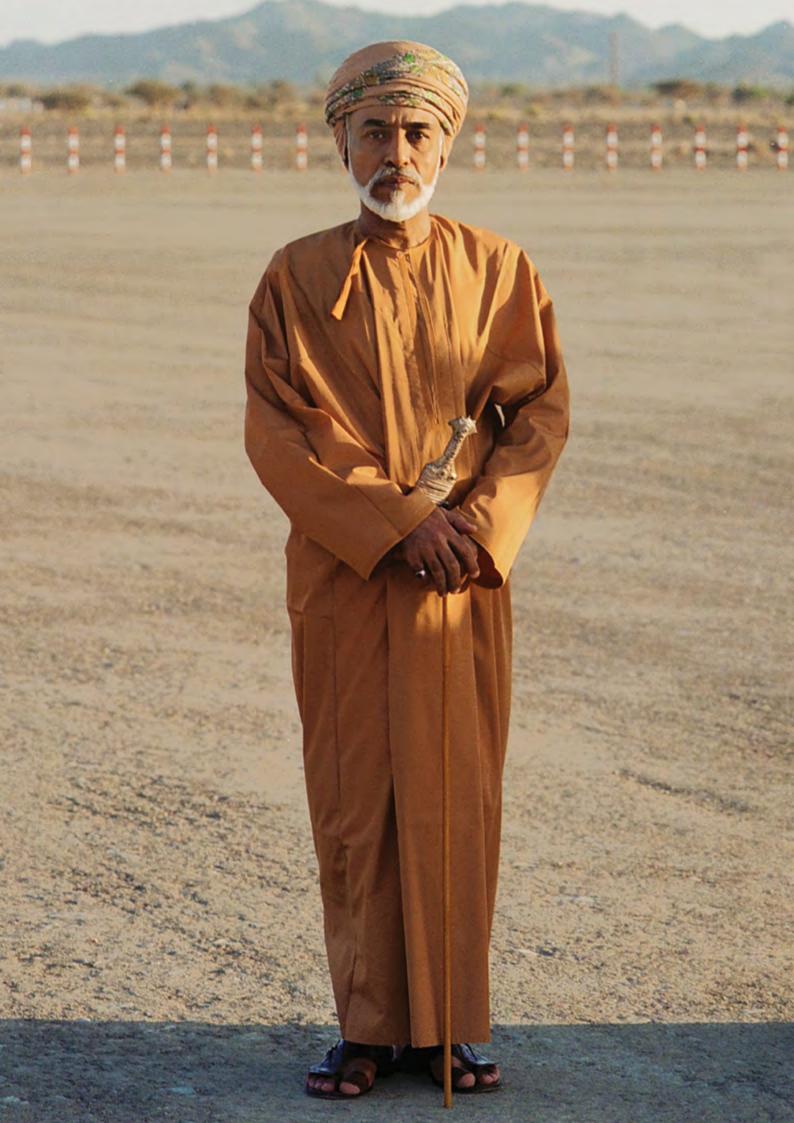
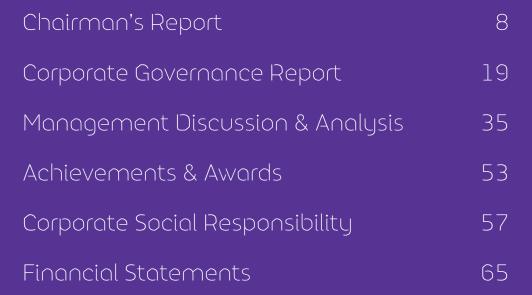


Annual Report

QABOOS BIN SAID

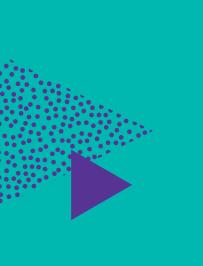














Executive Overview

Chairman's Report



Respected Shareholders,

We are pleased to present to you a summary of the results of the operations for the year 2018.

Operating performance:

Revenue

Group Revenue for the year ended 31st December 2018 has grown to RO 2,186 million compared to RO 751.7 million for the corresponding period 2017. The Group revenue include acquired business of Zain Group, which contributed revenues of RO 1,642 Mn. The Group results for the full year 2018 include fully consolidated Zain Group results, while Year 2017 consolidated results include only the results of Zain Group from November 2017 to December 2017. Further Zain Saudi Arabia (KSA) became a subsidiary of Zain Group due to the step up acquisition since Q3 2018.

Omantel (excluding Zain Group) Revenues recorded a growth of 2.6 % and reached RO 546 million compared

to RO 532.2 million for the corresponding year 2017. Revenue growth is mainly driven by Fixed Broadband and Wholesale Revenues. Fixed Broadband revenues have recorded a growth of 12.8%, while Wholesale Business recorded an increase of 20.8%. Conventional revenue streams such as national calls, international calls have continued their declining trend due to Over The Top (OTT) services.

Expenses

Group's total Operating expenses increased to RO 1,774.1 million compared to RO 619.1 million for the corresponding year 2017, of which costs related to Zain group is RO 1,331.7 Mn.

Omantel (excluding Zain Group) costs increased by 0.9% to RO 445.1 million compared to RO 440.9 Mn. The increase is mainly due to growth in revenue related expenses and provision of impairment of receivables.



NET PROFIT

RO 208.8_{Mn}

(RO 64.8 Mn net off non-controlling interests)

Final Dividend

50 bz

(Subject to the approval of AGM)

Net Profit

The Group achieved an after tax Net Profit of RO 208.8 Mn (RO 64.8 Mn net off non-controlling interests) compared to the after tax profitability of RO 99.8 Mn in 2017 (RO 78.3 Mn net off non-controlling interests).

The Group net profit include acquired business of Zain Group, which contributed net profit of RO 176 Mn to the Group.

Net profit of Omantel Group (excluding Zain Group) for the year ended 31st December 2018 is RO 75.5 Mn compared to RO 72.6 Mn, an increase of 4.3%. Total cash outflow on interest cost related to Zain Transaction is RO 46.9 Mn against the Dividend Income from Zain of RO 42.6 Mn. The total Interest Cost on Zain Transaction is RO 56.3 Mn including amortization cost related to the Financing.

Excluding Interest cost and Dividend related to Zain Transaction, then the Net profit of Omantel Group for the year ended 31st December 2018 is RO 89.2 Mn (December 2017- 83.2 Mn) reflecting a growth of 7.2%.

Group Earning per Share (EPS) for the year ended 31st Dec'18 is RO 0.086 compared to RO 0.104 for the corresponding period of year 2017.

Dividend

Board has recommended a dividend of 50 bz per share which will be subject to the approval of AGM. The payout ratio is 57% of the Group Profit.

SUBSCRIBER BASE

The total domestic subscriber base as of December 2018 (including mobile and fixed businesses) was 3,494 million (excluding Mobile Resellers) compared to 3,501 million of the corresponding period of the previous year, recording a decline of 0.2% over the last period. Total subscriber base with mobile resellers reached 4,251 Mn.

Subsidiary Companies:

1) Mobile Telecommunication Company (Zain):
Omantel acquired 21.9% shareholding in Zain
Group in Year 2017 and acquired a controlling
interest in the Zain Group. Since then Omantel
financials are consolidated with Zain Group
financials and disclosed to the market.

Zain Group revenues recorded a growth of 28% and reached US\$ 4.4 Bn (RO 1.62 Bn) as of Dec' 18 compared to the corresponding period revenues of US\$ 3.4 Bn (RO 1.3 Bn). EBITDA stands at US\$ 1.7 Bn (RO 646.3 Mn), recording a growth of

25%. Net profit is US\$ 649 Mn (RO 250 Mn, net off non-controlling interest) an increase of 23% over the previous period. One of the contributing factor for net profit increase is overall growth across key market segments and net monetary gain. Total customer base grew by 5% to 49 Mn compared to 46.6 Mn of the previous period.

2) Oman Data Park LLC: is a joint venture of Omantel and 4Trust LLC. The paid up capital is RO 4.75 million and Omantel owns 80%. The revenue for the year ended Dec'18 is RO 5.5 Mn an increase of 7.9% compared to RO 5.1 Mn for the corresponding year 2017. The company has shown an improved performance with EBITDA at 27%.

Market Share

Omantel's Mobile network market share (including Mobile Resellers) is estimated at 56.7% with a revenue share of 58.1%. The Fixed Telephone (post & pre-paid) market share is estimated at 73.4% with a revenue market share of 81.1%.

Awards and recognitions:

Omantel won the following awards during the Year 2018:

- Received 'Best Middle Eastern Project' award at the Global Carrier Awards 2018 in London. the award recognizes Omantel's work in establishing the first world-class carrier-neutral hub in Oman.
- Won awards in Oman Digital Transformation awards-2018 in 6 categories at Oman telecom innovation conference i.e. best telecom company, smart city, e-government, innovation, best ICT company and best of the best at Oman telecom innovation conference.
- 3. Top Trusted Brand in Telecommunications category and the Most Trusted Omani Brand among corporates in the 'The Most Trusted Brands in Oman' survey by Oman Economic Review (OER) business magazine.
- 4. The Best company in the field of Investor Relations and Best Investor Relations

 Professional in the field of investor relations in

the Sultanate of Oman for the year 2018 by the Middle East Investor Relations Society, Dubai.

Corporate Social Responsibility (CSR):

As part of its ongoing commitment to support the society and environment, Omantel has embarked on number of CSR initiatives and programs and has extended its support to various organizations and events. The below summarizes the major initiatives and events supported during the year 2018:

- 1. Signing an MoU with MoE: signed a cooperation and partnership agreement on a series of programs to enhance and improve the education sector such as: Omantel Olympics for Coding, "Programing project", "driven by innovation Bus", "Renewable Energy lab" and others.
- 2. Ideation Program: Omantel in collaboration with NBC running a new program that targets talented students and potential entrepreneurs who need help in forming a business around their ideas.
- 3. Launched "OMHUB" in partnership with National Business center, Oman Oil Company, and Oman India Fertilizers Company OMIFCO. OMHUB is an incubation center for both new startups in addition to already established SMEs that can be further grown through accelerator programs.
- 4. Signed an MOU with UNICEF to advocate for the well-being of Children by offering its smart telecom solutions to help the organization to have more innovative approach in addressing the health, nutrition and education for children.
- **5. ICT competition:** a program aims to transform graduating students' class projects into financially viable information and communication technology (ICT) start-ups by supporting the winners with the seed funding. The program announced 3 winning graduation projects.
- 6. Omantel continued its participation Hosting Charity associations (Al Rahma Association and Dar Al Atta'a Association), participated in Fak Kurbah campaign, ICT internship for the forth batch of Omantel & Huawei ICT internship program designed for fresh graduates.

7. Other CSR activities include 1) Supported for the 2nd time Oman Basketball Championship on wheelchairs organized by the Paralympic Committee, 2) Provided "Tecotherm Neo" Cooling therapy device for Sohar Hospital, 3) Participated in National Blood Donation Campaign, 4) Mehnati program a training program that will graduate 100 Omani job seekers from 5 different governances. 5) Participated in the OCA 15th Annual cancer walkathon, 6) Participated Outward Bound Oman in the 5th consecutive years.

Future outlook

Year 2018 witnessed a slow down on the core telecom market revenues mainly resulting from economic slowdown and increased competition in the domestic market. In 2018, the core telecom services market revenues, especially in mobile, are showing signs of stagnation or even a slight decline, only partially compensated by growth in fixed line services. This market stagnation is caused by reduction in spending power as well as a stagnation in population growth and a change in demographics. These conditions will likely fuel more aggressive competitive behavior between existing players, further accelerated with the introduction of new players in the market, such as the introduction of a 3rd Mobile License and the new license for Oman Broadband as well as the new Access & Interconnect regulation. In a declining core telecom market, this will very likely limit revenue growth potential across all players.

The OTT (over-the-top) trend continues to put pressure on the traditional markets in the telecom sector, both globally and in Oman. Especially the explosion of data usage in social media and streaming content provides opportunities as well as challenges to operators in Oman. The growth in data consumption in both fixed and mobile increases demand for broadband services providing an opportunity to grow revenues. At the same time, the popularity of free services and the dominance of global content players with a capability to leverage a global customer base while being subjected to limited domestic regulation, makes it challenging for domestic telecom operators to compete on value added services. Furthermore,

building the required infrastructure to support this demand remains a substantial burden on operators, putting an increased pressure on the margins.

The execution of our "Omantel 3.0" strategy remains the essential tool for Omantel to defend our position in the market and deal with the changing market dynamics. Our focus is on maximizing the share of wallet and value for customer, through excelling in customer experience as well as expanding in beyond the core services such as ICT solutions for enterprise and government customers. This will assure that we can further grow our position in the market. We continue to invest in our network to meet the increasing demand for data services and to enhance customer experience. Our Carrier of Carriers strategy as part of Wholesale proposition in the region enables us also to assure we provide the best connectivity to international players. At the same time, we focus on optimizing our cost base in order to compensate the decline in margins.

