100 million (RO 37.8 million) relating to the matter which had been ruled in favor of Atheer by the Appeals Board of the CMC on three previous occasions. On 13 July 2016, the Hearing Panel of the CMC issued a decision in favor of CMC. On 8 September 2016, Atheer filed an appeal against this decision with the CMC Appellate Panel. On 15 January 2017, the CMC Appeals Board issued a decision in favor of CMC. Atheer challenged this decision of the CMC Appeals Board in the Court of First Instance arguing that the provisions of Order No. 65 (governing telecom activities in Iraq), that immunises CMC Appeals Board decisions from being appealed or challenged, is unconstitutional. Atheer also requested the Court to issue an order preventing the CMC from collecting the amount of claim or enforcing the CMC Appeals Board decision until the matter is decided by the Court. The Court of First Instance issued orders in February and April 2017 to stop any enforcement proceedings by the CMC to collect the amount of claim until the case is decided by the Court. On 27 April 2017, the Court of First Instance issued a decision in favor of CMC. In May 2017, Atheer filed an appeal with the Court of Appeals against this decision. In November 2017, the Court of Appeals issued a decision in favor of Atheer. However, CMC challenged such decision by filing an appeal with the Court of Cassation which issued a decision on 15 November 2017 reversing the decision of the Court of Appeals and returning the file to the Court of Appeals for a decision. On 28 December 2017, the Court of Appeals issued a decision which upheld the decision of Court of First Instance dated 27 April 2017. Atheer filed a challenge to this decision with the Court of Cassation on 11 January 2018. Based on the report of its attorneys, Atheer believes that the prospects of resolving this matter is in its favor.
- In November 2016, Atheer signed an agreement with Iraq's Ministry of Finance as follows:
 - In connection with the additional corporate income tax for the years 2004 to 2010 of US\$ 244 million (RO 92.35 million) claimed by the Iraq General Commission for Taxes (IGCT), Atheer would have the right to submit its objection to the income tax claimed by the Income Tax Authority for the years from 2004 to 2010, and to pay minimum 25% of the amount claimed and the balance US\$ 173 million (RO 65.5 million) in fifty equal monthly instalments from December 2016, net of amount already paid. Atheer would reserve the right to file an objection for each of these years;
 - Atheer to settle the capital gains tax claim for US\$ 93 million (RO 35.2 million) which is 50% of the original claim based on Iraq's Council of Ministers approval in November 2016;
 - The block on Atheer's bank accounts and the lien on part of Group's share in Al Khatem would be released.

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2017

26 Commitments (continued)

- Atheer paid the amounts agreed in December 2016 and secured the release of the block on its bank accounts and the lien on Group's shares in Al Khatem. Atheer submitted its objections against the US\$ 244 million (RO 92.4 million) tax claim in November 2016 objecting to the full amount of the claim. As of 31 December 2017, Atheer has an obligation to pay the balance of US\$ 128 million equivalent to RO 48.5 million net of previous payments in thirty seven instalments.

In May 2017, IGCT issued its decision rejecting the objections for the above years without stating any reasons. On 7 June 2017, Atheer filed appeals against IGCT decisions with the Appeal Committee at IGCT. On 9 November 2017, the Appeal Committee issued a decision with respect to years 2004-2007 rejecting Atheer's appeals by mainly arguing that Atheer did not have the right to file the original objections in November 2016, which implies that the Appeal Committee did not recognise the settlement agreed with the Ministry of Finance. On 21 December 2017, the Appeal Committee issued a decision with respect to years 2008-2010 rejecting Atheer's appeals on the basis that while Atheer had filed the objections on time but it did not pay the requisite amounts that are required under the law for the objections to be deemed properly filed, which again implies that the Appeal Committee did not recognise the settlement agreed with the Ministry of Finance. On 21 November 2017, Atheer filed a further appeal with the Cassation Committee at the IGCT with respect to years 2004-2007, and further filed similar appeals with the Cassation Committee on 2 January 2018 for the years 2008-2010. In the last week of January, the Cassation Committee concluded that the Appeals Committee erred in dismissing Atheer's appeals on the grounds that is cited formally, and instructed the Appeals Committee to reconsider Atheer's appeals on the merits because the Cassation Committee found that as the agreement with Ministry of Finance was not invalid and, therefore, Atheer had the right to file the objections. Based on the report of its attorneys, the Group expects a favorable outcome to these appeals.

