1. LEGAL STATUS AND PRINCIPAL ACTIVITIES

Omani Qatari 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. In accordance with Royal Decree 17/2005, effective 19 February 2005, the Company was granted a licence to provide mobile telecommunication services in the Sultanate of Oman for a period of 15 years ending 18 February 2020.

In accordance with Royal Decree 34/2009, effective 6 June 2009, the Company was also awarded a licence to provide fixed line telecommunication services in the Sultanate of Oman for a period of 25 years. The Company’s activities under this licence will be installation, operation, maintenance and exploitation of fixed public telecommunications systems in the Sultanate of Oman.

The Company's current principal activities are the operation, maintenance and development of mobile and fixed telecommunications services in the Sultanate of Oman.

The Company is a subsidiary of MENA Investcom S.P.C. (formerly known as Qtel MENA Investcom S.P.C) whose registered address is Building no. 247, Road 1704, Block 317, Manama, Kingdom of Bahrain. The ultimate parent of the Company is Ooredoo Q.P. S.C. (formerly known as Qatar Telecom (Qtel) QSC) whose registered address is P.O. Box 217, Doha, Qatar.

In accordance with the requirements of the Company’s mobile licence, the Company proceeded with initial public offering (IPO). The promoting shareholders at the Company’s Extraordinary General Meeting held on 7 March 2010 approved the conversion of the Company from a Closed Joint Stock Company (SAOC) to a Public Joint Stock Company (SAOG) by offering their 260,377,690 shares for the public subscription. The Company closed its IPO on 21 October 2010 and its shares were listed on the Muscat Securities Market on 1 November 2010. The promoting shareholders recorded the IPO proceeds and share issue expenses.

During 2015, the Company acquired a 51 percent shareholding in Duqm Data Centre SAOC ("the subsidiary"). Duqm Data Centre SAOC is registered in the Sultanate of Oman. The subsidiary’s principal activities are data collection, management and operation of data preparation of other agencies on permanent basis. The subsidiary has not started commercial operations at 31 December 2018. During December 2018, the Company subscribed to additional shares in Duqm Data Centre SAOC for RO 765,000. Because of this, the shareholding of the Company becomes 60%.

The Parent Company and its subsidiary together is hereafter referred as "the Group" and individually as “the Parent Company” or the “Company” and "the Subsidiary" respectively.

The Company is producing consolidated financial statements. Accordingly, the corresponding figures provided for comparative purposes for 2017 have been consolidated with the subsidiary comparable with those for the current year.

2. BASIS OF PREPARATION

The consolidated financial statements of the Company and its subsidiary have been prepared in accordance with International Financial Reporting Standards (IFRS). These consolidated financial statements also comply with the applicable requirements of the Commercial Companies Law 1974, as amended, of the Sultanate of Oman and the rules and guidelines on disclosure issued by the Capital Market Authority.

The accounting records are maintained in Omani Rial, which is the functional and reporting currency for these consolidated financial statements. The consolidated financial statements numbers are rounded to the nearest thousand except when otherwise indicated.

The consolidated financial statements are prepared under the historical cost convention modified to include the measurement at fair value of certain financial instruments. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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, regardless of whether that price is directly observable or estimated using another valuation technique.

2. BASIS OF PREPARATION *(continued)*

2.1 New and revised IFRSs applied with no material effect on the financial statements

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2018, have been adopted in these financial statements. The application of these revised and new IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

Effective date	New standards or amendments
1 January 2018	Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)
1 January 2018	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (Amendments to IFRS 4)
1 January 2018	Transfers of Investment Property (Amendments to IAS 40)
1 January 2018	Annual Improvements to IFRSs 2014–2016 Cycle (Amendments to IFRS 1 and IAS 28)
1 January 2018	IFRIC 22 Foreign Currency Transactions and Advance Consideration

2.2 New and revised IFRSs in issue but not yet effective and not early adopted

The Company has not early applied the following new standards Effective for annual periods beginning on or after 1 January 2019, amendments and interpretations that have been issued but are not yet effective:

IFRS 16 Leases

The Group is required to adopt IFRS 16 Leases from 1 January 2019. IFRS 16 replaces existing leases guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

The Group will recognise new assets and liabilities for its operating leases. The nature of expenses related to those leases will now change because the Group will recognise a depreciation charge for right-of-use assets and interest expense on lease liabilities.

Previously, the Group recognised operating lease expense on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised.

The Group plans to apply IFRS 16 initially on 1 January 2019, using the modified retrospective approach.

The impact of applying the Standard are being analyzed and based on the management's current assessment, the Group expects the first-time application of the Standard to result in an increase in the assets and liabilities on the consolidated statement of financial position.

2. BASIS OF PREPARATION *(continued)*

2.3 Changes in Accounting Policies

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2017, except for the adoption of new standards effective as of 1 January 2018. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group applies, for the first time, IFRS 15 *Revenue from Contracts with Customers* and IFRS 9 *Financial Instruments.* Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the consolidated financial statements of the Group.

IFRS 15 Revenue from Contracts with Customers – impact of adoption

IFRS 15 was issued in May 2014, and amended in April 2016, and supersedes IAS 18 Revenue and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognizes revenue when it transfers control over a product or service to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

In the comparative period, revenue was measured at the fair value of the consideration received or receivable. Revenue from sale of goods was recognized when the significant risks and rewards of ownership had been transferred to the customer, recovery of the consideration was probable, the associated costs and possible return of goods could be estimated reliably, there was no continuing management involvement with the goods and the amount of revenue could be measured reliably. Revenue from rendering services was recognized in proportion to the stage of completion of the work performed at the reporting date.

The Group has elected to adopt IFRS 15 using the modified retrospective method:

- The comparative information for each of the primary financial statements have been presented based on the requirements of IAS 18.
- The cumulative catch-up adjustment to the opening balance of retained earnings as at 1 January 2018, only for contracts that are not completed at the date of initial application, has been recognized in the statement of changes in equity for the year ended 31 December 2018.

Omani Qatari Telecommunications Company SAOG

Notes *(forming part of the Parent Company and consolidated financial statements)*

2. BASIS OF PREPARATION *(continued)*

2.3 Changes in Accounting Policies *(continued)*

IFRS 15 Revenue from Contracts with Customers – impact of adoption *(continued)*

Set out below is the IFRS 15 transition impact on retained earnings as at 1 January 2018

Particulars	**Retained earnings**	
	Parent	**Consolidated**
	RO'000	**RO'000**
Impact on Revenue recognition		
Revenue recognized over time	(155)	(155)
Impact on Cost recognition		
Installation costs and commissions	2,088	2,088
Other costs recognized over time	762	762
Impact as at 1 January 2018	**2,695**	**2,695**

Impact on the consolidated statement of profit or loss for the year ended 31 December 2018

	As reported RO'000	**Adjustments RO'000**	**Amounts without adoption of IFRS 15 RO'000**
Revenue	283,616	961	284,577
Operating expenses	(80,056)	(543)	(80,599)
General and administrative expenses	(60,073)	(31)	(60,104)
Depreciation and amortisation	(63,150)	-	(63,150)
Royalty	(27,737)	115	(27,852)
Financing costs - net	(1,285)	-	(1,285)
Impairment loss on trade receivables and contract assets	(1,679)	142	(1,537)
Other income – net	142	-	142
Profit before tax	**49,778**		**50,192**
Income tax expense	(7,896)	**(62)**	(7,958)
Profit for the year	**41,882**		**42,234**

Omani Qatari Telecommunications Company SAOG

Notes *(forming part of the Parent Company and consolidated financial statements)*

2. BASIS OF PREPARATION *(continued)*

2.3 Changes in Accounting Policies *(continued)*

IFRS 15 Revenue from Contracts with Customers – impact of adoption *(continued)*

Impact on the consolidated statement of financial position for the year ended 31 December 2018

	As reported RO'000	Adjustments RO'000	Amounts without adoption of IFRS 15 RO'000
ASSETS			
Non-current assets			
Property and equipment	273,211	-	273,211
Licence fee	20,590	-	20,590
Other intangible assets	13,060	-	13,060
Deferred tax asset	2,630	-	2,630
Contract assets	415	(415)	-
Total non-current assets	**309,906**	**(415)**	**309,491**
Current assets			
Inventories	3,992	-	3,992
Receivables and prepayments	48,841	425	49,266
Contract assets	2,201	(2,201)	-
Positive fair value of derivatives	28	-	28
Bank balances and cash	47,746	-	47,746
Total current assets	**102,808**	**(1,776)**	**101,032**
TOTAL ASSETS	**412,714**	**(2,191)**	**410,523**
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	65,094	-	65,094
Statutory reserve	21,698	-	21,698
Hedging reserve	24	-	24
Retained earnings	170,433	(2,343)	168,090
Equity attributable to the shareholders of the Parent Company	**257,249**	(2,343)	**254,906**
Non-controlling interests	515	-	515
Total equity and non-controlling interests	**257,764**	**(2,343)**	**255,421**
Non-current liabilities			
Interest bearing borrowings	7,034	-	7,034
Site restoration provision	6,205	-	6,205
Employee benefits	2,598	-	2,598
Total non-current liabilities	**15,837**	**-**	**15,837**
Current liabilities			
Payables and accruals	107,035	158	107,193
Interest bearing borrowings	6,237	-	6,237
Contract liabilities	68	(68)	-
Deferred revenue	16,925	-	16,925
Income tax payable	8,848	62	8,910
Total current liabilities	**139,113**	**152**	**139,265**
Total liabilities	**154,950**	**152**	**155,102**
TOTAL EQUITY AND LIABILITIES	**412,714**	**(2,191)**	**410,523**

2. BASIS OF PREPARATION *(continued)*

2.3 Changes in Accounting Policies *(continued)*

IFRS 15 Revenue from Contracts with Customers – accounting policies applied from 1 January 2018

Revenue from sale of equipment and rendering of services

- For mobile and fixed contracts with customers where sale of services is the only expected performance obligation, IFRS 15 does not have an impact on the Group's profit or loss as the timing of revenue recognition will not change under the new Standard.
- For bundling of services with sale of equipment that are either locked to the Group's network or where the Group acts as agents in their sale, IFRS 15 does not have an impact on the Group's profit or loss as the bundled equipment are not considered distinct or separate performance obligations ("PO") in the contract with the customer.
- For bundling of services with sale of equipment if they are distinct or separate performance obligations ("PO"), i.e. if they are separately identifiable in the bundling and if a customer can benefit from it, the consideration is allocated between the separate performance obligations ("PO") based on their stand-alone selling prices.