Moreover, the acquisition of a stake in Zain will enable Omantel to diversify its revenue sources and contribute to the creation of an added value to the shareholders of both companies, and will provide opportunities for integration between the two companies as well as to find a strong platform to compete more effectively in the market and overcome the risks of being in a single market.

Board performance appraisal

In compliance with the "Code of Corporate Governance for Public Listed Companies, the AGM of the company appointed on 28 March 2018 the Protiviti as an independent consultant to evaluate the Board of Directors performance based on the parameters that were approved by Shareholders. The Protiviti completed their assignment and sent their complete report to the Chairman of the Board of Directors highlighting certain improvement opportunities. Summary of the report is included in the agenda of the AGM.

Thanks and appreciation

We take this opportunity to express our heartfelt thanks to our shareholders and loyal customers for their continued support that enabled us to achieve these excellent results. Also, we wholeheartedly appreciate the sincere contribution of the Executive Management and Employees for the remarkable performance in the challenging situation. With your support, we are confident that Omantel will continue its good performance and will be able to reach new heights of excellence.

On behalf of the Board of Directors, executive management and the staff, we are honored to express our sincere gratitude to His Majesty Sultan Qaboos bin Said for His visionary leadership. We pray to Almighty Allah to shower him with his blessings, and grant him all the strength to continue to lead the country on the path of sustainable development.

Eng. Sultan Hamdoon Al Harthi

Chairman, Omantel Board Of Directors





Board of Directors



- 1- H.E. Eng. Sultan bin Hamdoon Al-Harthi
- 2- Mr. Saud bin Ahemed Al-Nahari
- 3- Mr. Abdulkader Askalan
- 4- Mr. Mehdi bin Mohammed Jawad Al-Abdwani
- 5- Eng. Mohamed bin Hamad Al-Maskari
- 6- Mr. AbdulRahim bin Salem Al-Harmi
- 7- Sheikh. Aimen bin Ahmed Al-Hosni
- 8- Eng. Matar bin Saif Al-Mamari
- 9- Sayyed. Zaki bin Hilal Al-Busaidi









Corporate Governace

Deloitte.

Deloitte & Touche (M.E.) & Co. LLC Minaret Al Qurum Building, Level 6 Al Qurum P.O. Box 258, Postal Code 112 Muscat Sultanate of Oman

Tel: +968 22354300 Fax: +968 22354333 www.deloitte.com

TO THE SHAREHOLDERS OF OMAN TELECOMMUNICATIONS COMPANY SAOG

We have performed the procedures agreed with you pursuant to the Capital Market Authority (CMA) Circular No. E/4/2015 dated 22 July 2015 with respect to the accompanying corporate governance report of **Oman Telecommunications Company SAOG** as at and for the year ended 31 December 2018 and its application of corporate governance practices in accordance with CMA code of corporate governance issued under Circular No. 4/2015 dated 22 July 2015 and amendments to CMA Code of Corporate Governance issued under circular no. E/10/2016 (collectively the "Code"). Our engagement was undertaken in accordance with the International Standards on Related Services to agreed-upon procedures engagements. The procedures were performed solely to assist you in evaluating the Company's compliance with the Code as issued by the CMA and are summarized as follows:

- We obtained the corporate governance report issued by the Board of Directors and checked that the
 report of the Company includes as a minimum, all items suggested by the CMA to be covered by the
 report as detailed in the Annexure 3 of the Code by comparing the report with such suggested content in
 Annexure 3; and
- We obtained the details regarding areas of non-compliance with the Code identified by the Company's Board of Directors with the Code, for the year ended 31 December 2018. The Company's Board of Directors has not identified any areas of non-compliance with the Code.

We have no exceptions to report in respect of the procedures performed.

Because the above procedures do not constitute either an audit or a review made in accordance with International Standards on Auditing or International Standards on review Engagements, we do not express any assurance on the corporate governance report.

Had we performed additional procedures or had we performed an audit or review of the corporate governance report in accordance with International Standards on Auditing or International Standards on Review Engagements, other matters might have come to our attention that would have been reported to you.

Our report is solely for the purpose set forth in the first paragraph of this report and for your information and is not to be used for any other purpose. This report relates only to the accompanying corporate governance report of **Oman Telecommunications Company SAOG** to be included in its annual report for the year ended 31 December 2018 and does not extend to any financial statements of **Oman Telecommunications Company SAOG**, taken as a whole.

Deloitte & Touche (M.E.) & Co. LLC Muscat, Sultanate of Oman

27 February 2019

عرض (الشرق الأوسط) وخر كان الأوسط) وخر كان الشرق الأوسط) وحر كان المتحدد المت

Principles and Foundations of Organization

Oman Telecommunications Company SAOG ("The Company") is committed to the highest standards of the Code of Corporate Governance. In pursuit of this goal, the company has applied the various principles of the Code of Corporate Governance with regard to the appointment of members of the Board of Directors, ensuring the adequacy and efficiency of Internal Controls in all aspects of the Company's operations and transparency in all business dealings.

Disclosure Policy

The company is committed to Capital Market Authority's (CMA) standards and guidelines on disclosure of material information. Further, it is committed to the rules and regulations issued by the Telecommunications Regulatory Authority (TRA). The Board has approved the disclosure policy issued by CMA.

Board of Directors:

1. Composition of the Board of Directors:

The Board of Directors of the Company is composed of nine members; five members are representing the government share including the Board Chairman. The other four members were elected by the AGM. The composition of the Board is in the following order:

Name of Board Member	Position in the Board	Type of Representation	Membership of other Committees	Membership of Board of other public Joint Stock Companies	Whether Attended last AGM
H.E Eng. Sultan bin Hamdoon Al-Harthy	Chairman	Non-Executive, Independent, representing Govt. Share	1	Nil	No
Mr. Saud bin Ahmed Al-Nahari			2	1	Yes
Mr. Abdul Kader Askalan	Member	Non-Executive, Independent, representing Govt. Share	2	Nil	Yes
Mr. Mehdi bin Mohammed Jawad Al-Abdwani	Member	Non-Executive, Non-Independent, from share holders	3	2	Yes
Mr. Abdul Rahim bin Salem Al-Harmi	Member	Non-Executive, Independent, representing Govt. Share	1	Nil	Yes
Eng. Matar bin Saif Al-Mamari	Member	Non-Executive, Independent, representing Govt. Share	2	Nil	Yes
Eng. Mohamed Hamad Al-Maskari	Member	Non-Executive, Independent, representing Govt. Share	2	Nil	Yes
Sheikh. Aimen bin Ahmed Al Hosni	Member	Non-Executive, Independent, representing Qurum Business Group	1	3	No
Sayyed. Zaki bin Hilal Al-Busaidi	Member	Non-Executive, Independent, from share holders	2	1	No

2. Profile of Directors and Executive Management

H.E Eng. Sultan bin Hamdoon Al-Harthy is an Advisor at the Supreme Council for Planning. He worked for different government organizations and his last position was the Chairman of Muscat Municipality.

Mr. Saud bin Ahmed Al-Nahari was the Chief Executive Officer of Port Services Corporation SAOG. He holds a Post-Graduate Diploma in Port Management. He is a Deputy Chairman in Oman United Insurance Co. SAOG and board member in Ubhar GCC Fund. He has extensive management experience and is familiar with corporate governance systems and a board member licensed by the Capital Market Authority.

Mr. Abdul Kader Askalan was the Chief Executive Officer of Oman Arab Bank until 31 December 2013 and has a past experience in the banking sector.

Mr. Mehdi bin Mohammed Jawad Al-Abduwani is the Chief Executive Officer of National Ferry Company. He holds a Bachelor's Degree in Economics and post-graduate diploma in Development Planning Techniques (DPT). He is the Chairman of Computer Stationery Industry Co. SAOG, a board member of Al Maha Ceramics SAOG.

Mr. Abdul Rahim bin Salem Al-Harmi was Director General of Civil Aviation and Meteorology at the Ministry of Transport and Communications. He has extensive experience in the field of civil aviation and meteorology. His last position was the Advisor to the Minister of Transport and Communications for Meteorology Affairs. He holds a Master's Degree in Business Administration.

Eng. Matar bin Saif Al-Mamari is working in the field of telecommunications and information technology since 1989 and participated in several government committees in the same field. He holds a Master's Degree in Business Administration from the University of Lincoln and Bachelor's Degree in Electrical and Electronic Engineering from Widener University of USA. He is a board member of Information Technology Authority.

Eng. Mohamed bin Hamed Al-Maskari is the Chief Executive Officer of Infoline LLC. He was the Director General of Knowledge Oasis Muscat, and has vast work experience in the field of Management and Information Technology for more than 20 years with a Master Degree in Business Administration.

Sheikh. Aimen bin Ahmed Al Hosni is the Chief Executive Officer of Oman Airports Management Company SAOC. He holds a Bachelor Degree in Political Science and a Master's Degree in Public Administration. He is the Chairman of Oman National Engineering & Investment Company SAOG and the Chairman of Muscat Insurance Company SAOG & Member of HSBC Bank Oman SAOG.

Sayyed. Zaki bin Hilal Al-Busaidi is the Chief Executive Officer of the Institute of Public Administration. He has a long experience in the field of management. He holds Master Degree in Public Administration.

Mr. Talal Said Al Mamari is the Chief Executive Officer of Omantel since 29 June 2014. He has a bachelor degree in Business Administration from Duquesne University, Pittsburgh – Pennsylvania. Prior to his appointment as CEO, he held several leadership positions including his last position as Chief Financial Officer of Omantel. He has 25 years of experience in the Telecommunications sector. He has had played an instrumental role in different initiatives and projects, carried out by the company.

3. Procedures and Conditions for the Selection of Board Members

Article (22) of the Articles of Association of the Company shall be applied in the election of the members of the Board of Directors. The necessary action will be taken to apply the new amendments contained in the new Commercial Companies Law issued by the Royal Decree No. 18/2019 dated 13/2/2019.

4. Board performance appraisal

In compliance with the Code of Corporate Governance for Public Listed Companies, the AGM of the company appointed on 28 March 2018, the Protiviti as an independent consultant to evaluate the Board of Directors performance based on the parameters that were approved by Shareholders. The Protiviti completed their assignment and sent their complete report to the Chairman of the Board of Directors highlighting certain improvement opportunities. Summary of the report is included in the agenda of the AGM.

5. Meetings of the Board of Directors

The Board of Directors held 7 meetings during the year 2018. These were in the following order:

Board Meetings	Date of the Meeting
1st Meeting	21-February-2018
2nd Meeting	22-March-2018
3rd Meeting	15 -May-2018
4th Meeting	14-August-2018
5th Meeting	07-October-2018
6th Meeting	13 -November-2018
7th Meeting	12 -December -2018

Board Meetings Attendance:

Name of the Board Member	Position	Number of Meetings attended
H.E Eng. Sultan bin Hamdoon Al-Harthy	Chairman	4
Mr. Saud bin Ahemed Al-Nahari	D. Chairman	7
Mr. AbdulKader Ahmed Askalan	Member	4
Mr. Mehdi bin Mohammed Al-Abdwani	Member	7
Mr. Abdul Rahim bin Salem Al-Harmi	Member	7
Eng. Matar Saif Al-Mamari	Member	5
Eng. Mohamed bin Hamad Al-Maskari	Member	7
Sheikh. Aimen bin Ahmed Al Hosni	Member	6
Sayyed. Zaki bin Hilal Al-Busaidi	Member	5

The Committees stemming from the Board of Directors

1. Executive Committee

A. Committee meetings:

The Executive Committee held 2 Meetings during the year 2018:

Name of the committee member	Position	Number of Meetings attended
H.E Eng. Sultan bin Hamdoon Al-Harthy	Chairman	2
Mr. Saud bin Ahmed Al-Nahari	D. Chairman	2
Mr. Mehdi bin Mohammed Al-Abdwani	Member	2
Eng. Matar bin Saif Al-Mamari	Member	2

B. The Committee's terms of reference:

- 1. To review the Company's business plan;
- 2. To study the Company's annual budget and submit their recommendations to the Board;
- 3. To study and approve new tariffs;
- 4. To study and approve the proposed changes to Company policies;
- 5. To take action on the matters submitted by the Board or Chairman of the Board;
- 6. To take an action on urgent matters submitted by Company's CEO and which fall within the committee's authority;

2. The Audit Committee

A. Committee meetings

The Audit Committee held 5 meetings during the year 2018:

Name of the committee member	Position	Number of Meetings attended
Sheikh. Aimen bin Ahmed Al-Hosni	Chairman	5
Mr. Abdulkadir Ahmed Askalan	D. Chairman	3
Sayyed. Zaki bin Hilal Al-Busaidi	Member	5

B. The Committee's terms of reference:

- 1. Considering the name of the auditor in the context of their independence (particularly with reference to any other non-audit services), fees and terms of engagement and recommending their name to the Board for putting before AGM for appointment.
- 2. Oversee the adequacy of the internal control system through the regular reports of the internal and external auditors. The committee may also appoint external consultants when required.
- 3. Oversee the internal audit function in general and with particular reference to reviewing the internal audit plan for the year, reviewing the reports of internal auditors pertaining to critical areas, reviewing the efficacy of the internal auditing and reviewing as to whether internal auditors have full access to all relevant documents.
- 4. Serving as a channel of communication between external auditors and the Board and also internal auditors and the Board.
- 5. Checking financial fraud particularly fictitious and fraudulent portions of the financial statement. The committee should put in place an appropriate system to ensure adoption of appropriate accounting policies and principles leading to fairness in financial statements.
- 6. Oversee of financial statements in general and with particular reference to review of annual and quarterly financial statements before issue, review of qualifications in the draft financial statements and discussion of accounting principles. In particular, change in accounting policies, principles and accounting estimates in comparison to previous year, any adoption of new accounting policy, any departure from International Financial Reporting Standards (IFRS) and non-compliance with disclosure requirements prescribed by CMA should be critically reviewed.
- 7. Reviewing risk management policies and looking into the reasons of defaults in payment obligations of the Company, if any.
- 8. Reviewing proposed specific transactions with related parties for making suitable recommendations to the Board and setting rules for entering into small value transactions with related parties without obtaining prior approval of audit committee and the Board.