- Pella is a defendant in lawsuits amounting to RO 15.65 million. Pella has initiated legal proceedings against claims by regulatory authorities amounting to RO 11.9 million for the years 2002 - 2005 on the grounds that it has already paid the regulatory amount that it was obligated to pay for those years. Pella has also initiated legal proceedings against the regulatory authorities claiming refund of excess license fee paid amounting to RO 14.9 million of earlier years. Based on the report of its attorneys, the Group believes that the prospects of resolving these matters is in its favor.

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.

Oman Telecommunications Company SAOG

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2017

27 Subsidiaries with significant non-controlling interests

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

	<u>2017</u>
	<u>RO'000</u>
Current assets	931,914
Non-current assets	2,872,916
Current liabilities	896,688
Non-current liabilities	889,377
Equity attributable to:	
- Owners of the Company	1,820,594
- Non-controlling interests	198,171
Revenue	1,286,130
Profit for the year	205,062
Other comprehensive income	(114,582)
Total comprehensive income	<u>90,480</u>
Total comprehensive income attributable to:	
- Company's shareholders	87,449
- Non-controlling interests	3,031
	<u>90,480</u>
Net cash flow from operating activities	314,137
Net cash flow from/(used) in investing activities	(162,607)
Net cash flow from/(used) in financing activities	(108,016)
Net (decrease)/increase in cash flows	43,514

28 Financial risk management

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

	Parent		Consolidated	
	2017	2016	2017	2016
	RO'000	RO'000	RO'000	RO'000
Cash and Bank balances	73,184	66,956	380,996	68,522
Trade and other receivables	118,873	97,031	693,620	97,075
Other financial assets	60,823	81,070	82,014	81,070
Dues from associates	-	-	521,445	-
Other assets	-	-	15,500	-
	<u>252,880</u>	<u>245,057</u>	<u>1,693,575</u>	<u>246,667</u>

All financial liabilities as of 31 December 2017 and 31 December 2016 are categorised as 'other than at fair value through profit or loss'.

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2017

28 Financial risk management (continued)

Financial risk factors

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

(i) Market risk

Foreign currency risk

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

Parent company

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

Subsidiaries

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

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

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

	Consolidated	
	2017	2016
	RO'000	RO'000
USD	18,203	-
EURO	41	-
SAR	1,763	-

Oman Telecommunications Company SAOG

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2017

28 Financial risk management (continued)

Equity price risk

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

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

	2017		2016	
	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	1,471	1,915	2,166	2,166

Cash flow and fair value interest rate risk

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

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

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

Parent company

At 31 December 2017, 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 0.872 million (2016-Nil).

Consolidated

At 31 December 2017, 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 5.6 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 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. The Group considers the credit quality of amounts that are neither past due nor impaired to be high.

For more information refer to Notes 5, 6, 13.

Oman Telecommunications Company SAOG

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2017

29 Liquidity risk

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

The Group has committed to provide working capital and other financial support to some of its affiliates (refer note 4 (v)). Other than cash and bank balance of RO 20 million equivalent held in Sudanese pounds and RO 1.27 million held in South Sudanese pounds, all other cash and bank balance are maintained in freely convertible currencies.

The following are the contractual maturities of financial liabilities:

Consolidated	Contract				
	Amount	0-1 year	1-2 year	2-5 years	More 5
	RO'000	RO'000	RO'000	RO'000	years
					RO'000
2017					
Borrowings	2,134,080	922,256	275,301	769,084	167,439
Trade and other payables	682,806	681,575	252	379	600
Customer deposits	9,698	-	6,406	-	3,292
Refundable deposits and others	787	-	787	-	-
2016					
Borrowings	8,906	2,794	2,169	3,943	-
Trade and other payables	122,390	122,390	-	-	-
Customer deposits	5,702	-	5,702	-	-
Parent Company					
	Contract				
	Amount	0-1 year	1-2 year	2-5 years	More 5
	RO'000	RO'000	RO'000	RO'000	years
					RO'000
2017					
Borrowings	937,541	626,508	68,998	242,035	-
Trade and other payables	151,691	151,691	-	-	-
Customer deposits	5,479	-	5,479	-	-
Refundable deposits and others	608	-	608	-	-
2016					
Borrowings	-	-	-	-	-
Trade and other payables	151,354	151,354	-	-	-
Customer deposits	5,702	-	5,702	-	-

As at the reporting date, the net current liabilities of the Group amounted to RO 558.53 million primarily due to financing the acquisition of Zain with a bridge loan and term loan facility. The management does not consider this as increasing the liquidity risk in view of subsequent take out of the facility through a long term loan facility and/or capital instrument. Accordingly, management do not foresee any difficulty in meeting the terms of liabilities as they fall due.