Satisfaction of performance obligations
Revenue is recognised as the Group satisfies performance obligations by transferring the promised goods or services to customers.

Performance obligations are satisfied:

- Over time (in the case for services); or
- At a point in time (in the case for devices).

Performance obligations are satisfied over time if any of the following criteria are met:

- the customer simultaneously receives and consumes the benefits as the Group performs;
- The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- The Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Telecom services (voice, SMS, data etc.) are the performance obligations that the customer simultaneously receives and consumes as the Group performs. These are considered performance obligation satisfied over time.

- Where customers receive fixed monthly allowances for a fixed monthly rental and the allowances expire in the same month, then the revenue will be recognised on a pro-rata basis over the period during which services are delivered.
- If the allowances can be rolled-over for more than a month, then the revenue will be recognized based on usage and estimation of breakages, if any (service roll-over rights).
- Where customers are charged at the specified rates based on usage, the revenue will be recognised as services are delivered and consumed.

Performance obligations that are satisfied at a point in time are satisfied when a customer obtains control of a promised asset. In determining whether a transfer of control has occurred some judgment is required. Indicators of the transfer of control, not all of which need to be met, include (but are not limited to):

- The Group has a present right to payment for the asset.
- The customer has legal title to the assets.
- The Group has transferred physical possession of the assets.
- The customer has the significant risks and rewards of ownership of the asset.
- The customer has accepted the asset.

For devices / equipment that are considered distinct or separate performance obligations ("PO"), revenue will be recognized at point in time upon delivery.

For installation services that are considered distinct or separate performance obligations ("PO"), once the installation service is completed and acknowledged by the customer, the Group has completed its performance obligation and revenue will be recognised upon completion of installation.

Omani Qatari Telecommunications Company SAOG

Notes *(forming part of the Parent Company and consolidated financial statements)*

2. BASIS OF PREPARATION *(continued)*

2.3 Changes in Accounting Policies *(continued)*

IFRS 15 Revenue from Contracts with Customers – accounting policies applied from 1 January 2018 *(continued)*

Collectability
One of the attributes of a contract so that it can be accounted for under IFRS 15 is that it should be ‘probable’ that the reporting entity will collect the consideration to which it will be entitled in exchange for the goods or services that
will be transferred to the customer. The meaning of the term 'probable' is consistent with the existing definition in IFRS, i.e. 'more likely than not'. The Group has concluded that a major portion of its contracts are collectable and will therefore be accounted for under IFRS 15.

Contract enforceability
An entity will have to first determine the term of the contract to apply certain aspects of the revenue model (e.g., identifying performance obligations, determining the transaction price). The contract term to be evaluated is the period in which parties to the contract have present enforceable rights and obligations. The period in which enforceable rights and obligations exist may be affected by termination provisions in the contract.

The Group has concluded that the agreed contract duration in its respective contracts will be considered as the contract term in applying the IFRS 15 model as the termination provisions in its respective contracts are substantive.

Discounts and promotions
The Group provides various discounts and promotions to its customers, which may be agreed at inception or provided during the contract term.

The impact of these discounts and promotions upon adoption of IFRS 15 has resulted in an increase in the opening retained earnings and a recognition of a contract asset.

Value-added services
The Group has offerings where it provides customers with additional content, such as music and video streaming and SMS services, as Value-added services (VAS). On this type of services, the Group has concluded that they are acting as principal and revenue will be recognized at a gross basis.

Principal versus agent considerations
The Group has agreements with different 3rd party suppliers to enable it to provide its products and services to the customer. The Group retains its principal or agent status in most of its products and services.

Contract costs
Under IFRS 15, commissions and installation costs meet the definition of an incremental cost to acquire a contract or a cost to fulfil a contract (contract cost). The Group has capitalised these qualifying expenses as Contract Cost Assets and amortizes them on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates subject to any impairment.

The impact of these costs upon adoption of IFRS 15 has resulted in an increase in the opening retained earnings and a recognition of a Contract Cost Asset.

2. BASIS OF PREPARATION *(continued)*

2.3 Changes in Accounting Policies *(continued)*

IFRS 15 Revenue from Contracts with Customers – accounting policies applied from 1 January 2018 *(continued)*

Standalone Selling Price (SSP)
IFRS 15 requires the Group to determine the stand-alone selling price (SSP) of the POs and allocate the transaction price in proportion to those SSP. Transaction price allocated to each PO impacts the amount of revenue recognised by the Group at various periods (i.e. at inception date, during the contract life, at termination date or at modification date) since revenues from POs are either recognised upfront, over the contract period or deferred until occurrence of certain future events. The Group will use observable price and various estimation methods (adjusted market price and cost plus margin) across its identified POs such as mobile devices and telecom services (voice, SMS, data etc.).

Service roll-over rights
Where customers are entitled to roll-over the service entitlements (in bundle voice or data allowances) to future periods, the Group defers revenue for such unused or rolled over services. In determining whether roll-overs are material, the Group considers the proportion of rolled-over services that are ultimately utilised by customers. Where roll-over allowances are considered to be material, the Group recognizes the revenue based on usage, along with necessary adjustments for breakages.

Deferred revenue (Loyalty credits):
The awarded points are included in deferred revenue at their redeemable value, adjusted to take into account the expected redemption rate. Revenue is recognized when these points are redeemed, relative to the total number of points expected to be redeemed, and the company has fulfilled its obligations to the customer. Deferred revenue from loyalty credits is also released to revenue when it is no longer considered probable that the points will be redeemed or on when expired. The loyalty points fair value is determined by reference to their redemption value. Fair value need to be reviewed annually and whenever there is a significant change affecting the fair value.

IFRS 9 Financial Instruments – impact of adoption

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018. The adoption of IFRS 9 has not had a significant effect on the Group's accounting policies.

The Group has applied IFRS 9 from the period beginning January 1, 2018 and has not restated the prior periods:

- The comparative information for each of the primary financial statements have been presented based on the requirements of IAS 39.
- There has been an adjustment to the opening balance of retained earnings as at 1 January 2018 for the differences between previous carrying amounts and those determined under IFRS 9 for provisions on receivables.

Set out below is the IFRS 9 transition impact on retained earnings as at 1 January 2018

Particulars	**Retained earnings**	
	Parent	**Consolidated**
	RO'000	**RO'000**
Impact on recognition of expected credit losses		
Accounts receivables	580	580
Impact as at 1 January 2018	**580**	**580**

Omani Qatari Telecommunications Company SAOG

Notes *(forming part of the Parent Company and consolidated financial statements)*

2. BASIS OF PREPARATION *(continued)*

2.3 Changes in Accounting Policies *(continued)*

IFRS 9 Financial Instruments – impact of adoption *(continued)*
Set out below is the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets as at 1 January 2018

Parent Company

Financial Assets	**Original classification IAS 39**	**New classification IFRS 9**	**Original Carrying amount IAS 39**	**New Carrying amount IFRS 9**
	RO'000	**RO'000**	**RO'000**	**RO'000**
Trade and other receivables	Loans and Receivables	Amortized cost	24,100	24,680
Cash and cash equivalents	Loans and Receivables	Amortized cost	33,344	33,344
			57,444	**58,024**

Consolidated

Financial Assets	**Original classification IAS 39**	**New classification IFRS 9**	**Original Carrying amount IAS 39**	**New Carrying amount IFRS 9**
	RO'000	**RO'000**	**RO'000**	**RO'000**
Trade and other receivables	Loans and Receivables	Amortized cost	24,100	24,680
Cash and cash equivalents	Loans and Receivables	Amortized cost	33,476	33,476
			57,576	**58,156**

IFRS 9 Financial Instruments – accounting policies applied from 1 January 2018

Changes to classification and measurement
To determine their classification and measurement category, IFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics.

The IAS 39 measurement categories of financial assets at fair value through profit or loss (FVTPL), available for sale (AFS), held-to-maturity and amortised cost) have been replaced by:

- Debt instruments at amortised cost
- Debt instruments at fair value through other comprehensive income (FVOCI), with gains or losses recycled to profit or loss on derecognition
- Equity instruments at FVOCI, with no recycling of gains or losses o profit or loss on derecognition
- Financial assets at FVTPL

The accounting for financial liabilities remains largely the same as it was under IAS 39, except for the treatment of gains or losses arising from an entity's own credit risk relating to liabilities designated at FVTPL. Such movements are presented in OCI with no subsequent reclassification to the income statement.