3. Nomination, Remuneration & HR Committee

A. Committee meetings

The HR committee held 4 meetings during the year 2018:

Name of the committee member	Position	Number of Meetings attended
Mr. Mehdi bin Mohammed Al-Abduwani	Chairman	4
Mr. Abdulkader Ahmed Askalan	D. Chairman	2
Mr. Abdulrahim Salem Al-Harmi	Member	4
Eng. Mohammed Hamad Al-Maskari	Member	4

B. The Committee's terms of reference:

- 1. Provide succession planning for the executive management.
- 2. Develop a succession policy of plan for the board or at least the chairperson.
- 3. Prepare detailed job description of the role and responsibilities for directors including the chairperson. This will facilitate orientate directors towards their tasks and roles, and appraise their performance.
- 4. Look for and nominate qualified persons to act as interim directors on the board in the event of a seat becomes vacant.
- 5. Notwithstanding the articles of association senior executive position, as required or directed by the board.
- 6. Prepare a bonus, allowances and incentive policy for the executive management.
- 7. Review such policies periodically, taking into account market conditions and company performance.
- 8. Taking into consideration avoiding conflict of interests, the committee may, upon obtaining the approval of the board, seek the assistance and advice of any other party in order to better deliver its tasks.
- 9. To review factors and developments which require an amendment to the organizational structure of the company;
- 10. To review the structure and the level of salaries and compensation before submission to the Board of Directors;
- 11. To review and recommend strategic plan and policies relating to Human Resources;
- 12. Any other business as directed by the Board.

4. Tender Committee

A. Committee meetings

The Tender committee held 4 Meetings during the year 2018:

Name of the committee member	Position	Number of Meetings attended
Mr. Saud bin Ahmed Al-Nahari	Chairman	4
Mr. Mehdi bin Mohammed Al-Abduwani	D. Chairman	4
Eng. Matar bin Saif Al-Mamari	Member	2
Sayyed. Zaki bin Hilal Al-Busaidi	Member	4
Eng. Mohamed Hamad Al-Maskari	Member	4

B. The Committee's terms of reference:

- 1. Representing the Board in reviewing, discussing and award tenders as per the given Tenders' Manual of Authority;
- 2. Study the mechanisms and procedures that used for evaluation of bids, and propose improvement by use of appropriate technologies;
- 3 Study any other matter that referred to by the Board and decide as per its authority.

Remunerations

Fee paid to Board member for attending the meetings of the Board of Directors and the committees stemming from it are paid in the following manner:

Board Meetings	RO 500 per meeting
Committee Meetings stemming from the Board	RO 400 per meeting

1. The following table shows the details of the financial allocations paid to members of the Board of Directors during 2018:

Name of Board Member	Sitting fee (RO)
H.E Eng. Sultan bin Hamdoon Al-Harthy	2,800
Mr. Saud bin Ahmed Al-Nahari	5,900
Mr. Abdul Kader Askalan	4,000
Mr. Mehdi bin Mohammed Jawad Al-Abduwani	7,500
Mr. Abdul Rahim Salem Al-Harmi	5,100
Eng. Matar Saif Al-Mamari	4,100
Eng. Mohamed Hamed Al-Maskari	6,700
Mr. Aimen bin Ahmed Al Hosni	5,000
Mr. Zaki bin Hilal Al Busaidi	6,100
Total	47,200

2. Directors' Remuneration:

Details	Amount in (RO)
Total directors' remuneration recommended for the year 2018	152,800
Total directors' remuneration paid for the year 2017	116,400

The company provides telephone and Internet services to board members

3. The following table shows the details of the financial allocations paid to the executive management (top five) during 2018:

Salary and other allowances	Bonus	Social Security Cost and End of service benefits	Total
(RO)	(RO)	(RO)	(RO)
1,041,972	865,000	66,027	1,972,999

^{4.} All work contracts are in conformity with the requirements of the Omani Labor Law.

Details of Non-compliance by the Company

Year	Amount	Penalty Imposed By	Reason
2018	Nil	Nil	Nil
2017	680,000	TRA	Not achieving the required Fixed Broad Band coverage obligation
2016	Nil	Nil	Nil

Channels and Methods of Communication with Shareholders and Investors

- The Company's quarterly financial reports are published in the local newspapers and are also uploaded to the website of Muscat Securities Market and on the Company's website. In addition, the shareholders are notified of the details of the financial results by sending them to the shareholders at their request.
- The Company has a website which includes its profile and offered services. The website is constantly updated.
- Presentation on the company's financial performance is made to analysts on quarterly basis.
- The report of the Company's management and governance constitutes a part of its Annual Report.

Details of Market Shares

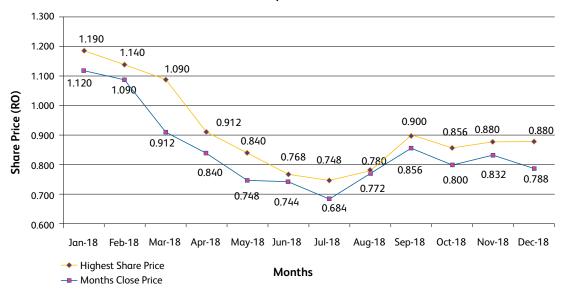
A. Details of prices for traded company shares:

Following are the details of the company's shares traded on the Muscat Securities Market (MSM) during the year 2018:

Month	Highest Share Price	Lowest Share Price
January	1.190	1.115
February	1.140	1.060
March	1.090	0.860
April	0.912	0.832
Мау	0.840	0.720
June	0.768	0.740
July	0.748	0.680
August	0.780	0.660
September	0.900	0.764
October	0.856	0.800
November	0.880	0.792
December	0.880	0.776

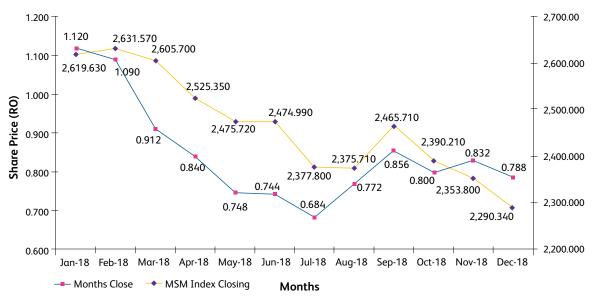
Details of Market Shares (continued)





B. Comparison of Share Price with MSM Index (services)

Performance compared to MSM Index (Service)



• The Company does not have any securities or financial instruments convertible to shares issued to the general public or investment establishments or any segment of investors.

Distribution of Company's shares

The following table illustrates the distribution of ownership of the Company's shares until 31/12/2018:

Sl. No	Number of Shares	No. of Shareholders
1	1 – 500	12,068
2	501 – 1,000	4,154
3	1,001 – 5,000	4,890
4	5,001 – 10,000	979
5	10,001 – 15,000	359
6	15,001 – 20,000	145
7	20,001 – 50,000	279
8	50,001 – 800,000	252
9	800,001 – 1,000,000	4
10	1,000,001 – 15,000,000	33
11	15,000,001 and above	7
Total		23,170

Professional Background of External Auditors

External auditor for Omantel

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited ("DTTL"), its global network of member firms, and their related entities. DTTL (also referred to as "Deloitte Global") and each of its member firms are legally separate and independent entities. DTTL does not provide services to clients. Please see www.deloitte.com/about to learn more.

Deloitte is a leading global provider of audit and assurance, consulting, financial advisory, risk advisory, tax and related services. Our network of member firms in more than 150 countries and territories, serves four out of five Fortune Global 500® companies. Learn how Deloitte's approximately 280,000 people make an impact that matters at www.deloitte.com.

Deloitte & Touche (M.E.) (DME) is a licensed member firm of Deloitte Touche Tohmatsu Limited (DTTL) and is a leading professional services firm established in the Middle East region with uninterrupted presence since 1926. DME's presence in the Middle East region is established through its affiliated independent legal entities, which are licensed to operate and to provide services under the applicable laws and regulations of the relevant country. DME's affiliates and related entities cannot oblige each other and/or DME, and when providing services, each affiliate and related entity engages directly and independently with its own clients and shall only be liable for its own acts or omissions and not those of any other affiliate.

Details	Amount (RO)
Audit services	124,050
Other permitted Services	963
Total	125,013

Acknowledgement by the Board of Directors

The Board of Directors acknowledges

- 1. Its liability for the preparation of the financial statements in accordance with the applicable standards and rules applicable in the Sultanate of Oman.
- 2. The review of the efficiency and adequacy of internal control system of the company and compliance with internal rules and regulations.
- 3. That there are no material issues that affect the continuation of the company and its ability to continue its operations during the next financial year.

CHAIRMAN-BOARD OF DIRECTORS











Management Discussion & Analysis

X

Management Discussion & Analysis Report

Year Ended 31st December 2018



Global Telecom Trends and Technology Landscape

As the enormous pace of technological evolution continues to unfold the wonders of modern world, telecommunications are being unarguably viewed as core catalyst fueling this wide scale global transformation across various social and commercial segments. The role of 'connectivity' in human psychology has reached to a level where instinctive and commercial behaviors of people and businesses are defined by the range of telecom services available to them.

The scope of telecommunications has expanded beyond human imagination with the introduction of game-changing M2M technologies such as IoT, Blockchain etc., that seek to connect virtually every man-made machine/devices.

The rapidly evolving concept of IoT in both domestic and commercial segments will create an entirely new eco-system with billions of additional data connections emerging on the telecom landscape globally. In the near future, the definition of 'connected user' will not only cover humans, but will also include automobiles, home appliances, street lights and even farm animals etc.

Majority of the modern day media, healthcare, and commerce is now being hosted and communicated on the telecom networks. Operators are witnessing blistering growth in content communication, its storage and the need for its security more than ever before.

As significant volumes of voice and messaging are being shifted on data centric IP networks, all recent technological advancements in telecoms are now addressing the concerns related to quality of data transportation i.e. speed and latency.

Emergence of IP based telephony, carrier-grade WiFi networks and 5G mobile technology is a clear indication that all forms of the future communications will be entirely data based. Demand for CAPEX investments for such technological transformations however, is enormous.

A new mobile era after the 3G/4G revolution is set to emerge soon with the commercial rollout of 5G wireless networks across the world. 5G will act as an enabler in converging the new technologies (IoT, robotics, Blockchain, smart geographies, artificial intelligence, e-sim, mobile media, transportation etc.) on a single platform. This convergence will enable the operators to improve service delivery and time-to-market efficiencies.

One trend however, is obvious that the operators in future will not be able to generate their entire commercial value from sheer connectivity. For survival, the operators will have to complement their connectivity propositions with services and solutions such as artificial intelligence, data analytics, virtual storage, information security, digitization, smart homes, smart cities, e-governments etc.

High margin voice business is significantly eroded by the strong foothold of global OTT operators offering IP based voice, messaging and video communication, which increasingly put pressure on profitability. On the other hand, majority of telecom operators are facing challenges in effectively monetizing the enormous adoption of broadband usage, and balancing between allowable data usage and pricing.

On the macro-economic landscape, the prevalent global economic slowdown during the recent years has been constantly downplaying operators' returns as consumer, corporate and public sector spending remains subdued in most of the regions due to fiscal uncertainties. As governments across the world adopt fiscal austerity in their spending behavior, telecom operators' earnings and margins are being constantly threatened due to lower economic activities.

Omantel in 2018

Domestic telecom situation remained under stress due to challenging market conditions and subdued macro-economic environment during 2018. Omantel however maintained its revenue growth rate similar to what was recorded in the year 2017. Omantel parent company revenue posted a growth of RO 2.6% during FY 2018, which was slightly up from the 2.5% growth recorded in FY 2017. Omantel Group, including Omantel subsidiaries, associates including Zain, posted a year on year growth of 190.8%.