Oman Telecommunications Company SAOG

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2017

30 Derivative financial instruments

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

The table below shows the positive and negative fair values of derivative financial instruments, together with the notional amounts analysed by the term to maturity. The notional amount is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured.

The notional amounts indicate the volume of transactions outstanding at the year end and are not indicative of either market or credit risk. All derivative contracts are fair valued based on observable market data.

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

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

31 Capital risk management

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

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

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

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

	2017 RO'000	2016 RO'000
Total borrowings	1,966,355	8,171
Less: Cash and cash balance	(380,996)	(68,522)
Net Debt	1,585,359	(60,351)
Total equity	1,597,827	546,701
Total capital	3,183,186	486,350
Gearing Ratio	49.8%	-

Oman Telecommunications Company SAOG

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2017

32 Fair value of financial instruments

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

2017	Level 1	Level 2	Level 3	2017
	RO'000	RO'000	RO'000	RO'000
Financial assets at fair value				
Investments at fair value through profit or loss	20,417	22,291	7,185	49,893
Available-for-sale investments at fair value	4,197	10,179	-	14,376
	<u>24,614</u>	<u>32,470</u>	<u>7,185</u>	<u>64,269</u>
2016				
Financial assets at fair value				
Investments at fair value through profit or loss	27,024	27,951	6,501	61,476
Available-for-sale investments at fair value	-	241	-	241
	<u>27,024</u>	<u>28,192</u>	<u>6,501</u>	<u>61,717</u>

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

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

33 Adjustments relating to hyperinflationary economies

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

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

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

	<u>Index</u>	<u>Conversion factor</u>
31 December 2017	4,502	1.0
31 October 2017	4127	1.1

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

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

33 Adjustments relating to hyperinflationary economies (continued)

ii) Zain group's subsidiary in Republic of Sudan.

In 2015, the Zain 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 Zain group noted that in the 2014 International Monetary Fund (IMF) Sudan country report, the cumulative projected three year inflation rate outlook for Sudan in 2016 to be around 57% and thus, applying IAS 29 in 2015, could entail going in and out of hyperinflation within a short period. Based on the above matters, the Group concluded that there was no definitive basis to apply IAS 29 at that time. Zain's group's 2017 financial statements carry a qualified audit opinion relating to this matter. Omantel acquired control over Zain group during November 2017 and, in the absence of sufficient information, is unable to quantify the impact of non-implementation of IAS 29: Financial Reporting in Hyperinflationary Economies from its acquisition date of Zain group in the consolidated financial statements.

34 Significant accounting judgements and estimates

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

Judgments

Assessment of control

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

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.

Contingent liabilities/liabilities

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

34 Significant accounting judgements and estimates (continued)

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%.

Classification of investments

On acquisition of an investment, management has to decide whether it should be classified as “at fair value through profit or loss”, “available for sale” or as “loans and receivables”. In making that judgment the Group considers the primary purpose for which it is acquired and how it intends to manage and report its performance. Such judgment determines whether it is subsequently measured at cost or at fair value and if the changes in fair value of instruments are reported in the statement of profit or loss or directly in equity.

Impairment

When there is a significant or prolonged decline in the value of an “available for sale” quoted investment security management uses objective evidence to judge if it may be impaired. At each statement of financial position date, management assesses, whether there is any indication that non-financial assets may be impaired. The determination of impairment requires considerable judgment and involves evaluating factors including, industry and market conditions. Management exercises judgment as to when a restatement of the financial statements of a Group entity becomes necessary.

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.

Accounts receivable

The Group estimates an allowance for doubtful receivables based on past collection history and expected cash flows from debts that are overdue.

Tangible and intangible assets

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

Taxes

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

Oman Telecommunications Company SAOG

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2017

34 Significant accounting judgements and estimates (continued)

Taxes (continued)

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

Impairment of non-financial assets

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

35 Segment reporting

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

The Parent Company has recently completed its acquisition of Zain group and based on the disclosure criterion under IFRS 8, the Group has identified its operations in Oman and its subsidiary Zain group as the basis for disclosing its segment information.