Changes to the impairment calculation
The adoption of IFRS 9 has fundamentally changed the accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. IFRS 9 requires to record an allowance for ECLs for all trade receivables and other debt financial assets not held at FVTPL.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that are expected to be received. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

Omani Qatari Telecommunications Company SAOG

Notes *(forming part of the Parent Company and consolidated financial statements)*

2. BASIS OF PREPARATION *(continued)*

2.3 Changes in Accounting Policies *(continued)*

IFRS 9 Financial Instruments – accounting policies applied from 1 January 2018 *(continued)*

Investment and other financial assets

Classification

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those to be measured at amortised cost

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

- For assets measured at fair value, gains and losses are either recorded in profit or loss or other comprehensive income.
- For investments in debt instruments, this depends on the business model in which the investment is held.
- For investments in equity instruments, this depends on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

The following accounting policies apply to the subsequent measurement of financial assets.

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments	The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss.

2. BASIS OF PREPARATION *(continued)*

2.3 Changes in Accounting Policies *(continued)*

IFRS 9 Financial Instruments – accounting policies applied from 1 January 2018 *(continued)*

Impairment

In applying IFRS 9 impairment requirements, an entity needs to follow one of the approaches below:

- The General approach – Under the general approach, at each reporting date, an entity recognizes a loss allowance on either 12-month or life-time expected credit losses (ECL), depending on whether there has been a significant increase in credit risk on the financial instrument since initial recognition. The changes in the loss allowance balance are recognized in profit or loss as an impairment gain or loss.

- The Simplified approach – Under the simplified approach, an entity is not required to track changes in credit risk and requires recognition of lifetime ECL's at all times. IFRS 9 requires to use this approach in its ECL provisioning for trade receivables and contract assets that do not have a significant financing component.

For Receivables, the Group applies the Simplified approach to providing for ECL's as prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all receivables. Impairment assessment is done using a provision matrix and the ECL provision is based on the Group's historical information adjusted for future expectations using macro-economic indicators and point-in-time adjustments for probability of default (PD).

For Cash in Bank and Call deposits, the Group applies the General approach. ECL shall be calculated only when the credit risk of the other party has significantly deteriorated. As such, the Group will monitor and track the credit quality of banks, where these balances are placed, for credit risk management purposes only. In view of this there has been no ECL provision recognized on these financial assets.

The Group employs statistical models to analyse the data collected and generate estimates of PD of exposures with the passage of time. This analysis includes the identification for any changes in default rates and changes in key macro-economic factors.

The measurement of the expected credit loss allowance for financial assets is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses).

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate model assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios and the associated ECL;
- Establishing groups of similar financial assets for the purposes of measuring ECL.

The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

3 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are as follows which are applied consistently throughout the year and are consistent with those applied in prior years:

Basis of consolidation

(i) Business Combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

(ii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

(iii) Non-controlling Interests

Non-controlling interests (“NCI”) are measured at their proportionate share of the acquiree’s identifiable net assets at the date of acquisition. Changes in the Group’s interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(iv) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group’s interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Revenue and deferred income

Policy applicable before 1 January 2018

Revenue from rendering of services:
Revenue from rendering of services represents the value of telecommunication services provided to customers. Revenue is recognised over the period to which it relates.

Interconnection revenue:
Revenues from network interconnection with other domestic and international telecommunications operators are recognised based on the actual traffic.

Operating revenues for local and international interconnections is based on tariffs as stipulated by the Telecommunication Regulatory Authority of the Sultanate of Oman or as agreed between the operators. Interconnection revenue and cost are reported on a gross basis in the statement of comprehensive income.

Sales of prepaid cards:
Sale of prepaid cards is recognised as revenue based on the utilisation of the prepaid cards sold. Sales relating to unutilised prepaid cards are accounted as deferred income. Deferred income related to unused prepaid cards is recognised as revenue when utilised by the customer or upon termination of the customer relationship. Revenue is recognised net of any upfront discount given.

3 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue and deferred income *(continued)*

Sales of equipment:
Revenue from sales of equipment is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably.

Inbound roaming:
Revenue from inbound roaming is recognised when the subscriber complete the call based on the duration measured in seconds and the amount of revenue can be measured reliably.

Reseller revenue:
Revenue from resellers is recognised based on the traffic usage.

Deferred revenue (Loyalty credits):
The awarded points are included in deferred revenue at their redeemable value, adjusted to take into account the expected redemption rate. Revenue is recognized when these points are redeemed, relative to the total number of points expected to be redeemed, and the company has fulfilled its obligations to the customer. Deferred revenue from loyalty credits is also released to revenue when it is no longer considered probable that the points will be redeemed or on when expired. The loyalty points fair value is determined by reference to their redemption value. Fair value need to be reviewed annually and whenever there is a significant change affecting the fair value.

Interest revenue:
Interest revenue is recognised as the interest accrues using the effective interest method, under which the rate used exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed as incurred. Borrowing costs consist of interest and other costs that the Company incurs in connection with the borrowing of funds.

Taxation

Current income tax
Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. Taxation is provided in accordance with Omani regulations.

Deferred tax
Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on laws that have been enacted at the reporting date.

Deferred income tax assets are recognised for all deductible temporary differences and carry-forward of unused tax assets and unused tax losses, if any, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax assets and unused tax losses can be utilised.

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

Current and deferred tax for the year
Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Directors' remuneration

The Company follows the Commercial Companies Law 1974 (as amended), and other latest relevant directives issued by the Capital Market Authority, in regard to determination of the amount to be paid as Directors' remuneration. Directors' remuneration is charged to profit or loss in the year to which it relates.

3 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements only in the period in which the dividends are approved by the Company's shareholders.

Foreign currency transactions

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date. All differences are recognised in profit or loss.

Property and equipment

Property and equipment is stated at cost less accumulated depreciation and any impairment in value. Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment. Capital work-in-progress is not depreciated. The estimated useful lives are as follows:

Mobile/fixed exchange and network equipment	5 – 15 years
Subscriber apparatus and other equipment	2 – 10 years
Building	10 years

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

Expenditure incurred to replace a component of an item of property and equipment that is accounted for separately is capitalised and the carrying amount of the component that it replaces is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of property and equipment. All other expenditure is recognised in profit or loss as the expense is incurred.

When each major inspection is performed, its cost is recognised in the carrying amount of the property and equipment as a replacement if the recognition criteria are satisfied.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognising of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in profit or loss in the period the asset is derecognised.

The assets' residual values, useful lives and methods are reviewed, and adjusted prospectively, if appropriate, at each financial year end.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is recognised in the profit or loss in the period in which the expenditure is incurred.

Intangible assets with finite lives are amortised over their estimated 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 is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

3 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Intangible assets *(continued)*

A summary of the useful lives and amortisation methods of Group's intangible assets are as follows:

		Mobile licence costs	*Fixed licence costs*	*Software*	*Right to use*
Useful lives	:	Finite (15 years)	Finite (25 years)	Finite (3 – 15 years)	Finite (25 years)
Amortisation method used	:	Amortised on a straight line basis over the periods of availability.	Amortised on a straight line basis over the periods of availability.	Amortised on a straight line basis over the periods of availability.	Amortised on a straight line basis over the periods of availability.
Internally generated or acquired	:	Acquired	Acquired	Acquired	Acquired

Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The cost of inventory is based on the weighted average principle and includes expenditure incurred in acquiring inventories and bringing them to their existing location and condition. An allowance is made for obsolete, slow-moving and defective inventories, where appropriate.

Employees' benefits

End of service benefits
End of service benefits are accrued in accordance with the terms of employment of the Company for employees at the reporting date, having regard to the requirements of the Oman Labour Law. Employee entitlements to annual leave are recognised when they accrue to employees and an accrual is made for the estimated liability for annual leave as a result of services up to the reporting date.

Defined contribution plan
Contributions to a defined contribution retirement plan for Omani employees in accordance with the Omani Social Insurance Scheme are recognised in profit or loss as incurred.

Provisions

General
A provision is recognised in the statement of financial position when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate of the amount thereof can be made. If the effect is material, 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, where appropriate, the risks specific to the liability.

Site restoration provision
The provision for site restoration costs arose on construction of the networking sites. A corresponding asset is recognised in property and equipment. Site restoration costs are provided at the present value of expected costs to settle the obligation using estimated cash flows. The cash flows are discounted at a current pre tax rate that reflects the risks specific to the site restoration liability. The unwinding of the discount is expensed as incurred and recognised in the profit or loss as a finance cost. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the asset.

3 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leases

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised in profit or loss on a straight-line basis over the lease term.

Royalty

Royalty is payable to the Telecommunication Regulatory Authority of the Sultanate of Oman on an accrual basis.

Financial instruments

Policy applicable before 1 January 2018

Trade and other receivables
Trade and other receivables are initially recognised at cost and subsequently measured at amortised cost, using the effective interest method. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when there is no possibility of recovery.

Cash and cash equivalents
For the purpose of the statement of cash flows, cash and cash equivalents consist of cash in hand, bank balances, and short-term deposits with an original maturity of three months or less, net of outstanding bank overdrafts.

Interest-bearing borrowings
All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense of the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial instrument to the net carrying amount of the financial liability. Instalments due within one year at amortised cost are shown as a current liability.

Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process. Interest costs are recognised as an expense when incurred except those that qualify for capitalisation.

Accounts payable and accruals
Trade payables are initially measured at their fair value at the time of the transaction and subsequently measured at amortised cost, using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial instrument to the net carrying amount of the financial liability. Liabilities are recognised for amounts to be paid for goods and services received, whether or not billed to the Group.