Our growth story however carries a strengthening backdrop of operational, financial and competitive pressures. In order to manage these challenges, we have been constantly working on diverse initiatives enabling Omantel to improve operational efficiencies and generate additional sources of business wherever possible.

Omantel is putting its core focus on catering to the data consumption and services growth in both fixedline and mobile broadband segments. Growth in data uptake, driven by rapidly penetrating smart devices, and increasing fixed broadband penetration led us to expand our core and access network footprint, our product line, our retail presence and marketing visibility.

Omantel is pursuing a policy of supporting Sultanate's enterprise growth and strengthening our corporate clientele by spreading our services beyond just connectivity. Our ICT division has been actively interacting with public as well as private sector corporations for developing and provisioning of tailored corporate solutions in both connectivity and ICT domains.

Omantel's acquisition of 21.9% strategic stake in the Zain Group has expanded our geographical footprint to 9 countries. An immediate growth achieved through this prolific acquisition is observed as Omantel has become one of the largest telecoms group in the MENA region, serving 10 markets and over 50 Mn customers.

2018 was the year of initiating close collaboration between Zain Group and Omantel on several fronts with the objective of driving our digitization strategy to a success. In 2019, Omantel will continue to work closely with the Zain group in extracting long term economic benefits through materialization of wholesale & ICT synergies.

Ouest for Excellence:

We have been relentlessly pursuing operational excellence to sustain Omantel's market leadership. Our 2018 operational journey is galvanized by several strategic initiatives taken towards meeting customer expectations, enhancing customer experience, innovating our offerings, transformation of operational efficiency towards an agile corporate decorum and achieving digitization in our processes, offerings and services to the maximum extent possible.

We continue to spend on and transform our fixedline and mobile networks to remain at par with the latest technological advancements. Omantel has started upgrading its wireless home broadband speeds via Massive MIMO technology, beginning with key strategic locations

On the marketing front, Omantel has recently partnered with a multinational European business solution provider to launch high precision smart mobile and online marketing campaigns based on our Big Data platform.

As pressure mounts on revenue growth and profitability margins resulting from immense competition and price reduction, our in-house

cost optimization drive continues to bring positive results. Omantel achieved significant cost savings through streamlining and re-engineering our internal processes, efficient utilization of resources, rejuvenated vendor management and network usage optimization etc. we will continue to roll out new cost optimization initiatives in addition to the recurring actions during 2019.

ICT

At a time when market conditions are rapidly changing, ICT solutions and customer experience have emerged as key focus areas for Omantel. In keeping up with this commitment, Omantel continues to invest in its digital infrastructure and solutions to meet increasing demand for data services with an enhanced customer experience.

The major thrust of our ICT strategy is towards Omantel's digitization drive which aims to leverage our big data capabilities to integrate core services from transportation, retail, energy and utilities amongst several other verticals.

Inline with the Sultanate's 2040 vision, Omantel has been undertaking a series of pioneering initiatives towards setting up a full-fledged digital eco-system across several operational axes. Our ICT agenda aims to become a one-stop-shop and a trusted partner for all of our customers' technology needs.

Omantel has built a number of strategic alliances, whilst partnering with equipment manufacturers and independent software vendors to provide end-to-end ICT solutions to our corporate clients and enabling new revenue streams for their businesses. In an expanding succession of steps to establish a holistic ICT ecosystem, Omantel recently teamed up with prolific multinational and domestic technology operators, to jointly provide flexible business models that allows our customers to lower their acquisition barriers by deploying Networks on-demand, also termed Network-as-a-Service (NaaS).

Following our strategic acquisition of Zain, our enlarged footprint spanning 10 countries in MENA region delivers an unprecedented new potential for ICT business.

Omantel pioneered in the Sultanate's Internetof-Things arena by incorporating a dedicated IoT company. Omantel is also the founding partner of Oman's Smart City Platform alongside the Muscat Municipality, Oman's Supreme Council for Planning and the Oman Research Council. We have signed up a collaborative research agreement with the Sultan Qaboos University to establish a Living Lab for Internet of Things (IoT) and Smart Cities. The Lab, housed by the university's Communication and Information Research Centre, will be one of the first of its kind in the Arab region assist in transforming SQU campus into a model of a successful and efficient smart city in Oman. Omantel's IoT arm Momkin will equip this facility with IoT based Smart City solutions and devices.

Omantel as a Corporate Citizen

As much as we are focused on creating value for our shareholders by maintaining global best operational practices, Omantel is equally committed to being a responsible corporate citizen to the Omani society. Our CSR strategy is focused on social partnerships and charitable initiatives, supporting education and small businesses, health, safety and environmental behaviors etc.

Omantel is always profiled as an active benevolent citizen of the Sultanate with our relentless pursuit of the betterment of the rural and urban communities through countless charity initiatives during a given year.

During 2018, Omantel joined hands with the United Nations Children's Fund (UNICEF) by offering its smart telecom solutions to help the organization have a more innovative approach in addressing the health, nutrition and education of children in Oman.

We believe that educational development of the young population on the technological front is imperative for the Sultanate's successful progression into the future. One major aspect of our CSR strategy therefore focuses on providing opportunities to the students to innovate and think beyond conventional educational practices. In collaboration with TRA, Omantel together with one of its prolific network vendor, launched a first-of-its-kind 5G competition in the Sultanate for university and college students. The objective of this exercise was to tap into the tremendous intellectual potential for the best idea, and fostering innovation in the minds of young talents.

Omantel launched a student safety project 'Darb Al Salamah' in with the Ministry of Education, where Omantel will provide connectivity and tracking system for all the school buses in the country. The system will enable the school management and parents to observe safety of their children through

live location and speed tracking, arrival and departure alerts etc. This 'Smart Transportation Service' is being considered as of the pioneering services in the region.

As part of our CSR program, Omantel has recently entered into a series of agreements with the Ministry of Education. Omantel will support the development of Sultanate's education sector by adding computer programming courses into the curricula of primary grades. This initiative would instill a culture of innovation and thoughtfulness among young school students.

Omantel will also support the Ministry of Education and the Research Council of Oman for the activation of innovation programs at early school grades. As one of our CSR initiative, Omantel is also laying optic fiber for 3 schools in Al-Wusta.

Our Wholesale Strategies and Achievements

Inline with our vision to transform Omantel into a regional wholesale hub, Omantel adopted an aggressive wholesale strategy to capture regional connectivity as well as data transit demands. Through our substantial investments in several cable systems and landing stations, Omantel is now seen among the regional leaders in the field of submarine cable networks, attracting high profile global content providers by hosting their regional hubs the Sultanate.

Omantel provides cable landings and connectivity to more than 120 cities across the world. We have investments in 20 subsea cable systems and six diverse landing stations in Oman and another in France. This makes the Sultanate of Oman one of the most connected places in the region and an attractive international hub as entrance to the Gulf. Our participation in several international cable systems is also supported by several direct terrestrial links in our portfolio.

During 2018, Omantel entered into a joint venture with a globally renowned multinational data center operator for development of a data center in Barka-Oman. This joint venture will establish the first world-class, carrier-neutral hub in Oman where carriers, content providers and cloud providers collocate critical IT infrastructure.

With by virtue of our submarine assets, Omantel is well positioned to offer unrivaled quality and capacity to serve the growing broadband demand with low latency aligned to the social and economic objectives of the Sultanate, as well as our neighboring countries.

Challenges Ahead

Operators across the globe are undoubtedly facing a time of turmoil. We are dealing with a universally common set of challenges such as diminutive organic growth in conventional services, unrelenting operational costs, increasing capex requirements, competitive pressures, regulatory restraints and hence the shrinking profitability margins.

Omantel is facing a similar array of challenges as experienced by other operators both within the region and beyond. Our biggest challenges are the continued decline in conventional high-value business streams i.e. voice and SMS, slowdown in broadband growth, continued liberalization in mobile telephony and fixed broadband segments, limitations on market growth due to economic slowdown, increase in uncontrollable costs such as taxation and government royalties etc.

Another challenge is the compulsion on operators to continue spending on upgrading their networks, IT & security systems during the times of stunted revenue growth. Particularly, excessive growth in data usage demands operators to increase network capabilities at a very rapid pace while addressing the technological change.

Furthermore, security of the information assets becomes more and more integral. Hence operators have to invest substantially more and constantly on securing their IT and data transportation networks.

Additionally, the advent of 5G will require major investment commitment over the coming years, and will further increase the financial burden on operators that are already facing a heavy investment demand from modernization of their existing access networks, service delivery structures, ICT and other crossindustry partnerships etc. Substantial investments are also being channeled towards modernizing and expanding our core fiber backhaul networks to support the exponential growth in data demand.

However, at the backdrop of increasing cash flow strains and declining profitability margins, it would be challenging to manage financial resources for optimally deploying our network investments.

These challenges would have been easier to manage in a favorable macro-economic and market environment. However, as a long awaited turnaround in global, regional and domestic economic conditions is still not in sight, the challenges highlighted above will continue putting pressure on our revenue and profitability.

The Sultanate's economic growth continued to remain under pressure during 2018 due to the prevailing slump in oil prices, cautious government spending and resultantly a weaker consumption pattern. Resulting from a collection of macro-economic situation, the demand for telecom services has remained under pressure. Furthermore, the increase in Government's levies such as royalty charges and income taxes has also impacted our profitability since 2017.

Omantel is managing these challenges through aiming more at protecting our market share and capitalizing upon emerging revenue contributing segments such as fixed and mobile broadband, ICT and wholesale capacity business.

Our core focus during the year 2019 would be to maintain our committed financial covenants and ensuring that our debt servicing capacity remains intact from the prevailing operational challenges. The management continues to work towards achieving cost efficiencies across several cost centers. Our major cost rationalization programs that have generated ample savings recently will continue to progress going forward.

Domestic Market Situation

Domestic telecom sector remains under stress due to the prevailing macro-economic slowdown as discussed earlier in detail. These conditions have resulted in reduction of just over half a million mobile subscribers during 2018. Consumer spending is low and mobile market growth continued to suffer during the year 2018.

The telecom market continued to depict an intensified competitive landscape during 2018. As a 3rd mobile as well as a new class-1 fixed broadband operator are likely to rollout operations during 2020, market share of the existing operators will be impacted from further saturation in mobile and fixedline markets given their limited growth potential.

Revenue mix is significantly disrupted with a declining share of domestic and international voice and lower growth in mobile broadband market. Hence in an attempt to retain their respective mobile market share, the operators are engaged in series of competitive offerings.

These competitive pressures coupled with the market size limitation impacting Omantel's revenue growth and profitability margins. To withstand the limited revenue growth, we are emphasizing on achieving operational efficiencies across several functions with a view to shed costs, rationalize capex and explore non-traditional revenue sources.

Omantel Group – Consolidated Performance – 2018

Omantel Group revenue includes revenues from domestic operations of the parent company, revenue from Zain Group, domestic and other international subsidiaries.

Omantel Group revenue posted an increase of 190.8% mainly due to the consolidation of Zain's entire year revenue in 2018 compared to the consolidation of only last 2 months' revenue in 2017.

Profit & Loss Statement – Omantel Consolidated with Zain Group					
	2018	2017	Change		
RO in Mn					
Revenue	2,186.0	751.7	190.8%		
Cost of Sales	(637.4)	(230.1)	-177.0%		
Gross Profit	1,548.6	521.6	196.9%		
Operating & Other Costs	(694.0)	(230.7)	-200.8 %		
EBITDA	854.6	290.9	193.8%		
Depreciation & Amortization	(442.7)	(158.3)	-179.7%		
EBIT	411.9	132.6	210.6%		
Financing Income/Cost & Others	(162.7)	(23.5)	-592.2%		
Profit before Taxation	249.2	109.1	128.4%		
Taxation	(40.3)	(9.0)	-348.8%		
Profit After Taxation	208.8	100.1	108.6%		
Less: other adjustments		(0.3)	100.0%		
Net Profit for The Year	208.8	99.8	109.4%		
Non-Controlling Interests	(144.0)	(21.5)	-570.9%		
Profit Net Off Non-Controlling Interests	64.8	78.3	-17.2%		

Group Revenue for the year ended 31st December 2018 has grown to RO 2,186 million compared to RO 751.7 million for the corresponding period 2017. The Group revenue include acquired business of Zain Group, which contributed revenues of RO 1,642 Mn.

The Group results for the full year 2018 include fully consolidated Zain Group results, while Year 2017 consolidated results include only the results of Zain Group from November 2017 to December 2017. Further Zain Saudi Arabia (KSA) became a subsidiary of Zain Group due to the step up acquisition since Q3 2018.

Profitability Ratios	Consolidated
	2018 2017
EBITDA Margin	39.1% 38.7%
Net Profit Margin	9.6% 13.3%
EPS	0.086 0.104

Profitability Including Zain:

The Consolidated EBITDA margin for 2018 remained 39.1%, which is higher than the margin of 38.7% recorded in 2017.