	31 December 2017			
	Oman	Zain group	Others	Total
	RO'000	RO'000	RO'000	RO'000
Segment revenues	527,515	219,514	4,696	751,725
Segment result before depreciation and amortisation	207,944	60,525	1,474	269,943
Depreciation and amortisation	(115,163)	(35,587)	(979)	(151,729)
Less: Finance cost	(814)	(18,855)	(381)	(20,050)
Segment result	<u>91,967</u>	<u>6,083</u>	<u>114</u>	<u>98,164</u>
Unallocated items:				
Interest income				11,250
Investment income				2,116
Share of results of associates and joint ventures				4,581
Profit from continuing operations before tax				<u>116,111</u>
Taxation				(8,985)
Profit for the year from continued operations				<u><u>107,126</u></u>

Oman Telecommunications Company SAOG

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2017

35 Segment reporting

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

	<i>Oman</i> <i>RO'000</i>	<i>Zain group</i> <i>RO'000</i>	<i>Others</i> <i>RO'000</i>	<i>Unallocated</i> <i>items</i>	<i>Total</i> <i>RO'000</i>
Assets	753,313	2,869,486	6,791	848,252	4,477,842
Liabilities	217,052	2,653,172	9,791	-	2,880,015
Capital expenditures	143,428	63,327	1,802	-	208,577
			<i>31 December 2016</i>		
	<i>Oman</i> <i>RO'000</i>	<i>Zain group</i> <i>RO'000</i>	<i>Others</i> <i>RO'000</i>	<i>Unallocated</i> <i>items</i>	<i>Total</i> <i>RO'000</i>
Segment revenues	515,058	-	-	4,293	519,351
Segment result before depreciation and amortisation	231,129	-	-	942	232,071
Less: Depreciation and amortisation	(101,828)	-	-	(940)	(102,768)
Less: Finance cost	-	-	-	(1,295)	(1,295)
Segment result	129,301	-	-	(1,293)	128,008
Unallocated items:					
Interest income					2,991
Investment income					1,515
Share of results of associates					1,172
Profit from continuing operations before tax					133,686
Taxation					(16,174)
Profit for the year from continued operations					117,512

The segment assets and liabilities at 31 December 2016 and capital expenditures for the year ended are as follows:

	<i>Oman</i> <i>RO'000</i>	<i>Zain group</i> <i>RO'000</i>	<i>Others</i> <i>RO'000</i>	<i>Unallocated</i> <i>items</i> <i>RO'000</i>	<i>Total</i> <i>RO'000</i>
Assets	720,576	-	5,545	99,982	826,103
Liabilities	206,854	-	13,173	-	220,027
Capital expenditures	164,137	-	4,010	-	168,147

Oman Telecommunications Company SAOG

NOTES TO THE FINANCIAL STATEMENTS

As at 31 December 2017

36 Comparative figures

Figures for previous year are not comparable with the current year on account of acquisition during the year (refer note 4). The details regarding the reclassification are set out below:

	Parent Company	Consolidated
	RO'000	RO'000
<u>Statement of income</u>		
Revenue	519,297	523,590
Cost of content services	(4,239)	(4,239)
	515,058	519,351
Cost of sales		
Cost of content services	385	385
Roaming operator services	5,472	5,472
Interconnection expense	13,937	13,937
External administration expense	34,731	34,731
Factoring, collection and distribution fees	22,291	22,291
Royalty	33,914	33,914
Operations and maintenance	24,141	24,141
	134,871	134,871
Operating and administrative expenses		
Marketing & Advertising expenses	8,346	8,361
Staff Cost	67,946	68,975
Operations and maintenance	57,013	57,093
Administrative expense	11,116	11,441
Annual License fee and regulatory charges	4,375	4,375
	148,796	150,245
Allocation of operation and maintenance		
Cost of Sales	24,141	24,141
Operating and administrative expenses	57,013	57,093
	81,154	81,234
<u>Statement of financial position</u>		
Current Assets		
Cash and cash equivalent		
Cash and cash equivalent	8,456	10,022
Other financial assets	58,500	58,500
	66,956	68,522
Trade and other receivables		
Trade and other receivables	86,683	86,594
Prepayment	10,348	10,481
	97,031	97,075
Non-current assets		
Other assets		
Deferred tax	9,411	9,411
Allocation of financial assets		
Cash and cash equivalent	58,500	58,500
Other financial assets	30,444	30,444
	88,944	88,944
Current liabilities		
Trade and other payables		
Trade and other payables	147,426	152,375
Royalty	33,903	33,903
Taxation	15,903	15,904
	197,232	202,182
Non-current liabilities		
Other liabilities		
Retirement benefits obligation	4,426	4,477
Trade and other payable	5,196	5,197
	9,622	9,674
Allocation of trade payables		
Trade and other payables	147,426	152,375
Other liabilities	5,196	5,197
	152,622	157,572