Derivative financial instruments
The Group makes use of derivative instruments to manage exposures to interest rate, including exposures arising from forecast transactions. In order to manage interest rate risks, the Company applies hedge accounting for transactions which meet the specified criteria.

At inception of the hedge relationship, the Group formally documents the relationship between the hedged item and the hedging instrument, including the nature of the risk, the objective and strategy for undertaking the hedge and the method that will be used to assess the effectiveness of the hedging relationship.

3 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Derivative financial instruments *(continued)*

Also at the inception of the hedge relationship, a formal assessment is undertaken to ensure that the hedging instrument is expected to be highly effective in offsetting the designated risk in the hedged item. A hedge is regarded as highly effective if the changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated are expected to offset in a range of 80 percent to 125 percent. For situations where that hedged item is a forecast transaction, the Group assesses whether the transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect the profit or loss.

Cash flow hedges
For designated and qualifying cash flow hedges, the effective portion of the gain or loss on the hedging instrument is initially recognised directly in the statement of other comprehensive income in the cash flow hedge reserve. The ineffective portion of the gain or loss on the hedging instrument is recognised immediately in profit or loss.

When the hedged cash flow affects the profit or loss, the gain or loss on the hedging instrument is 'recycled' in the corresponding income or expense line of the statement of profit or loss. When a hedging instrument expires, or is sold, terminated, exercised, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss previously recognised in other comprehensive income remains in equity until the forecasted transaction or firm commitment affects profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss recorded in equity are recognised in profit or loss.

The fair value of unquoted derivatives is determined by the discounted cash flow method.

Derecognition of financial assets and financial liabilities

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

- the rights to receive cash flows from the asset have expired; or
- 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 (a) the Group has transferred substantially all the risks and rewards of the asset, or
  (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Financial liabilities:
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability. The recognition of a new liability, and the difference in the respective carrying amounts, is recognised in profit or loss.

Use of judgements and estimates

In preparing these financial statements, management has made judgments, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

3 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Use of judgements and estimates *(continued)*

A. Judgments

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the consolidated financial statements is included in the following notes:

Note 22 - lease classification

B. Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ending 31 December 2018 is included in the following notes:

Note 8 – recognition of deferred tax assets: availability of future taxable profit against which tax losses carried forward can be used;

Note 10 and 11 – impairment test: key assumptions underlying recoverable amounts, assessment of useful lives and capitalisation of costs including the recoverability of intangibles; and

Notes 23 – recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources.

4 REVENUE

	Parent Company		**Consolidated**	
	2018	2017	**2018**	2017
	RO’000	RO’000	**RO’000**	RO’000
Traffic	**258,399**	255,766	**258,399**	255,766
One time and recurring charges	**9,641**	4,512	**9,641**	4,512
Interconnection revenue	**14,915**	15,467	**14,915**	15,467
Inbound roaming	**5,803**	4,645	**5,803**	4,645
Site sharing revenue	**2,196**	1,644	**2,196**	1,644
	290,954	282,034	**290,954**	282,034
Less : Distributor discounts	**(7,338)**	(8,428)	**(7,338)**	(8,428)
	283,616	273,606	**283,616**	273,606

	Parent Company		**Consolidated**	
	2018	2017	**2018**	2017
	RO’000	RO’000	**RO’000**	RO’000
At a point in time	**5,443**	689	**5,443**	689
Over time	**278,173**	272,917	**278,173**	272,917
	283,616	273,606	**283,616**	273,606

5 OPERATING EXPENSES

	Parent Company		Consolidated	
	2018	2017	**2018**	2017
	RO’000	RO’000	**RO’000**	RO’000
Interconnection charges	**21,020**	20,863	**21,020**	20,863
Repairs and maintenance	**24,706**	23,408	**24,706**	23,408
Lease lines and frequency fee	**9,178**	8,209	**9,178**	8,209
Rental and utilities	**9,951**	8,720	**9,951**	8,720
Cost of equipment sold and other services	**15,304**	13,966	**15,304**	13,966
Allowance for inventory obsolescence – net	**(103)**	(72)	**(103)**	(72)
	80,056	75,094	**80,056**	75,094

6 GENERAL AND ADMINISTRATIVE EXPENSES

	Parent Company		Consolidated	
	2018	2017	**2018**	2017
	RO’000	RO’000	**RO’000**	RO’000
Employees’ salaries and associated costs	**34,755**	33,994	**34,871**	34,023
Service fees (note 21)	**8,508**	8,208	**8,508**	8,208
Brand license fees (note 21)	**4,238**	4,070	**4,238**	4,070
Sales and marketing	**4,429**	4,049	**4,429**	4,049
Rental and utilities	**2,227**	2,795	**2,255**	2,805
Legal and professional charges	**1,210**	1,286	**1,220**	1,303
Commission on sales	**1,798**	1,358	**1,798**	1,358
Others	**2,726**	2,762	**2,754**	2,930
	59,891	58,522	**60,073**	58,746

7 FINANCING COSTS (NET)

Interest on bank borrowings	**946**	1,637	**953**	1,637
Site restoration – unwinding of discount (note 18)	**465**	454	**465**	454
Interest income on deposits	**(133)**	(8)	**(133)**	(8)
	1,278	2,083	**1,285**	2,083

8 INCOME TAX

	Parent Company		Consolidated	
	2018	2017	**2018**	2017
	RO'000	RO'000	**RO'000**	RO'000
Statement of profit or loss				
Current tax				
- Current year	**8,363**	7,082	**8,363**	7,082
Deferred tax relating to origination and reversal of temporary differences	**(467)**	(1,606)	**(467)**	(1,606)
	7,896	5,476	**7,896**	5,476
Amounts recognised in other comprehensive Income				
Cash flow hedge	-	4	-	4
Current liability				
Current year	**8,363**	7,082	**8,363**	7,082
Prior year	**485**	552	**485**	552
	8,848	7,634	**8,848**	7,634
Deferred tax asset / (liability)				
Beginning of the year	**2,163**	561	**2,163**	561
Movement for the year through profit or loss	**467**	1,606	**467**	1,606
Movement for the year through other comprehensive income	-	(4)	-	(4)
At the end of the year	**2,630**	2,163	**2,630**	2,163

The deferred tax asset / (liability) comprises of the following types of temporary differences:

Property and equipment	**1,021**	489	**1,021**	489
Provisions	**1,609**	1,678	**1,609**	1,678
	2,630	2,167	**2,630**	2,167
Net unrealised gains on cash flow hedges	**-**	(4)	**-**	(4)
	2,630	2,163	**2,630**	2,163

Set out below is a reconciliation between income tax calculated on accounting profits with income tax expense for the year:

Profit before tax	**49,967**	36,683	**49,778**	36,459
Add: subsidiary loss	**-**	-	**189**	224
	49,967	36,683	**49,967**	36,683
Tax at applicable rate	**7,495**	5,503	**7,495**	5,503
Non-deductible expenses and other permanent differences	**868**	1,579	**868**	1,579
Deferred tax relating to origination and reversal of temporary differences	**(467)**	(1,606)	**(467)**	(1,606)
	7,896	5,476	**7,896**	5,476

The tax rate applicable to the Company is 15 percent (2017: 15 percent). Deferred tax asset/liability is recorded at 15 percent (2017: 15 percent). For the purpose of determining the taxable results for the year, the accounting profit of the Company has been adjusted for tax purposes. Adjustments for tax purposes include items relating to both income and expense. The adjustments are based on the current understanding of the existing laws, regulations and practices.

Assessments for tax years 2015 and 2016 was completed on 30 September 2018. Additional tax arising from the assessment was paid. Assessment for tax year 2017 is yet to be completed.

9 BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the profit for the year attributable to ordinary equity holder of the Parent Company by the weighted average number of shares outstanding during the year as follows:

	Parent Company		Consolidated	
	2018	2017	**2018**	2017
Profit for the year (RO'000)) attributable to ordinary equity holders of the Parent Company	**42,071**	31,207	**41,975**	31,093
Weighted average number of shares outstanding for the year (number in thousand)	**650,944**	650,944	**650,944**	650,944
Basic and diluted earnings per share (RO)	**0.065**	0.048	**0.064**	0.048

No figure for diluted earnings per share has been presented, as the Company has not issued any instruments which would have an impact on earnings per share when exercised.

Net assets per share is calculated by dividing the equity attributable to the shareholders of the Company at the reporting date by the number of shares outstanding.