The group achieved an after tax Net Profit of RO 208.8 Mn compared to the after tax profitability of RO 99.8 Mn in 2017, i.e. an increase of 109.4%. The net profit net off non-controlling interests is RO 64.8 Mn for the year ended 31st December 2018 compared to RO 78.3 Mn in 2017. The consolidated net profit is impacted by the Purchase Price Allocation exercise (PPA) and a one off foreign currency translation loss amounting to RO 15.7 Mn arising on step up acquisition on investment in Zain Saudi Arabia.

Purchase price allocation:

The application of acquisition accounting under IFRS 3-Business combination requires that the total purchase price to be allocated to the fair value of assets acquired and liabilities assumed based on their fair values at the acquisition date with amounts exceeding the fair values being recorded as Goodwill.

The PPA process requires an analysis of acquired fixed assets, licenses, customer relationships, brands, contractual commitments and contingencies to identify and record the fair values of all assets and liabilities assumed. The intangible assets derived out of this exercise comprise of brand and customer relations which are amortized over a defined period of time (Brand 20 Years and Customer Relations 4 to 9 years, depend on the market segment).

Performance of the Zain Group

2018 was a year of remarkable achievements for Zain Group. The most significant development was the consolidation of Zain KSA operations starting from 2nd half of 2018. Zain Group registered a very strong YoY revenue growth of 28%, with reported revenue reaching RO 1.62 billion (US\$4.4 billion).

EBITDA registered 26% YoY growth increasing from RO 0.53 billion (US\$1.4 billion) in 2017 to RO 0.64 billion (US\$1.7 billion) in 2018. Net income witnessed a 23% YoY growth, climbing from RO 198.9 million (US\$527 million) in 2017 to RO 244.9 million (US\$649 million) in 2018.

Despite stiff competition and saturation in Kuwaiti market, Zain Kuwait operations managed to increase profitability by 2 % YoY, registering net income of RO 116.8 million (KD82 million) for 2018.

Zain Iraq continues to exhibit increasingly solid fundamentals on the back of organic market growth - increase in customer base by 9%, impressive growth in enterprise (B2B) segment, data monetization and cost efficiencies. EBITDA grew 11% YoY to reach RO 159.2 million (US\$423 million) while net income registered an impressive 74% YoY growth to reach RO 18.9 million (US\$49 million).

Zain Sudan continues to register very high growth in all key financial indicators in LCY terms – YoY growth of 37% in revenue, 29% in EBITDA and 11% in net income. However, owing to steep devaluation of local currency, Zain Sudan results are diluted significantly in translation.

Zain KSA has posted the most impressive performance in 2018. The results provide a significant impetus to the turnaround efforts in Zain KSA performance – net income increasing multifold from RO 1.1 million (US\$ 3 million) in 2017 to RO 34 million (US\$ 89 million) in 2018. Increased focus on the enterprise B2B segment and Reduction in annual royalty fee by the Regulatory Authority (CITC) from 15% to 10% of net revenues are the main reasons for the improved performance.

Aggregate 2018 results of Zain reflect the inherent growth potential of various markets and operations and augur well for the future outlook for the business.

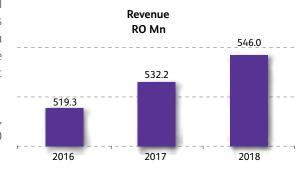
Performance of Omantel (Excluding Zain Group)

(Domestic Fixedline, Mobile, Omantel International SPVs & Domestic Subsidiaries / Associates)

Omantel excluding Zain Group is a combination of domestic operations classified into fixed & mobile business, SPVs (OZtel and OTI, which are undertaking the business of international wholesale Hubbing) and domestic subsidiaries & associates.

Omantel continued to post sturdy operational performance during the year 2018. Omantel has managed to maintain its revenue topline with a continued effort to innovative and improve our service offerings, processes, service delivery, cost management and network planning.

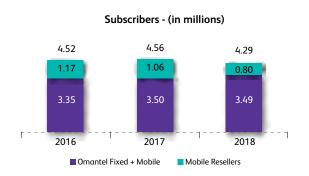
Revenue posted a positive year-on-year growth of 2.6%, increasing from to RO 532.2 Mn in FY 2017 to RO 546.0 Mn in FY 2018.



The country's mobile market suffered a reduction in the prepaid customers during 2018. Although in absolute terms, Omantel mobile subscribers were reduced as the case with other operators, Omantel successfully managed to protect its standalone market share.

Our mobile postpaid customers during the year grew by 10.8%. Main customer growth was witnessed in Fixed and Mobile Broadband segments that grew by 11.8% and 6.0% respectively.

As at 31st Dec'18, Omantel's domestic customer base stood at 3.49 Mn (4.25 Mn including mobile resellers) as against a total customer base of 3.50 Mn (4.56 Mn including mobile resellers) in 2017.



Revenue for the financial year ended 31 December			
	2016	2017	2018
Fixed line Service (Voice)	24.2	23.8	22.0
Fixed Line Broadband & Enterprise Data Services	102.1	107.5	113.8
Mobile Service	286.4	290.3	275.9
Wholesale (In-payment+ Interconnection+ Capacity sales)	102.3	103.9	126.0
ICT + Near Core	0.0	2.0	4.5
Service Revenue	515.1	527.5	542.2
Add: Domestic Subsidiaries	4.3	4.7	3.8
Total Revenue – Omantel + Subsidiaries	519.3	532.2	546.0
Growth %	3.1%	2.4%	2.8%

On the retail front, growth in total revenues is mainly driven by Fixed Broadband business. Voice business continued its persistent decline across Fixedline and Mobile segments, mainly due to a wide adoption of VoIP based OTT applications by the customers.

The Fixed retail revenue recorded a growth of 5.2%. Mobile retail revenue declined by -4.7%, due to competition, reduction in market size and price rationalization. Fixedline growth is driven by data & Broadband revenues, which witnessed an overall increase resulting from a focused execution of our ICT strategy during 2018, Omantel's ICT business grew by 130% over the revenue recorded in 2017.

The share of broadband revenue in our retail business continues to grow. 51% and 45% of our Fixedline and Mobile retail revenue was contributed by their respective Broadband services respectively, compared to 47% and 44% in the year 2017.

EBITDA & Net Profitability (Excluding Zain Group):

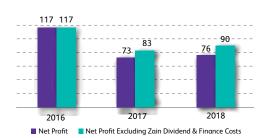
Omantel's EBITDA increased from RO 207.4 Mn in 2017 to RO 208.3 Mn in 2018. EBITDA margin posted a slight decline from 39.0% to 38.2% during 2018.

Net profit of for the year ended 31st December 2018 is RO 75.5 Mn compared to RO 72.6 Mn, an increase of 4.3 %. Excluding Interest cost and Dividend related to Zain Transaction, the Net profit for the year ended 31st December 2018 is RO 89.5 Mn (December 2017-83.2 Mn) reflecting a growth of 7.5 %.





Net Profitability



During 2017, EBITDA and net profitability posted a reduction due to change in the government royalty rates from 7% to 12% for both Mobile and Fixed. However, in Year 2018, the Royalty applied for Fixed is at 7% and Mobile is at 12%.

Financial Position

Total Assets - RO Mn





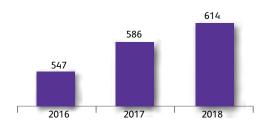
Overall assets depict a strong financial position, at the backdrop of both organic (network infrastructure) and nonorganic (Zain Group etc.) investments. Omantel's Non-Current Assets, principally telecom equipment, investments and facilities currently account for 84% of the Group's overall asset base.

Liabilities slightly increased compared to last year. Change in composition is mainly due to the nature of debt instruments i.e. bonds replaced bridge loans which were posted in 2017.

Shareholders' equity posted an increase of 4.8% during 2018. The Shareholders' equity increased from RO 586 Mn in 2017 to RO 614 Mn in 2018.

Shareholders equity has been growing at an average of 6.7% over the last 3 years.

Shareholders' Equity - RO Mn



Interest Coverage, Debt Profile and Covenants:

Omantel's debt service capability stands strong at the backdrop of the funding taken for Zain acquisition. Omantel maintained the desirable financial covenants (interest coverage and debt leverage). During 2018, a healthy interest coverage of 4.37x was achieved which was above the mandatory coverage ratio of 4x.

As per the covenants embedded in Omantel's funding arrangements, Omantel has to maintain a debt leverage (net debt/EBITDA) of 3.8x at all times.

Against this target, Omantel's debt leverage stood comfortably below at 2.93x at 31st December 2018, which reflected a significant improvement over the leverage ratio of 3.26x as reported in 2017.

Net Debt to EBITDA (Leverage)

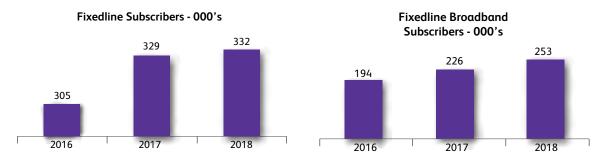


Revenue and Subscribers:

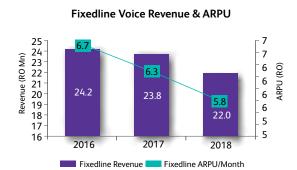
Fixed line Business:

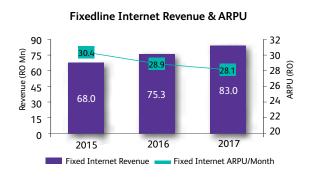
Fixed line Business includes national and international fixed line voice, fixed broadband, dedicated internet and enterprise data services. Average fixed line subscribers posted an overall growth of 4.1 %, and an y-o-y increase of 13k in average subscribers during 2018.

Higher growth however, is witnessed in the fixed broadband services. Fixedline internet subscribers comprise of Broadband, Internet dedicated and dialup, posted a healthy growth of 11.5% mainly driven by fixed broadband (incl WFBB), which grew by 27k subscribers during 2018.



The ARPU for the fixed line segment has been derived based on the revenues generated by all fixed line users. The ARPU of the fixed line segment continued its decline during 2017, i.e. average fixedline ARPU declined from RO 6.3 per month in 2017 to RO 5.6 per month in 2018.





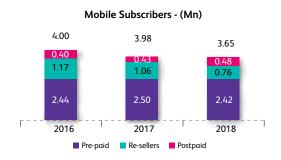
Overall revenue from Internet services (fixed broadband, internet dedicated) posted a growth of 10.2% during 2018, mainly driven by Broadband growth. The ARPU in this segment declined by 3%; Fixed Broadband subscribers (including wireless FBB subs) increased by 12% reaching $\sim 253 \text{k}$ in 2018 compared to 226k in 2017. Fixed internet ARPU is driven from revenues generated by all Internet services.

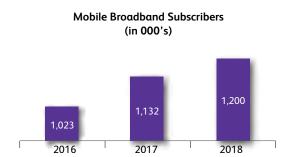
Mobile Business:

Inline with the domestic market trends where the Sultanate's mobile telecom market witnessed reduction of over half a million subscribers during 2018, Omantel mobile customer base also posted a decrease in our prepaid subscribers.

We are however pleased to highlight that our enhanced focus on customer experience management, service delivery strategies, coupled with innovative pricing and a premium network quality, resulted in a marginal reduction of 1.2% in our customer base compared to 7.2% overall decline in the market subscribers.

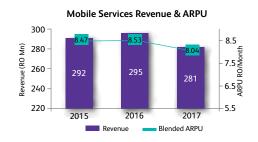
However, including the mobile resellers, our customer base declined by 8.5%. Mobile broadband customer base posted a slower growth of 6% during 2018, down from 10.6% in 2017. Our mobile services portfolio is built around postpaid, prepaid and other value added offerings.





The year 2018 witnessed mobile business revenue sliding towards negative growth as both mobile voice as well as broadband revenue posted a revenue decline over 2017.

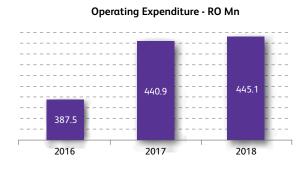
Share of our mobile retail revenue declined from 55% in 2017 to 51% during 2018. Mobile services revenue declined by 4.7% during 2018, whereas blended monthly mobile ARPU decreased from RO 8.5 in 2017 to RO 8.0 in 2018.

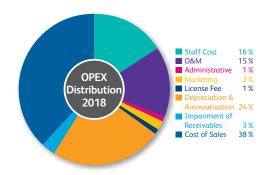


Operating Costs:

Total operating expenses ('opex') of the Omantel amounted to RO 445.1 Mn in 2018, i.e. an increase of RO 4.1 Mn over 2017. As a percentage of total revenue, the Opex to revenue ratio decreased from 82.9% in 2017 to 81.5% in 2018.

Evolution of operating expenditure over the years





The increase in operating expenditure was resulted mainly due to change in the revenue mix, which increased the cost of sales due growth in device sales, wholesale costs increased due to growth in external administration revenue, and provisioning for impairment of receivables.

Financial year ended 31 December	Figures in RO Mn		
	2016	2017	2018
Cost of sales	134.7	164.7	171.4
Operating Expenditure:			
Staff cost	67.9	70.0	70.3
Operating and maintenance expenses	57.2	62.6	65.6
Administrative expenses	11.1	8.9	7.1
Marketing and advertisement expenses	8.3	7.3	7.4
Annual License fees	4.4	2.1	3.2
Depreciation & Amortization	101.8	116.1	107.4
Provision for impairment of receivables	2.1	9.2	12.6
Total Operating Expenses	387.5	440.9	445.1

Cost of Sales:

Cost of Sales includes device, roaming operator, interconnections, external administration, submarine cable, royalty, collection and distribution costs. Major increase in cost of sales is due to the change in revenue mix, especially a larger contribution of wholesale hubbing business and growth in device sales during the year.

Staff Costs:

Staff costs include salaries and allowances, social security costs, end of service benefits, and other benefits. Staff costs have recorded a 0.4% increase compared to Year 2017.

Operating & Maintenance expenditure

Operating & Maintenance ("O&M") expenditure (including CoS) decreased by 2.3%, mainly due to reduction in maintenance costs resulting from the cost optimization drive initiated in 2017.

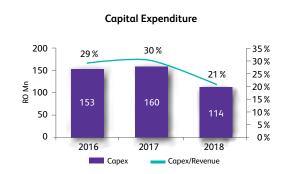
Administrative expenditure

Administrative expenses decreased by 20.8% as last year due to the ongoing cost optimization drive and enhanced controls-ondiscretionary expenditure.

Capital Expenditure, Depreciation & Amortization

Omantel undertook capex of RO 114 Mn during 2018, which was 29% lower than the capex incurred in 2017. Omantel also improved the Capex to Revenue ratio from 30% in 2017 to 21% in 2018.

Improvement in capital expenditure is achieved due to the capex rationalization drive, which initiated in 2016. As a result of our spend optimization effort, Depreciation and Amortization expenditure posted a combined reduction of 7.8% during 2018.



Royalty charges

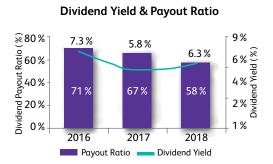
Royalty charges recorded decrease of 14% mainly due to 7% royalty applied in fixedline business which was earlier applied at 12%. The adjustments related to 2017 fixedline royalty was carried out in 2018.

Earnings Per Share & Dividends:

Group Earning per Share (EPS) for the year ended 31st Dec'18 is RO 0.086 compared to RO 0.104 for the corresponding period of year 2017.

The Group continues to maintain a healthy shareholder relationship with a consistent dividend distribution through years. For FY 2018, the Group has declared a dividend of 50 baiza /share), which corresponds to 50 % of the paid up capital. The payout ratio is 57 % of the Group Net Profit.





Omantel is meeting its working capital and capex requirements through indigenous cash generation. However, slowing pace of revenue growth has been putting pressure on cash generation during recent years.

Net cash flow generated from operating activities improved from RO 176 Mn in 2017 to RO 219 Mn in 2018. Operating cash generated during 2018 corresponds to 40% of the total revenue, as against 33% as recorded in 2017.



Investor Rating:

Omantel carries stand alone credit ratings of 'BB+' and 'BBB-' as assigned by Moody's and Fitch respectively. Our investor grade corporate ratings are anchored by Omantel's majority market share and strong domestic operations, that have persistently enabled Omantel over the years to generate robust free cash flows.

At the backdrop of Omantel's debt-funded acquisition of strategic stake in Zain Group, our domestic cash generation capabilities are providing flexibility to protect our credit matrices whenever required.

Omantel stands resilient against the increased operational challenges by focusing more on cost savings, ICT business, customer experience management and protection of market share. However, threats such as a suppressed market growth possible entry of a 3rd mobile and 4th fixed broadband operator in the near future, rapidly declining voice revenue, regulatory tightening and a recessionary economic environment continue to put our credit ratings under pressure.

Internal Control Systems and their Adequacy:

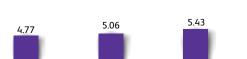
The company has internal control systems and processes that provide reasonable assurance of effective and efficient operations, internal financial control and compliance with laws and regulations. Internal controls comprise of operational procedures, segregation of duties, periodic reconciliations and formal policies and procedures that facilitate complete, accurate and timely processing and recording of transactions and safeguarding of assets.

The Management receives independent feedback from the reports issued by Internal Audit of the Group, Statutory Auditors and the State Audit Institution on the adequacy of the internal controls and continues to strengthen the internal control weaknesses. Also, as part of the internal control, the company has a defined authority manual and processes, which are followed across the organization. Internal controls are generally adequate for established activities and services. Internal controls are periodically tested, reviewed and enhanced.

Oman Data Park

Omantel Group's subsidiary Oman Data Park ('ODP') continued to grow during 2018. ODP is providing disaster recovery, business continuity and cloud based managed IT services to the domestic corporate sector.

Omantel increased its shareholding in ODP from 60% to 80% during 2018.



Oman Data Park - Key Financial Indicators

2016 2017 2018

Revenue (RO Mn) EBITDA (RO Mn)

ODP reported an EBITDA growth of 4%. EBITDA remained RO 1.44 Mn for 2018. The Company's revenue grew from RO 5.06 Mn in 2017 to RO 5.43 Mn in 2018, i.e. a growth of 7% p.a.

Maintaining ODP's revenue growth is attributed to the company's extensive portfolio of pioneering co-location and managed services, which in collaboration with Omantel's own ICT offerings has captured the market space well. ODP's is strongly positioned to capture any growth in the market appetite once the market indicators improve going forward.

Our Network

Omantel has a state-of-the-art integrated network infrastructure providing extensive coverage throughout Oman as well as internationally (wholesale connectivity). Our 3G mobile and 4G/LTE networks cover 99.2% and 93.7% of the population respectively. Over 90% per cent of households in Oman had access to fixed broadband (predominantly ADSL), with continued Fiber deployment underway in various high-population areas around the country.

Omantel is also expediting its Wireless Fixed Broadband deployment with advent of Massive MIMO & Pre-5G technologies to leverage on high wireless capacity & throughput offering via these technologies and quick to deploy over existing fiber and mobile infrastructure.

With existing soft switch based mobile core network in place, Omantel is aiming to implement Network Function Virtualization (NFV) and Software Defined Networking (SDN) in a very near future. This will move Omantel from traditional monolithic networks designed with vendor-specific hardware and software platforms towards commercial off-the-shelf (COTS) based virtualized network.

Omantel has extensive transport network infrastructure that supports services for residential, enterprise, mobile, and wholesale businesses. Our transport networks are established over 10,000+ kilometers of Highly meshed fiber network providing multiple protection paths across Muscat Governorate and the Northern/Eastern/Southern/Wusta Rings.

Omantel owns highly resilient nation-wide IP/MPLS core and metro transport networks providing L2/L3 packet-services across entire Sultanate. Our optical transport network is architected with the best-of-breed SDH/DWDM/OTN technologies, that offer seamless connectivity to the customers. The outlying areas of Oman are linked to this network by means of satellite stations and microwave links.

Network Security

Provisioning of network security has become more of a need rather than an option for the operators. We are proudly aligned with the information security vision of the Sultanate. Oman currently stands at 4th place in the Global Cybersecurity Index-2017 as conducted by the ITU.

Omantel, highly values the security of our network infrastructure, logical assets and client data. We are actively involved in implementing global best practices, standards and policies for network security e.g. ISO (international organization for standardization), PCI-DSS (payment card industry data security standards), CMIS-OEM (content management interoperability services).

In addition, Omantel has also implemented GSMA guidelines and practices in its entire mobile services domain covering all deployed (2G, 3G, 4G) technologies. We have worked closely with GSMA in developing the IoT security guidelines, and recently become one of the 15 global telecom leaders in adopting these guidelines on securing the IoT business. In recognition of these efforts, Omantel has been awarded the 'IoT Security Champion' Award by the GSMA.

On commercialization of our security portfolio, Omantel has recently geared up to provide advanced Cybersecurity as a Service (CaaS) originating from Oman to the region. We are working to provide effective solutions to meet the security needs of corporate clients and the public sector. Omantel is leveraging its Cybersecurity as a Service (CaaS) with its Threat Detection and Response (TDR) capabilities using our advanced Cyber Defense Center (CDC), which is powered our Cyber Analytics platform.

Our Corporate Strategy '3.0'

The commencement of our corporate strategy 3.0 started in 2016. Now in the 3rd year of implementation, we have made substantial progress in ICT and customer care areas as we are successfully concluding our customer experience initiatives.

The continued execution of the "Omantel 3.0 – Leapfrog to Lead" strategy and our 'Transformation Program' are the key tools helping to maintain our leadership position, while competition intensifies and market growth in core telecom services stagnates by the day.

Under the current market circumstances, growing revenue while sustaining healthy profitability margins is challenging. Competition has intensified over recent years with a relatively crowded fixed broadband market. Mobile competition has positioned itself more aggressively in the enterprise market, and we expect the impact on existing operators to intensify further with the arrival of new operators in both mobile and fixedline broadband segments.

Leveraging digitization of services and automation of processes are key ingredients to become the customer experience leader in the market as well as reduce costs. A relentless focus on our core services combined with a growth in near core propositions such as ICT will strengthen Omantel market position and capability to protect value on the long term.

Omantel continues to execute its corporate strategy around 4 key pillars i.e. (1) Exceed Customer Expectations, (2) Lead Omani Digitalization, (3) Innovate Offering, (4) Transform to agile Omantel. In 2019, our focus will however be on 3 areas of our broader strategy:

- 1. Focus on EBITDA, through increasing business from High Value Customers, improve collection and Protect Core (high margin) business though convergence and ICT.
- 2. Efficient investments, leveraging the business driven demand management processes introduced in 2018, better Cash Flow Management and cost reduction through Strategic Sourcing.
- 3. Operational Excellence, through improving employee productivity, strategic sourcing, Corporate Security and optimization of Marcom strategies.

Crucially, the abovementioned focus areas will be supported by 3 key Transformation channels i.e. Customer Experience, Digitization and Cost Optimization. These are cross organizational initiatives and assure efforts in these domains are delivered in a coordinated matter with a focus on delivering tangible impacts in each domain.

Achievements & Awards in 2018

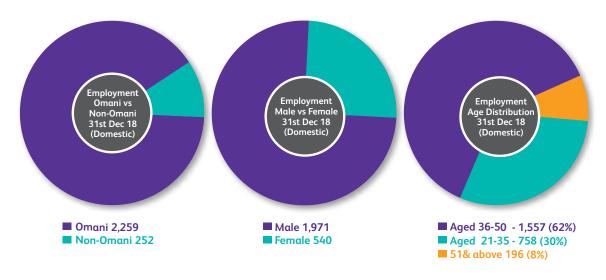
- Omantel received 'Best Middle Eastern Project' award at the Global Carrier Awards 2018 in London. the award
 recognizes Omantel's work in establishing the first world-class carrier-neutral hub in Oman and accelerating
 innovation regionally and globally;
- Omantel was nominated for the 'Customer Choice Award' at Broadband World Forum 2018 in Berlin. Broadband World Forum is the world's largest event dedicated to the global fixed network community;
- CEO of Omantel, named among top 100 regional CEOs by TRENDS Magazine;

- Omantel won the award 'Best Recruitment & Onboarding Strategy' at the Future Workplace Awards 2018 (formally known as the Middle East HR Excellence Awards);
- Omantel brand was named as the top trusted brand in telecommunications category and the most trusted Omani brand among corporates in the 'The Most Trusted Brands in Oman' survey carried out by Oman Economic Review (OER) business magazine;
- Omantel was recognized as "Brand of the Year" in the Global Brand Forum in London;
- Omantel was recognized as the 'Leading Corporate for Investor Relations' award in Oman at the annual MEIRA Conference held in Dubai;
- Omantel won awards in Oman digital transformation awards-2018 in 6 categories i.e. best telecom company, smart city, e-government, innovation, best ICT company and best of the best at Oman telecom innovation conference;

Employee Status:

Total number of employees in the group (Domestic Operations) as of Dec'18 stood at 2,511 (2,533 in Dec'17). With total number of Omanis of 2,259, compared to 252 Non-Omani employees, the Group's Omanization stands at 90%. Total Male employees accounted for 1,971 at 31st Dec'18, and female employees were reported at 540.

62% of the total employees are aged between 36-50 years, 30% are aged between 21-35 years and 8% of the employee force is aged above 51 years.



Talal Said Al Mamari Chief Executive Officer

Martial CarattiChief Financial Officer





Achievements





Omantel teams up with TUATARA to launch Big Data platform to enable quick and easy high precision smart marketing campaigns in the mobile and online worlds.



Omantel and Equinix entered into a joint venture to deliver data center and interconnection services to customers in the Middle East through the development of a new network-dense data center that will be located in Barka. This joint venture will establish the first world-class, carrier-neutral hub in Oman where carriers, content providers and cloud providers collocate critical IT infrastructure.



Omantel joins hands with the United Nations Children's Fund (UNICEF) by offering its smart telecom solutions to help the organization have a more innovative approach in addressing the health, nutrition and education of children in Oman.