Net assets (RO'000) attributable to ordinary equity holders of the Parent Company	**257,497**	239,488	**257,249**	239,374
Number of shares outstanding at the reporting date (number in thousands)	**650,944**	650,944	**650,944**	650,944
Net assets per share (RO)	**0.396**	0.368	**0.395**	0.368

9 A BANK BALANCES AND CASH

	RO'000	RO'000	**RO'000**	RO'000
Bank balances	**2,326**	2,547	**3,214**	2,679
Call deposits	**44,532**	30,797	**44,532**	30,797
Total	**46,858**	33,344	**47,746**	33,476

10 PROPERTY AND EQUIPMENT

Parent Company

	Mobile/fixed exchange and network equipment RO '000	Subscriber apparatus and other equipment RO '000	Buildings RO '000	Capital work in progress RO '000	Total RO '000
Cost					
1 January 2018	**564,909**	**58,321**	**10,074**	**6,354**	**639,658**
Additions	-	-	-	48,293	**48,293**
Transfers	26,692	14,400	646	(41,738)	-
Provision reversal	952	-	-	-	**952**
Write off	(7,783)	(1,485)	-	-	**(9,268)**
31 December 2018	**584,770**	**71,236**	**10,720**	**12,909**	**679,635**
Depreciation					
1 January 2018	**309,809**	**45,847**	**5,299**	-	**360,955**
Charge for the year	45,180	8,270	1,113	-	**54,563**
Write off	(7,751)	(526)	-	-	**(8,277)**
31 December 2018	**347,238**	**53,591**	**6,412**	-	**407,241**
Net book value					
31 December 2018	**237,532**	**17,645**	**4,308**	**12,909**	**272,394**
Cost					
1 January 2017	536,680	51,099	10,067	7,676	605,522
Additions	-	-	-	36,510	36,510
Transfers	30,405	7,420	7	(37,832)	-
Reclassification (see below)	(2,176)	(198)	-	-	(2,374)
31 December 2017	564,909	58,321	10,074	6,354	639,658
Depreciation					
1 January 2017	257,168	39,941	4,298	-	301,407
Charge for the year	52,762	5,929	1,001	-	59,692
Reclassification (see below)	(121)	(23)	-	-	(144)
31 December 2017	309,809	45,847	5,299	-	360,955
Net book value					
31 December 2017	255,100	12,474	4,775	6,354	278,703

For the purposes of statement of cash flows additions to purchase of property and equipment has been adjusted by RO 4,827,000 (2017: RO 12,078,000) for the net movement in trade accounts payable and accrued expenses towards capital expenditure.

Further adjustment for the year ended 31 December 2018 includes provisioning for site restoration of RO 344,000 (year ended 31 December 2017 includes reversal of provision for site restoration of RO 233,000) (note 18).

10 PROPERTY AND EQUIPMENT *(continued)*
Consolidated

	Mobile/fixed exchange and network equipment RO '000	Subscriber apparatus and other equipment RO '000	Buildings RO '000	Capital work in progress RO '000	Total RO '000
Cost					
1 January 2018	**564,909**	**58,321**	**10,074**	**6,579**	**639,883**
Additions	**-**	**-**	**-**	48,885	**48,885**
Transfers	26,692	14,404	646	(41,742)	**-**
Provision reversal	952				**952**
Write off	(7,783)	(1,485)			**(9,268)**
31 December 2018	**584,770**	**71,240**	**10,720**	**13,722**	**680,452**
Depreciation					
1 January 2018	**309,809**	**45,847**	**5,299**	**-**	**360,955**
Charge for the year	45,180	8,270	1,113		**54,563**
Write off	(7,751)	(526)			**(8,277)**
31 December 2018	**347,238**	**53,591**	**6,412**	**-**	**407,241**
Net book value					
31 December 2018	**237,532**	**17,649**	**4,308**	**13,722**	**273,211**
Cost					
1 January 2017	536,680	51,099	10,067	7,676	605,522
Additions	-	-	-	36,735	36,735
Transfers	30,405	7,420	7	(37,832)	-
Reclassification	(2,176)	(198)	-	-	(2,374)
31 December 2017	564,909	58,321	10,074	6,579	639,883
Depreciation					
1 January 2017	257,168	39,941	4,298	-	301,407
Charge for the year	52,762	5,929	1,001	-	59,692
Reclassification	(121)	(23)	-	-	(144)
31 December 2017	309,809	45,847	5,299	-	360,955
Net book value					
31 December 2017	255,100	12,474	4,775	6,579	278,928

11 LICENCE FEE
Parent Company and Consolidated

	Mobile licence RO'000	Fixed line licence RO'000	Total RO'000
Cost			
Balance at 1 January 2018	52,537	21,403	73,940
Additions	-	444	444
Balance at 31 December 2018	**52,537**	**21,847**	**74,384**
Amortisation			
Balance at 1 January 2018	40,686	7,280	47,966
Amortisation during the year	4798	1,030	5,828
Balance at 31 December 2018	**45,484**	**8,310**	**53,794**
Net book value			
At 31 December 2018	**7,053**	**13,537**	**20,590**
Cost			
Balance at 1 January and 31 December 2017	52,537	21,403	73,940
Amortisation			
Balance at 1 January 2017	35,888	6,424	42,312
Amortisation during the year	4,798	856	5,654
Balance at 31 December 2017	40,686	7,280	47,966
Net book value			
At 31 December 2017	11,851	14,123	25,974

License fee represents the amount paid to the Telecommunication Regulatory Authority of the Sultanate of Oman for obtaining the license to operate as fixed and mobile telecommunication service provider. License fee is stated at cost less accumulated amortisation and impairment losses.

In accordance with the terms of the mobile, and fixed line licences, granted to the Company, royalty is payable to the Government of the Sultanate of Oman. The royalty payable is calculated based on 12% (2017: 12%) of the net of predefined sources of revenue and interconnection expenses to local operators for mobile license and 7% (2017: 12%) for fixed license.

11 A Other Intangible asset
Parent Company and Consolidated

	Right to Use RO'000	Software RO'000	Total RO'000
Cost			
Balance at 1 January 2018	9,106	8,776	17,882
Additions	927	1,368	2,295
Balance at 31 December 2018	**10,033**	**10,144**	**20,177**
Amortisation			
Balance at 1 January 2018	236	4,122	4,358
Amortisation during the year	413	2,346	2,759
Balance at 31 December 2018	**649**	**6,468**	**7,117**
Net book value			
At 31 December 2018	**9,384**	**3,676**	**13,060**
Cost			
Balance at 1 January 2017	-	5,146	5,146
Additions during the period	6,732	3,630	10,362
Reclassification from property and equipment	2,374	-	2,374
Balance at 31 December 2017	9,106	8,776	17,882
Amortisation			
Balance at 1 January 2017	-	1,820	1,820
Amortisation during the period	92	2,302	2,394
Reclassification from property and equipment	144	-	144
Balance at 31 December 2017	236	4,122	4,358
Net book value			
At 31 December 2017	8,870	4,654	13,524

The other intangible assets represent the various software installed on the Network and Information Technology hardware and platforms and the rights of use of the cable system(s), up to the allocated capacity, from the owner(s) of the interest(s) in the cable system(s).

12 NON CONTROLLING INTEREST

During 2015, the Company subscribed to a 51 percent shareholding in Duqm Data Centre SAOC for RO 255,000. Duqm Data Centre SAOC is registered in the Sultanate of Oman. The subsidiary's principal activities are data collection, management and operation of data preparation of other agencies on permanent basis. The subsidiary has not started commercial operations at 31 December 2018.

During December 2018, the Company subscribed to additional shares in Duqm Data Centre SAOC for RO 765,000. Because of this, the shareholding of the Company becomes 60%.

For the year ended 31 December 2018, subsidiary contributed loss of RO 96,000 to the Group's results (2017: RO 114,000 loss).

13 RECEIVABLES AND PREPAYMENTS

	Parent Company		Consolidated	
	2018	2017	**2018**	2017
	RO'000	RO'000	**RO'000**	RO'000
Post-paid receivables	**11,275**	10,478	**11,275**	10,478
Amount due from distributors	**10,267**	10,385	**10,267**	10,385
Receivables from other operators	**9,662**	5,184	**9,662**	5,184
Due from related parties	**345**	-	**345**	-
Unbilled receivables	**7,981**	5,030	**7,981**	5,030
	39,530	31,077	**39,530**	31,077
Less: allowance for impaired receivables	**(6,231)**	(6,977)	**(6,231)**	(6,977)
	33,299	24,100	**33,299**	24,100
Prepaid expenses and other receivables	**14,505**	15,554	**14,506**	15,573
Deferred cost	**846**	2,062	**846**	2,062
Due from related parties	**40**	-	**190**	-
	48,690	41,716	**48,841**	41,735

As at 31 December 2018, trade receivables at nominal value of RO 6,231,321 (2017: RO 6,976,745) were impaired. Movements in allowance for impairment of receivables were as follows:

	Parent Company		Consolidated	
	2018	**2017**	**2018**	**2017**
	RO'000	**RO'000**	**RO'000**	**RO'000**
At 1 January	**6,977**	5,899	**6,977**	5,899
Retained earnings adjustment (IFRS 9)	**(580)**	-	**(580)**	-
Charge for the year	**1,537**	1,078	**1,537**	1,078
Written off during the year	**(1,703)**	-	**(1,703)**	-
	6,231	6,977	**6,231**	6,977

As at 31 December, the ageing of unimpaired trade receivables is as follows:

	Parent Company and Consolidated				
			Past due but not impaired		
	Total RO'000	**Neither past due nor impaired RO'000**	**30 - 60 Days RO'000**	**60 - 90 days RO'000**	**Over 90 days RO'000**
2018	**33,299**	**24,512**	**1,539**	**1,001**	**6,247**
2017	24,100	19,135	1,742	569	2,654

Unimpaired receivables are expected, because of past experience, to be substantially recoverable. It is not the practice of the Company to obtain collateral over receivables and virtually all are, therefore, unsecured. However, sales made to distributors are backed with their corporate/bank guarantees and certain post-paid customers' balances are secured by deposits.

14 SHARE CAPITAL AND DIVIDENDS

	Authorised		Issued and fully paid	
	2018	2017	**2018**	2017
	RO'000	RO'000	**RO'000**	RO'000
Ordinary shares – par value RO 0.1	**70,000**	70,000	**65,094**	65,094

Major shareholders

Details of shareholders who hold 10 percent or more of the Parent Company's shares are as follows:

	2018		2017	
	Number of shares	**%**	Number of shares	%
MENA Investcom S.P.C.	**358,019,310**	**55**	358,019,310	55

Dividends

The Company's shareholders at the annual general meeting held on 5 March 2018 approved a payment of baisa 42 per share as dividend for the financial year ended 31 December 2017 and this was paid in March 2018.