In collaboration with TRA, Omantel and Ericsson launch a first-ofits-kind 5G competition in the Sultanate for university and college students, to tap into the tremendous potential for the best idea, and fostering innovation in the minds of young talents.



For the first time in Oman, Omantel upgraded wireless home broadband speeds via Massive MIMO technology in Masirah island.



Launching of 'Darb Al Salama', a national project to track school buses in the Sultanate, as part of 'Smart Transportation Services' a first-of-its-kind in the region.



Omantel nominated for the 'Customer Choice Award' at Broadband World Forum 2018 in Berlin. The world's largest event dedicated to the global fixed network community, Broadband World Forum is a prestigious platform for broadband innovations across the universe.



Omantel bags 'Best Middle Eastern Project' at the Global Carrier Awards 2018 in London. The Global Carrier Awards are hosted by Capacity Media and celebrate vision and excellence in global wholesale telecoms. Omantel was given the award for its joint venture with Equinix to deliver a new data centre and interconnection hub to customers at the heart of the Middle East and at the nexus of Asia, Africa and Europe.



Talal Al Mamari, CEO of Omantel, named among top 100 regional CEOs by TRENDS Magazine.



Won the award 'Best Recruitment & Onboarding Strategy' at the Future Workplace Awards 2018 (formally known as the Middle East HR Excellence Awards).



Named as the top trusted brand in telecommunications category and the most trusted Omani brand among corporates in the 'The Most Trusted Brands in Oman' survey carried out by Oman Economic Review (OER) business magazine.



Recognized as "Brand of the Year" in the Global Brand Forum in London.



Omantel was recognized as the 'Leading Corporate for Investor Relations' award in Oman at the annual MEIRA Conference held in Dubai.



Gained 6 awards in Oman digital transformation award in the categories, best telecom company, best smart city, best e-government, best innovation, best ICT company and best of the best at Oman telecom, innovation conference





Corporate Social Responsibility

Omantel builds on its long expertise in the telecommunication industry and strategic partnerships to help the society realize its goals. As the world race toward Industry 4.0, the company has been doubling its efforts in leading the digital transformation in the country, along with implementing Corporate Social Responsibility (CSR) programmes that aim to entrench the use of technology in the society and build an inclusive digital environment where everyone has an equal access to technology, in line with Government's vision of Digital Oman.

Throughout 2018, Omantel had carried out a number of initiatives that targeted SMEs, HSE, Renewable Energy, ICT, Innovation as well as charity and sports.

DIGITAL TRANSFORMATION

Omantel being the pioneering integrated telecom services provider in the country seeks to benefit from its position in promoting the digital transformation in the Sultanate and enhancing the added value of the telecommunications sector in the national economy. This objective is achieved through many initiatives implemented by the company in cooperation with other partners from the ICT sector, government, the private sector as well as the civil society represented by NGOs. The most important sustainability initiatives carried out through the year were:

ICT Graduates Training Program: Omantel has completed the training of 100 graduates in the fields of ICT related disciplines in cooperation with Huawei. The program aimed to train 100 graduates from Sultan Qaboos University, Higher College of Technology, Caledonian and Middle East College to enhance the student's abilities and skills and prepare them to meet the requirements of the labor market. The initiative also aims at helping them to pursue their career development paths and support their endeavors to reach their goals. The program ran for one full year. The graduates were divided into four batches, each of which included 25 students.

Omantel Olympics for Coding: The initiative aims to discover and encourage talented young people and make them realize the importance of information technology. It also aims to guide them to specialties that benefit society such as development and innovation. The Omantel Olympics for Coding will help to create a conscious generation that can innovate and think critically. Procedural programming, which gives good important introductory to the Fourth Industrial Revolution and a basic component of artificial intelligence, robotics, Internet of things (IoT) and data modification, especially big data. In the first phase (initial selection process) 4144 students participated, 30 of whom were qualified for the next stages.

(Mehnati): In line with the Company endeavours to support the national efforts for the creation of job and self-employment opportunities for the job seekers and to enhance the skills of the Omani youth, Omantel launched the Mehnati Smartphones repair training Program. The program which covered five governorates aimed to train Omani youth to maintain and repair mobile phones. 100 job seekers, including a group of people with disabilities benefitted from this initiative. The program was implemented in cooperation with Sadara Institute and under the supervision of the Ministry of Manpower.





Omantel Wal Awael 4: Omantel trained 30 elderly people on the use of modern technology. The initiative, which has been found as a result of Omantel's firm belief in the importance of Internet and social media, comes in a bid to enhance the ability of elderly people to communicate with younger generations. The program has been implemented in cooperation with Omani Association for Elderly Friends "Omantel Wal Awael" is a training and entertainment program that was first launched in 2014, in an effort to familiarize the elderly with the latest means of communication, information programs and train them on how to use smart devices in their daily lives. The fourth edition builds on the success of the three previous editions in Muscat, Dhofar and North A'Sharqiyah Governorates. The four versions of the program have so far benefited 127 elderly people.





Omantel Scholarship for Scientific Research in ICT and Nanotechnology at Sultan Qaboos University: Omantel entered into a partnership with Sultan Qaboos University for the second year in a row to promote scientific research in the fields of ICT and Nanotechnology in support of the efforts made to develop scientific research in Sultanate of Oman.

Upgrade 2: Following the success of the first versions of the Upgrade program, Omantel renewed its partnership with The Research Council (TRC), Riyada, SAS Center, Oman Technology Fund and the National Youth Committee to support the second version of the Program that aims to transform graduation projects in the fields of fourth industrial revolution 4IR into startups. Omantel provided financial support and guidance to the competing teams.





Edlal platform: Following the success of the first edition of its Edlal platform, Omantel renewed its commitment to the first of its kind Omani digital platform that was created to enrich Arabic content on the web. The initiative seeks to encourage Arab youth to share their experiences and information with their counterparts. This initiative offers experts and entrepreneurs an opportunity to influence and inspire the target audience by recording short videos. More than 65,000 subscribers from the Arab world have joined the platform since its launch. The platform has produced more than 1,300 minutes of Arab content. The educational platform captured HM Sultan Qaboos Award for Excellence in Electronic Services as the best e-service in the SME category.







Activation of innovation programs in the first cycle schools: This program, which was launched in cooperation between Omantel, The Research Council (TRC) and the Ministry of Education, aims to promote research and innovation culture among students at the first cycle schools. The program's vision is in line with the pivotal and important role of the school in the first cycle of basic education in the formation of the personality of the students in the Sultanate. The participating schools provide the environment where students acquire a lot of skills and enhance abilities to succeed in the advanced stages of the school. Nine schools from five different governorates have been selected to implement the program.

OmHub Platform: Omantel, in partnership with the National Business Center, Oman Oil Company and Oman India Fertilizer Company "OMIFCO", launched the OMHUB platform, which hosts talented students and potential entrepreneurs who seek support in enabling their businesses. The center provides a number of training opportunities in several areas. Omantel has also used this platform to organize the "Ideation Program" in cooperation with the National Business Center. The Program, which is the first step to encourage young people to start their businesses, trains participants on how to prepare comprehensive business plans and take into consideration the financial and marketing aspects of the idea. After completing the program, trainees will be equipped with the necessary skills to launch their projects or alternatively develop another idea that is more realistic and applicable. 17 projects benefited from the first batch of the program.





COMMUNITY SUPPORT INITIATIVES:

In addition to its contribution to support digital transformation, Omantel has given equal focus to the other side of its strategy; supporting and give back to the community in which it operates through a number of well-designed initiatives. Among these initiatives were:

Omantel Ramadan Campaign: Omantel organized the 10th edition of its annual Ramadan campaign. Last year's campaign aimed at putting a smile on needy families' faces through a series of activities, including the following:

- Helping insolvent people to pay their debts in cooperation with the Oman Lawyer Association. Donations were collected from Omantel staff for this purpose.
- Organizing two donation campaigns among Omantel employees to provide new clothes for members of the needy families during Eid. Donations were collected from the staff for this purpose.
- Donation were opened for the public through 'One Riyal on You and One Riyal on Us' campaign. Omantel aimed through this campaign to involve members of the society to donate, and Omantel would donate equivalent amount for the charitable organizations during Ramadhan.
- Omantel allocated some short codes for registered charitable organizations in the Sultanate to enable them to collect donations via SMS.
- Omantel Iftar with the workers at the new Omantel HQ building: Omantel celebrated at its new HQ near Oman Convention and Exhibition Center in Madinat Al-Irfan completing 5 million working hours without any Lost Time Injury (LTI). The Iftar was attended by Omantel's CEO and senior management, a number of Omran officials, along with a team and approximately 850 workers working at the project site.





3rd version of Color of Their World" initiative:

The initiative aimed at adding artistic touches to the walls of the rooms of the inpatient children at the various wards at Sultan Qaboos University Hospital. Volunteers, led by the Omani fine artists Yousef Al Nahwi, draw exciting pictures on the walls. Through the initiative, Omantel has contributed to spreading the smile and joy on the faces of children and alleviating their suffering. The initiative highlighted the role of the company in social initiatives and its keenness to engage community in the voluntary field.



GUtech Summer Academy: Omantel has sponsored the Summer Academy at the German University of Technology in Oman, which is a unique and innovative summer program for students. The program included several activities aimed at developing students' skills and abilities in a unique environment that combines knowledge and entertainment. The program benefited 100 students.

Omantel Award for Omani Women's Associations (Mubaderah): In 2018, Omantel announced winners of the first edition of Omantel Award for Omani Women's Associations (Mubaderah) during the Sultanate's celebrations of the Oman Women's Day. The Women's Association in Bahla won the first place and the Women's Association in Sumail won second place. Three outperforming members were also honored in recognition of their valuable efforts. The second version of the award was also announced during this celebration. The Award targets Omani Women Associations and female members with outstanding contributions to their communities. 59 women associations from all over the Sultanate and hundreds of members have competed for the best social responsibility programs. The main objective of the award is to motivate Omani women and associations to innovate in their activities and programs in many areas.





Supporting the activities of Oman Cancer Association: Omantel, in cooperation with the Oman Cancer Association, has contributed to supporting cancer patients through the provision of nutritional supplements in addition to participation in the annual walkathon of the Association, which aimed to raise funds and support cancer patients.



"Outward Bound Oman" program: An annual training program for a group of public-school students to enhance their skills and equip students with new skills in areas such as time management, safety, self-reliance and self-confidence. This year, Omantel organized training for four batches in Al-Jabal Al-Akhdar and Wadi Al-Abyad, benefiting about 80 students, including students with special needs. in cooperation with the Omani Special Olympics Committee and Al Fikr School.



Mekunu Cyclone Relief Campaign: Omantel launched a special campaign to support the families affected by Cyclone Mekunu by providing home appliances to more than 265 families in the wilayat of Dalkut, Rakhyout, and Sadah in coordination with the Oman Charitable Organization and the Wali offices in Dhofar Governorate. Omantel, in cooperation with the Dar Al Atta Association, has also contributed to the maintenance of 24 houses of low-income families affected by the cyclone in the Wilayat - of Mirbat.



Oman 2nd Wheelchair Basketball Championship:

For the second consecutive year, Omantel supported the wheelchair basketball championship organized by the Omani Paralympic Committee which aims to encourage those with motion disability to practice sports and engage in social activities.



Sohar Hospital: Omantel supported the purchase of a medical apparatus for the pediatric unit in Sohar Hospital to provide necessary care for the new born babies.

Blood Donation: Omantel has supported the 'National Blood Donation Campaign' organized by the Ministry of Health Employee Fund. The event was recorded in the Guinness Record for having the biggest number of donors during 8 hours.



Financial Statements





Deloitte & Touche (M.E.) & Co. LLC Minaret Al Qurum Building, Level 6 Al Qurum P.O. Box 258, Postal Code 112 Muscat Sultanate of Oman

Tel: +968 22354300 Fax: +968 22354333 www.deloitte.com

1

Independent auditor's report to the directors of Oman Telecommunications Company SAOG

Report on the audit of the separate and consolidated financial statements

Qualified opinion

We have audited the separate and consolidated financial statements (the "financial statements") of Oman Telecommunications Company SAOG ("the Parent Company" or "the Company") and its subsidiaries ("the Group"), which comprise the separate and consolidated statement of financial position as at 31 December 2018, and separate and consolidated statements of profit or loss, profit or loss and other comprehensive income, changes in shareholders' equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies as set out on page 8 to 80.