The Directors have proposed a dividend of baisas 45 per share for year ended 31 December 2018 amounting to RO 29,292,490.35. This is subject to approval of the Company's shareholders at the Annual General Meeting on 5 March 2019.

Other comprehensive income accumulated in reserves, net of tax

	2018	2017
	RO'000	RO'000
Cash flow hedges – effective portion of changes in fair value	3	21

15 STATUTORY RESERVE

Article 106 of the Commercial Companies Law of 1974 requires that 10 percent of Company's profit for the year be transferred to a non-distributable statutory reserve until the amount of statutory reserve becomes equal to one-third of the Company's issued share capital. This reserve is not available for distribution.

16 DEFERRED REVENUE (Loyalty credits)

The deferred revenue of RO 16,925,000 (2017: RO 16,953,000) includes RO 2,158,000 (2017: RO 2,032,000) for loyalty credits awarded to customers based on bill payments and recharges, entitling customers to the right to redeem the accumulated points via specified means.

17 INTEREST BEARING BORROWINGS – *Unsecured*

Parent Company and Consolidated

	Parent 2018 RO'000	Consolidated 2018 RO'000	Parent and Consolidated 2017 RO'000
Total interest bearing borrowings	**12,997**	**13,457**	23,780
Less: deferred financing costs	**(186)**	**(186)**	(297)
	12,811	**13,271**	23,483
Less: payable within one year - term loan	**(5,777)**	**(6,237)**	(10,783)
Non-current portion	**7,034**	**7,034**	12,700

In 2013, the Company signed loan agreements worth USD 234 million (RO 90 million) for capital expenditure and working capital requirements with a consortium of banks. The loans consisted of a term loan worth USD 182 million (RO 70 million) with a five-year tenure and a revolving credit facility of USD 52 million (RO 20 million) with a three year tenure.

As on 31 December 2018, the Company has utilized full USD 182 million (RO 70 million). Out of this term loan, USD 104 million is repayable in sixteen quarterly instalments commencing from April 2014 and USD 78 million is repayable in twelve quarterly instalments commenced from April 2015. The tenure for the revolving credit facility has reached an end and is no longer available. The term loan has been repaid in January 2018.

In 2016, the Company has signed three financing facilities amounting to RO 68.1 million with local and international banks for general purpose requirements. The first facility is a syndicated long term loan of USD 60 million (RO 23.1 million) with a five year tenure and is repayable in sixteen quarterly instalments commenced in April 2017. The second and third facilities are revolving credit facilities of RO 45 million with a five year tenure.

In June 2017, the company has signed trade finance facility amounting USD 13 million (RO 5 million) with an international bank for general purpose requirements with a one year tenure. This facility has been cancelled during this reporting period.

As of 31 December 2018, the Company has available funds for drawdown of RO 45 million (31 December 2017: RO 50 million).

17A DERIVATIVE FINANCIAL INSTRUMENTS
Parent Company and Consolidated

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition in profit or loss as the hedged cash flows or items affect profit or loss.

In May 2017, the Company had entered into 2 interest rate swap arrangements to mitigate the risk of the fluctuating interest rates on its term loan (Note 17). The key terms of the unexpired arrangements are as below:

SN	Notional Amount	Effective Date	Termination Date	Pay Fixed	Receive Floating
1	USD 14,287,500	15 May 2017	31 Dec 2019	1.530%	1 month USD LIBOR
2	USD 14,287,500	15 May 2017	31 Dec 2019	1.500%	1 month USD LIBOR

The swap arrangement qualifies for hedge accounting under IFRS 9 and, as at 31 December 2018, the unrealised gain of RO 3,000 relating to measuring the financial instruments at fair value is included in equity in respect of these contracts (31 December 2017: RO 25,000).

The table below shows the positive / (negative) fair value of the swaps, which is equivalent to the market values, together with the notional amounts analysed by the term to maturity.

			Notional amount by term to maturity		
	Positive/(Negative) Fair Value	**Notional amount**	**1 - 12 months**	**More than 1 up to 5 years**	**Over 5 years**
	RO'000	**RO'000**	**RO'000**	**RO'000**	**RO'000**
31 December 2018					
Positive value	28	-	-	-	-
Negative value	-	-	-	-	-
Interest rate swaps	28	11,004	11,004	-	-
31 December 2017					
Positive value	25	-	-	-	-
Negative value	-	-	-	-	-
Interest rate swaps	25	11,004	-	11,004	-

Fair value shown under equity in the statement of financial position is net of deferred tax of RO 4,176 (2017: RO 3,792).

17B MOVEMENT IN FINANCING ACTIVITIES

Parent Company

1 January 2018 to 31 December 2018	**Currency of loan**	**Nominal interest rate**	**Year of maturity**	**Face value RO '000**	**Carrying amount RO '000**
New loans					
Revolving credit facility	**OMR**	**FD rate+1.75%**	**2018**	**22,000**	**22,000**
Repayment of loans					
Unsecured bank loan	**USD**	**Libor+1.8%**	**2018**	**(2,503)**	**(2,503)**
Unsecured bank loan	**USD**	**Libor+1.8%**	**2018**	**(2,503)**	**(2,503)**
Unsecured bank loan	**USD**	**Libor+1.25%**	**2021**	**(5,777)**	**(5,777)**
Revolving credit facility	**OMR**	**FD rate+1.75%**	**2018**	**(22,000)**	**(22,000)**
Other movements – deferred finance cost					**111**
Other movements – dividend paid					**(27,340)**
Net movement during 1 January 2018 to 31 December 2018					**(38,012)**

1 January 2017 to 31 December 2017	Currency of loan	Nominal interest rate	Year of maturity	Face value RO '000	Carrying amount RO '000
New loans					
Revolving credit facility	OMR	FD rate+1.75%	2017	23,000	23,000
Unsecured bank loan	USD	Libor+1.25%	2021	23,106	23,106
Repayment of loans					
Unsecured bank loan	USD	Libor+2%	2017	(1,675)	(1,675)
Revolving credit facility	OMR	FD rate+1.75%	2017	(23,000)	(23,000)
Unsecured bank loan	USD	Libor+1.8%	2018	(10,013)	(10,013)
Unsecured bank loan	USD	Libor+1.8%	2018	(10,013)	(10,013)
Unsecured bank loan	USD	Libor+1.25%	2021	(4,332)	(4,332)
Other movements – deferred finance cost					395
Other movements – dividend paid					(27,340)
Net movement during 1 January 2017 to 31 December 2017					(29,872)

17B MOVEMENT IN FINANCING ACTIVITIES *(continued)*

Consolidated

1 January 2018 to 31 December 2018	**Currency of loan**	**Nominal interest rate**	**Year of maturity**	**Face value RO '000**	**Carrying amount RO '000**
New loans					
Revolving credit facility	**OMR**	**FD rate+1.75%**	**2018**	**22,000**	**22,000**
Short term loan	**OMR**	**2.25%**	**2018**	**883**	**883**
Repayment of loans					
Unsecured bank loan	**USD**	**Libor+1.8%**	**2018**	**(2,503)**	**(2,503)**
Unsecured bank loan	**USD**	**Libor+1.8%**	**2018**	**(2,503)**	**(2,503)**
Unsecured bank loan	**USD**	**Libor+1.25%**	**2021**	**(4,332)**	**(5,777)**
Revolving credit facility	**OMR**	**FD rate+1.75%**	**2018**	**(22,000)**	**(22,000)**
Unsecured bank loan	**OMR**	**2.25%**	**2018**	**(423)**	**(423)**
Other movements – deferred finance cost					**111**
Other movements					**435**
Other movements – dividend paid					**(27,340)**
Net movement during 1 January 2018 to 31 December 2018					**(37,117)**

1 January 2017 to 31 December 2017	Currency of loan	Nominal interest rate	Year of maturity	Face value RO '000	Carrying amount RO '000
New loans					
Revolving credit facility	OMR	FD rate+1.75%	2017	23,000	23,000
Unsecured bank loan	USD	Libor+1.25%	2021	23,106	23,106
Repayment of loans					
Unsecured bank loan	USD	Libor+2%	2017	(1,675)	(1,675)
Revolving credit facility	OMR	FD rate+1.75%	2017	(23,000)	(23,000)
Unsecured bank loan	USD	Libor+1.8%	2018	(10,013)	(10,013)
Unsecured bank loan	USD	Libor+1.8%	2018	(10,013)	(10,013)
Unsecured bank loan	USD	Libor+1.25%	2021	(4,332)	(4,332)
Other movements – deferred finance cost					395
Other movements					500
Other movements – dividend paid					(27,340)
Net movement during 1 January 2017 to 31 December 2017					(29,372)

18 SITE RESTORATION PROVISION

Parent Company and Consolidated

Site restoration provision as of the reporting date amounted to RO 6,204,977 (2017: RO 5,396,424). The Company is committed to restore each site as it is vacated. A movement schedule is set out below:

	2018 RO'000	2017 RO'000
Balance at 1 January	**5,396**	5,175
Provision/ (reversal) during the year	**344**	(233)
Unwinding of discount (note 7)	**465**	454
Balance at 31 December	**6,205**	5,396

19 EMPLOYEE BENEFITS

	Parent Company		Consolidated	
	2018	2017	**2018**	2017
	RO'000	RO'000	**RO'000**	RO'000
Employees' end of service benefits	**1,425**	1,299	**1,425**	1,299
Employee retention - long term incentives	**1,173**	932	**1,173**	932
Non-current liability as at the end of the year	**2,598**	2,231	**2,598**	2,231

The movement in the employees' end of service benefits is as follows:

Balance at 1 January	**1,299**	1,799	**1,299**	1,799
Provided during the year	**424**	309	**424**	309
Paid during the year	**(298)**	(809)	**(298)**	(809)
Balance at 31 December	**1,425**	1,299	**1,425**	1,299

The Company granted a Long Term Incentive Scheme (LTI) for the management team based on the Company achieving threshold performance levels. Individual LTI eligibility is converted into notional shadow shares based on the average share price 90 days prior to the grant date. The vesting and subsequent pay out of the shadow share's is staggered over a period of three years from the grant year.

20 PAYABLES AND ACCRUALS

Trade accounts payable	**13,187**	7,598	**13,232**	7,677
Accrued expenses – operating expenses	**54,109**	57,507	**54,109**	57,528
Accrued expenses – capital expenses	**36,459**	34,242	**36,459**	34,242
Amounts due to related parties (note 21)	**2,952**	2,816	**3,016**	2,816
Deposits from customers	**219**	350	**219**	350
	106,926	102,513	**107,035**	102,613

21 RELATED PARTY TRANSACTIONS

Related parties comprise the shareholders, directors, key management personnel and business entities in which they have the ability to control or exercise significant influence in financial and operating decisions. Pricing policies and the terms of these transactions are approved by the Group's management.

Details regarding transactions with the related parties included in the financial statements are set out below:
Parent Company

	2018 (RO'000)		2017 (RO'000)	
	Other related parties	**Directors and key management**	Other related parties	Directors and key management
Directors' and key management remuneration	**-**	**2,352**	-	2,517
Service fees (note 6)	**8,508**	**-**	8,208	-
Brand license fees (note 6)	**4,238**	**-**	4,070	-
Other expenses (including subsidiary)	**501**	**-**	618	-
	13,247	**2,352**	12,896	2,517

Effective 1 January 2008, the Company has entered into a technical and service agreement with a related party (other related party). In consideration of services provided, the Company pays a service fee to the related party which is calculated annually based on the Company's gross revenue.

Effective 1 October 2016, the Company has entered into a brand licensing agreement with a related party (other related party). In consideration of using the brand "OOREDOO", the Company pays a brand license fee to the related party which is calculated annually based on the Company's adjusted gross revenue.

21 RELATED PARTY TRANSACTIONS *(continued)*

Trade payable and receivable balances with related parties included in the statement of financial position are as follows:

Payables	2018 RO'000	2017 RO'000
Other related parties	**2,952**	2,816
	2,952	2,816

Receivables		
Other related parties	**385**	-
	385	-

Compensation of key management personnel

The remuneration of members of key management and directors during the year was as follows:

	2018	2017
Salaries / remuneration and benefits	**2,128**	2,240
Directors' remuneration	**200**	200
Employees' end of service benefits	**24**	77
	2,352	2,517

Consolidated

	2018 (RO'000)		2017 (RO'000)	
	Other related parties	**Directors and key management**	Other related parties	Directors and key management
Directors' and key management remuneration	**-**	**2,435**	-	2,527
Service fee (note 6)	**8,508**	**-**	8,208	-
Brand license fee (note 6)	**4,238**	**-**	4,070	-
Other expenses (including subsidiary)	**501**	**-**	801	-
	13,247	**2,435**	13,079	2,527

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Trade payable and Receivable balances with related parties included in the statement of financial position are as follows:

Payables	2018 RO'000	2017 RO'000
Other related parties	**3,016**	2,816
	3,016	2,816

Receivables	2018 RO'000	2017 RO'000
Other related parties	**535**	-
	535	-

21 RELATED PARTY TRANSACTIONS *(continued)*

Compensation of key management personnel

The remuneration of members of key management and directors during the year was as follows:

	2018 RO'000	2017 RO'000
Salaries / remuneration and benefits	**2,193**	2,250
Directors' remuneration	**213**	200
Employees' end of service benefits	**29**	77
	2,435	2,527

The Group enters into commercial transactions with other members of Ooredoo Group as follows:

Parent and Consolidated

Telecom revenues	**1,148**	1,854
Telecom costs	**150**	159
Purchase of asset (Ooredoo Qatar)	**-**	1,346

22 EXPENDITURE COMMITMENTS

	Parent Company		**Consolidated**	
	2018 RO'000	2017 RO'000	**2018 RO'000**	2017 RO'000
Capital expenditure commitments				
Estimated capital expenditure contracted for at the reporting date but not provided for:				
Property and equipment	**15,402**	17,860	**15,402**	17,988
Operating lease commitments				
Future minimum lease payments:				
Within one year	**2,291**	3,080	**2,291**	3,080
After one year but not more than five years	**980**	1,952	**980**	1,952
Total operating lease expenditure contracted for at the reporting date	**3,271**	5,032	**3,271**	5,032

23 CONTINGENT LIABILITIES

Parent Company and Consolidated

Guarantees

At 31 December 2018, the Company had contingent liabilities in respect of guarantees of RO 275,122 (2017: RO 275,122). It is anticipated that no material liabilities are expected to arise from these.

At 31 December 2018, the Company had other contingent liabilities in respect of performance bonds of RO 185,500 (2017: Nil)

24 RISK MANAGEMENT

The Group’s principal financial liabilities, other than derivatives, comprise bank loans, and payables and accruals. The main purpose of these financial instruments is to raise finance for the Group’s operations. The Group has various financial assets, such as trade receivables, cash, and short-term deposits, which arise directly from its operations. The Parent Company also enters into derivative transactions, primarily interest rate swaps. The purpose is to manage the interest rate risks arising from the Group’s operations and its sources of finance.

The main risks arising from the Group’s financial instruments are cash flow interest rate risk, liquidity risk, foreign currency risk and credit risk. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below:

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 exposure to the risk of changes in market interest rates relates primarily to its long-term debt obligations with floating interest rates. The Group’s bank deposits carry fixed rate of interest and therefore are not exposed to interest rate risk.

The Group manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings. To manage this, the Parent Company enters into interest rate swaps, in which the Parent Company agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed upon notional principal amount.

Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group trades only with recognised, creditworthy dealers and operators. Its three largest dealers’ balances account for 28 percent of outstanding unimpaired trade receivable at 31 December 2018 (2017: 39 percent). The Group obtains bank/corporate guarantees from its dealers in order to mitigate its credit risk. It is the Group’s policy that certain credit verification is performed for all of the Group’s post-paid subscribers. In addition, receivable balances are monitored on an ongoing basis.

With respect to credit risk arising from the other financial assets of the Group, including cash and cash equivalents, the Group’s exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group’s payable and accruals include amounts payable in US Dollars. As of the reporting date this USD denominated payable amount was approximately 42 percent (31 December 2017: 40 percent) of the Group's total payables and accruals. The Parent Company's borrowings amounting to RO 12,997,125 (2017: RO 23,779,925) are denominated in US Dollars. The Omani Rial is effectively pegged to the US Dollar. There are no other significant financial instruments in foreign currency other than US Dollars and consequently foreign currency risk is mitigated.

Liquidity risk

The Group limits its liquidity risk by ensuring bank facilities are available. The Group’s terms of sales require amounts to be paid within 30 days of the date of sale. A major portion of the Group’s sales is generated through sale of prepaid cards.

The table below summarises the maturities of the Group’s undiscounted financial liabilities, based on contractual payment dates and current market interest rates.

Omani Qatari Telecommunications Company SAOG

Notes *(forming part of the Parent Company and consolidated financial statements)*

24 RISK MANAGEMENT *(continued)*

Parent Company

		Contractual cash flows			
As at 31 December 2018	**Carrying amount RO'000**	**Less than 3 months RO'000**	**3 to 12 months RO'000**	**1 to 5 years RO'000**	**Total RO'000**
Interest bearing borrowings	**12,997**	**1,444**	**4,332**	**7,221**	**12,997**
Payables and accruals	**103,974**	**103,755**	**219**		**103,974**
Due to related parties	**2,952**	**2,952**	**-**	**-**	**2,952**
Interest on bank borrowings	**-**	**106**	**241**	**146**	**493**
Total	**119,923**	**108,257**	**4,792**	**7,367**	**120,416**
As at 31 December 2017					
Interest bearing borrowings	23,780	6,450	4,332	12,998	23,780
Payables and accruals	99,697	99,347	350	-	99,697
Due to related parties	2,816	2,816	-	-	2,816
Interest on bank borrowings	-	37	359	343	739
Total	126,293	108,650	5,041	13,341	127,032

Consolidated

		Contractual cash flows			
As at 31 December 2018	**Carrying amount RO'000**	**Less than 3 months RO'000**	**3 to 12 months RO'000**	**1 to 5 years RO'000**	**Total RO'000**
Interest bearing borrowings	**13,457**	**1,546**	**4,690**	**7,221**	**13,457**
Payables and accruals	**104,019**	**103,800**	**219**		**104,019**
Due to related parties	**3,016**	**3,016**	**-**	**-**	**3,016**
Interest on bank borrowings	**-**	**108**	**243**	**146**	**497**
Total	**120,492**	**108,470**	**5,152**	**7,367**	**120,989**
As at 31 December 2017					
Interest bearing borrowings	23,780	6,450	4,332	12,998	23,780
Payables and accruals	99,797	99,447	350	-	99,797
Due to related parties	2,816	2,816	-	-	2,816
Interest on bank borrowings	-	37	359	343	739
Total	126,393	108,750	5,041	13,341	127,132

Operational risk

Operational risk is the risk of loss arising from inadequate or failed internal processes, human error, and systems failure, or from external events. The Group has a set of policies and procedures, which are approved by the Board of Directors and are applied to identify, assess and supervise operational risk. The management ensures compliance with policies and procedures, and monitors operational risk as part of its overall risk management strategy. Internal audit function is also utilised by the Group in mitigating this risk.

Capital management

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the year ended 31 December 2018 and year ended 31 December 2017. Capital comprises share capital and retained earnings, and is measured at RO 235,527,000 as at 31 December 2018 (2017: RO 217,655,000). Capital requirements are prescribed by the Commercial Companies Law of 1974, as amended.

25 KEY SOURCES OF ESTIMATION UNCERTAINTY
Parent Company and Consolidated

Deferred tax assets
Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the asset can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits, together with future tax planning strategies. Further details are included in note 8.

Impairment of accounts receivable
An estimate of the collectible amount of trade accounts receivable is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and an allowance applied according to the length of time past due, based on historical recovery rates.

At the reporting date, gross trade accounts receivable were RO 39,530,000 (2017: RO 31,077,000) and the provision for doubtful debts is RO 6,231,321 (2017: RO 6,976,745). Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the profit or loss. The related details are set out in note 13.

Provision for site restoration
The Group has recognised a provision for site restoration associated with the sites it leases. In determining the amount of the provision, assumptions and estimates are required in relation to discount rates and the expected cost to dismantle and remove equipment from the site and restore the land in its original condition. The carrying amount of the provision as at 31 December 2018 is RO 6,204,977 (2017: RO 5,396,424). The related details are set out in note 18.

In order to reflect the current market conditions affecting site restoration costs, a review of the estimates was carried out during 2018 by the management, and included inflation rate, interest rate, number of sites and costs per site, and as a result an increase in provision was made.

Impairment of inventories
Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on historical selling prices.

At the reporting date the inventory was RO 4,494,255 (31 December 2017: RO 2,602,622) and the allowance for obsolete inventory amounted to RO 501,988 (2017: RO 609,003). Any difference between the amounts actually realised in future periods and the amounts expected will be recognised in the profit or loss.

Impairment of non-financial assets
The Company assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. These assets are also tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Depreciation
Depreciation is charged so as to write off the cost of assets over their estimated useful lives. The calculation of useful lives is based on management's assessment of various factors, such as operating cycles, maintenance programmes, and normal wear and tear using best estimates.

Going concern
The Company's management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

26 SEGMENT INFORMATION

Information regarding the Group's operating segments is set out below in accordance with the IFRS 8 – Operating Segments.

For management purposes, the Group is organised into business units based on their product and services and has two reportable operating segments as follows:

1. Operation of Global System for Mobile Communication (GSM) for pre-paid and post-paid services, sale of telecommunication equipment and other associated services.

2. Provision of international and national voice and data services from fixed line, sale of telecommunication equipment and other associated services.

Management monitors the operating results of its business for making decisions about resource allocation and performance assessment.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

Segment revenue and results
A segment result represents the profit earned by each segment without allocation of finance income or finance cost.

The Parent Company commenced its fixed line services in May 2010 and its operations are mainly confined to the Sultanate of Oman.

Segmental results for the year ended 31 December 2018 are as follows:

	Mobile RO'000	Fixed line RO'000	Adjustments RO'000	Total RO'000
Revenue				
External sales	**228,952**	**54,664**	**-**	**283,616**
Inter-segment sales	**727**	**6,378**	**(7,105)**	**-**
Total revenue	**229,679**	**61,042**	**(7,105)**	**283,616**
Results				
Depreciation and amortisation	**46,936**	**10,386**	**-**	**57,322**
Amortisation - licence	**4,798**	**1,030**	**-**	**5,828**
Segment results – profit	**30,137**	**21,108**	**-**	**51,245**
Finance expense (net)				**(1,278)**
Profit before taxation				**49,967**
Loss of subsidiary allocated to the Group				**(96)**
Taxation				**(7,896)**
Profit for the year				**41,975**

26 SEGMENT INFORMATION *(continued)*

Segmental results for the year ended 31 December 2017 are as follows:

	Mobile RO'000	Fixed line RO'000	Adjustments RO'000	Total RO'000
Revenue				
External sales	231,278	42,328	-	273,606
Inter-segment sales	940	7,665	(8,605)	-
Total revenue	232,218	49,993	(8,605)	273,606
Results				
Depreciation and amortisation	54,106	7,980	-	62,086
Amortisation - licence	4,798	856	-	5,654
Segment results – profit	31,492	7,274	-	38,766
Finance expense (net)				(2,083)
Profit before taxation				36,683
Loss of subsidiary allocated to the Group				(114)
Taxation				(5,476)
Profit for the year				31,093

Capital expenditure incurred for different segments are as follows:

	2018 RO'000	2017 RO'000
Property and equipment		
- Mobile	**39,727**	27,314
-Fixed	**8,566**	6,822
- Others (Subsidiary)	**592**	225
	48,885	34,361

27 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise financial assets, financial liabilities and derivatives.

Financial assets consist of cash and bank balances, and receivables. Financial liabilities consist of term loans, and payables. Derivatives consist of interest rate swap contracts.

Fair value hierarchy
The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Parent Company

	Carrying amount				**Fair value**			
31 December 2018	**Fair value – hedging instruments**	**Loans and receivables**	**Other financial liabilities**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets measured at fair value								
Interest rate swaps used for hedging	**28**	**-**	**-**	**28**	**-**	**28**	**-**	**28**
Financial assets not measured at fair value								
Trade and other receivables	-	**33,299**	**-**	**33,299**	**-**	**-**	**-**	**-**
Cash and cash equivalents	-	**46,858**	**-**	**46,858**	**-**	**-**	**-**	**-**
	28	**80,157**	**-**	**80,185**	**-**	**28**	**-**	**28**
Financial liabilities measured at fair value								
Interest rate swaps used for hedging	-	-	-	-	-	-	-	-
Financial liabilities not measured at fair value								
Bank loans	-	-	**12,811**	**12,811**	-	-	-	-
Payables and accruals	-	-	**106,926**	**106,926**	-	-	-	-
	-	-	**119,737**	**119,737**	-	-	-	-

	Carrying amount				Fair value			
	Fair value – hedging instruments	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
31 December 2017								
Financial assets measured at fair value								
Interest rate swaps used for hedging	25	-	-	25	-	25	-	25
Financial assets not measured at fair value								
Trade and other receivables	-	24,100	-	24,100	-	-	-	-
Cash and cash equivalents	-	33,344	-	33,344	-	-	-	-
	25	57,444	-	57,469	-	25	-	25
Financial liabilities measured at fair value								
Interest rate swaps used for hedging	-	-	-	-	-	-	-	-
Financial liabilities not measured at fair value								
Bank loans	-	-	23,483	23,483	-	-	-	-
Payables and accruals	-	-	102,513	102,513	-	-	-	-
	-	-	125,996	125,996	-	-	-	-

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Notes *(forming part of the Parent Company and consolidated financial statements)*

27 FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

Consolidated

	Carrying amount				Fair value			
31 December 2018	**Fair value – hedging instruments**	**Loans and receivables**	**Other financial liabilities**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets measured at fair value								
Interest rate swaps used for hedging	**28**	**-**	**-**	**28**	**-**	**28**	**-**	**28**
Financial assets not measured at fair value								
Trade and other receivables	-	**33,299**	**-**	**33,299**	-	-	-	-
Cash and cash equivalents	-	**47,746**	**-**	**47,746**	-	-	-	-
	28	**81,045**	**-**	**81,073**	**-**	**28**	**-**	**28**
Financial liabilities measured at fair value								
Interest rate swaps used for hedging	-	-	-	-	-	-	-	-
Financial liabilities not measured at fair value								
Bank loans	-	-	**13,271**	**13,271**	-	-	-	-
Payables and accruals	-	-	**107,035**	**107,035**	-	-	-	-
	-	**-**	**120,306**	**120,306**	**-**	**-**	**-**	**-**

	Carrying amount				Fair value			
	Fair value – hedging instruments	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
31 December 2017								
Financial assets measured at fair value								
Interest rate swaps used for hedging	25	-	-	25	-	25	-	25
Financial assets not measured at fair value								
Trade and other receivables	-	24,100	-	24,100	-	-	-	-
Cash and cash equivalents	-	33,476	-	33,476	-	-	-	-
	25	57,576	-	57,601	-	25	-	25
Financial liabilities measured at fair value								
Interest rate swaps used for hedging	-	-	-	-	-	-	-	-
Financial liabilities not measured at fair value								
Bank loans	-	-	23,483	23,483	-	-	-	-
Payables and accruals	-	-	102,613	102,613	-	-	-	-
	-	-	126,096	126,096	-	-	-	-

27 FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

Level 1: inputs are quoted price (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: inputs are inputs, other than quoted prices included within level 1 that are observable for assets or liability, either directly or indirectly.

Level 3: inputs are unobservable inputs for the asset or liability.

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The fair value of financial assets and liabilities are considered by the Company's Board of Directors not to be materially different from their carrying amounts.

The fair values of the interest rate swaps arrangements are worked out using the level 2 valuation technique. The related fair value details are provided by the swap counter party.

There were no transfers between the levels during the current as well as the previous year.

28 COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform to the current period presentation. The reclassifications do not affect the reported profit during the period ended 31 December 2018.