Separate financial statements

In our opinion, the accompanying separate financial statements present, fairly, in all material respects, the financial position of the Company as at 31 December 2018 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Consolidated financial statements

In our opinion, except for the possible effects of the matter described in the Basis for qualified opinion section of our report, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for qualified opinion

As disclosed in note 33 (ii) of the consolidated financial statements as at 31 December 2018, the Group has consolidated its subsidiaries in the Republic of Sudan, the economy of which is considered as hyperinflationary economy in accordance with International Accounting Standard (IAS) 29: Financial Reporting in Hyperinflationary Economies. However, management of the Group has not applied the requirements of IAS 29 in respect of these subsidiaries. Accordingly, we were unable to obtain sufficient appropriate audit evidence required to assess the impact of IAS 29 on the financial statements of these subsidiaries. Consequently, we were unable to determine whether any adjustments to the consolidated financial statements is necessary in respect of this matter.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Independent auditor's report to the directors of Oman Telecommunications Company SAOG (continued)

2

Emphasis of matter

We draw attention to note 26 (b) (ii) to the financial statements, which discloses the uncertainty related to the outcome of various claims against the subsidiary in Iraq. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed that matter is provided in that context. In addition to the matter described in the basis for qualified opinion section we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matters

Revenue recognition and related IT systems

The Group reported revenue of RO 2,186,014 thousands (2017: RO 751,725 thousands) for the year ended 31 December 2018.

There is an inherent risk around the accuracy of revenue recognised given the complexity of the IT systems. Complex IT systems are used to process large volumes of data through a number of different systems and involves a combination of different products, prices and price changes.

Further, the Group has adopted "IFRS 15 - Revenue from Contracts with Customers" during the year, which resulted in change of accounting policy for revenue recognition of multiple element contracts from telecommunication related activities.

This also involves considerable judgement from management in determining the standalone selling price to those performance obligations.

Due to the above mentioned complexities and judgement required in the revenue recognition process, we have considered this as a key audit

The accounting policy for revenue recognition is set out in note 2.4 and related disclosures are disclosed in note 20.1 the financial statements.

How our audit addressed the key audit matters

Our audit approach included a combination of test of controls and substantive procedures, in particular, the following:

- Understanding of the significant revenue processes including performance of an end to end walkthrough of the revenue process and identifying the relevant controls (including IT systems, interfaces and reports related to billing and revenue process);
- Evaluating the design and testing the implementation and operating effectiveness of the relevant control;
- Using our IT specialist, tested IT general controls, covering pervasive IT risks around access security, change management, data center and network operations;
- Testing the key reconciliations performed by the Revenue Assurance team of the Group;
- Assessing and testing the Group's revenue accounting policies including the application of new accounting policies, key judgments and estimates applied by management in consideration of the requirements of IFRS 15;
- Performing data analysis and analytical reviews on significant revenue streams; and
- Performing substantive tests to ascertain accuracy and completeness of revenue.

Further, we instructed and ensured that the component auditors of the Group's significant entities have performed consistent audit procedures as per above, as applicable.

Independent auditor's report to the directors of Oman Telecommunications Company SAOG (continued)

Key audit matters (continued)

Key audit matters

Accounting of acquisition of Zain Group

The Group obtained control of Zain Group in 2017 and the initial accounting for the business combination in year 2017 was provisional due to its complexity. During the current year, as disclosed in note 4, acquisition accounting was concluded and the total purchase consideration has been allocated to the fair value of assets acquired and liabilities assumed based on their fair values at the acquisition date with amounts exceeding the fair values being recorded as Goodwill. The assets and liabilities of Zain Group have been appraised based on third party valuations for inclusion in the consolidated statement of financial position.

We have considered the acquisition accounting of Zain Group as key audit matter for the following reasons:

- Due to the size of the transaction and the inherent complexities associated with business combinations, particularly the judgements in relation to the identification and fair valuation of the assets and liabilities that are recognised and allocation of purchase consideration to goodwill and separately identified intangible assets.
- The Group makes a number of key assumptions and estimates relating to each class of intangible asset acquired, including; expected discounted cash flows, growth and attrition rates, discount rates and royalty rates. The identification and valuation of acquired intangibles requires judgement and is sensitive to the assumptions used.

The accounting policy for business combination and goodwill is set out in note 2.2.4 and related disclosures are disclosed in note 4 (i) to the financial statements.

How our audit addressed the key audit matters

We performed the following procedures to assess the key assumptions used in the determination of fair value of the assets acquired and liabilities assumed which are based on the report from external experts:

- Where management has relied on external experts, we assessed their competency, capabilities and objectivity of management's external valuers and reviewed the results of their work:
- Obtained the valuation reports and discussed with the external valuers on the methodologies and key assumptions used;
- We used our internal valuation specialists to challenge the methodology and key assumptions used in determining the value of the assets and liabilities recognised (including the valuation of intangible assets acquired);
- Assessed the reasonableness of key assumptions such as revenue growth and attrition rates, discount rates and royalty rates applied by management by comparing them with economic and industry forecasts to assess the reasonableness of management forecasts; and
- We have also evaluated the adequacy of presentation and disclosure of this acquisition in the financial statements.

3

Independent auditor's report to the directors of Oman Telecommunications Company SAOG (continued)

4

Key audit matters (continued)

Key audit matters

Impairment of intangible assets and goodwill

The Group's total assets include intangible assets and goodwill of RO 3,579,664 thousand (2017: 1,582,127 thousands), which represent 49% (2017: 29%) of total assets.

We have considered impairment assessment of their carrying value as a key audit matter because the evaluation of the recoverable amount of the intangible assets and goodwill requires significant judgements and estimates, especially of the assumptions used in determining the discounted future cash flows such as discount rate, growth rate and capital expenditure.

Refer to the following notes to the financial statements:

- Note 2.13 Accounting policy for impairment of non-financial assets
- Note 15 Carrying value of intangible assets and goodwill and key assumptions used in the impairment testing

How our audit addressed the key audit matters

We tested the recoverable value assessment models and the key assumptions used by management with the involvement of our internal valuation specialists. Our audit procedures included the following:

- Evaluated the design and tested implementation of management review controls over the impairment assessment process;
- Assessed the consistency and appropriateness of judgments and assumptions used to identify CGU and allocation of goodwill/intangible assets;
- Obtained and analyzed the approved business plans for each such asset (or CGU, as applicable) to assess the arithmetical accuracy of the computations and the overall reasonableness of key assumptions;
- With the support of our internal valuation experts, we benchmarked and challenged key assumptions forming Group's value-in-use calculation including the cash flows projections, discount rates and terminal growth rate.
- Assessed the methodology used by the Group to estimate the Weighted Average Cost of Capital (WACC) and benchmarking that with discount rates used by other similar businesses and market data, as available;
- Analysed the sensitivities such as the impact on the valuation if the terminal growth rate would be decreased, or the discount rate would be increased; and
- We assessed the adequacy of the Group's disclosures included in the notes to the financial statements about those assumption to which outcome of the impairment test is more sensitive.

Independent auditor's report to the directors of Oman Telecommunications Company SAOG (continued)

5

Other matter

The separate and consolidated financial statements of Oman Telecommunications Company SAOG for the year ended 31 December 2017 were audited by another auditor who expressed an unmodified opinion on the separate financial statements and a qualified opinion on the consolidated financial statements on 28 February 2018.

Other information

The Board is responsible for the other information. The other information comprises of the information included in the Annual Report of the Group for the year ended 31 December 2018. The other information does not include the financial statements and our auditor's report thereon. We obtained the following reports prior to the date of our auditor's report and we expect to obtain the remaining sections of the Group's Annual Report for the year ended 31 December 2018 after the date of our auditor's report:

- Chairman's report
- Corporate governance report
- Management discussion and analysis

Our qualified opinion on the consolidated financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the basis for qualified opinion for the consolidated financial statements section above, we were unable to obtain sufficient appropriate audit evidence about non-adoption of IAS 29 by the Group over its subsidiaries in the Republic of Sudan. Accordingly, we are unable to conclude whether or not the other information is materially misstated with respect to this matter.

Responsibilities of board of directors and those charged with governance for the financial statements

The Board is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and relevant disclosure requirements of the Commercial Companies Law of 1974, as amended, and the Capital Market Authority(the "CMA") of the sultanate of Oman and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Deloitte.

Independent auditor's report to the directors of Oman Telecommunications Company SAOG (continued)

6

Responsibilities of board of directors and those charged with governance for the financial statements (continued)

In preparing the financial statements, the Board is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud
 or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that
 is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material
 misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve
 collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

Deloitte.

Independent auditor's report to the directors of Oman Telecommunications Company SAOG (continued)

Auditor's responsibilities for the audit of the financial Statements (continued)

- Evaluate the overall presentation, structure and content of the financial statements, including the
 disclosures, and whether the financial statements represent the underlying transactions and events in a
 manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal regulatory requirements

In our opinion, the financial statements comply, in all material respects, with relevant disclosure requirements of the Commercial Companies Law of 1974, as amended, and CMA of the Sultanate of Oman.

Deloitte & Touche (M.E.) & Co. LLC

Muscat, Sultanate of Oman

27 February 2019

Signed by Mark Dunn Partner 7

STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

		Parent Co	mpany	Consolid	lated
	Notes	2018	2017	2018	2017
		RO'000	RO'000	RO'000	RO'000
					(Restated-
ASSETS					Note 4(i))
Current assets					
Cash and bank balances	5	113,351	73,184	503,423	380,996
Trade and other receivables	6	106,983	118,873	824,668	693,620
Contract assets	20.2	12,352	-	93,919	-
Inventories	7	11,756	9,246	68,506	52,400
Investments at fair value through profit or loss	8	10,598	17,067	29,759	18,043
Investments at amortised cost		1,000	6,000	1,000	6,000
Investments available for sale		-	101		101
Non-current assets held for sale	3	-	-	9,453	9,602
Dues from subsidiaries		5,497	1,626		-
		261,537	226,097	1,530,728	1,160,762
Non-current assets					
Contract assets	20.2	-	-	20,916	-
Investments at fair value through profit or	8	31,445	31,850	32,947	31,850
loss					
Investments at FVOCI	8	-	-	8,692	-
Investments available for sale	8	-	2,805	-	23,020
Investments at amortised cost	8	2,000	3,000	2,000	3,000
Other assets	10	4,813	94	19,571	19,070
Investment in associates and joint ventures	11,12	7,788	3,937	99,916	736,382
Due from an associate	13	-	-		521,445
Investment in subsidiaries	9	135,376	854,768		-
Property, plant and equipment	14	533,011	528,787	2,019,986	1,468,231
Intangible assets and goodwill	15	15,653	18,462	3,579,664	1,582,127
		730,086	1,443,703	5,783,692	4,385,125
Total assets		991,623	1,669,800	7,314,420	5,545,887
EQUITY AND LIABILITIES					
Current liabilities					
Trade and other payables	16	205,167	180,011	1,393,387	768,367
Contract liability	20.2	39,832	26,478	169,855	86,395
Borrowings	17	21,561	601,393	555,941	854,934
-		266,560	807,882	2,119,183	1,709,696

STATEMENT OF FINANCIAL POSITION (continued)

As at 31 December 2018

		Parent Co	mpany	Consolid	lated
	Notes	2018	2017	2018	2017
		RO'000	RO'000	RO'000	RO'000
					(Restated- Note 4(i))
Non-current liabilities					
Borrowings	17	110,660	265,654	2,081,735	1,111,421
Other liabilities	18	12,322	10,563	499,956	112,942
		122,982	276,217	2,581,691	1,224,363
Total liabilities		389,542	1,084,099	4,700,874	2,934,059
Equity					
Share capital	19	75,000	75,000	75,000	75,000
Legal reserve	19	25,000	25,000	25,000	25,000
Voluntary reserve	19	49,875	49,875	49,875	49,875
Capital contribution	19	44,181	44,181	44,181	44,181
Foreign currency translation reserve	19	-	-	(60,796)	(20,296)
Fair value reserve	19	-	35	(898)	(207)
Hedge reserve	19	799	(122)	2,262	(81)
Other reserve		-	-	39	(68)
Retained earnings		407,226	391,732	412,844	398,180
Attributable to equity holders of the		602,081	585,701	547,507	571,584
parent					
Non-controlling interests				2,066,039	2,040,244
Total equity		602,081	585,701	2,613,546	2,611,828
Total liabilities and equity		991,623	1,669,800	7,314,420	5,545,887

The financial statements were approved and authorised for issue by the Board of Directors on 21 February 2019 and were signed on their behalf by:

CHAIRMAN

DIRECTOR

CHIEF EXECUTIVE OFFICER

STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2018

		Parent Cor	mpany	Consolid	ated
	Notes	2018	2017	2018	2017
		RO'000	RO'000	RO'000	RO'000
					(Restated-
					Note4(i))
Revenue	20	516,207	527,515	2,186,014	751,725
Cost of sales		(147,171)	(163,254)	(637,395)	(230,125)
Gross profit		369,036	364,261	1,548,619	521,600
Operating and administrative expenses	21	(151,007)	(148,216)	(664,985)	(218,941)
Depreciation and amortisation	14,15	(106,154)	(115,163)	(442,732)	(158,266)
Impairment of receivables – net		(12,449)	(9,178)	(29,035)	(11,805)
Operating profit		99,426	91,704	411,867	132,588
Fair value loss on previously held equity					
interest			-	(15,694)	(587)
Net monetary gain	33(i)		-	58,489	25,337
Impairment loss on property, plant and					
equipment	33(i)	-	-	(12,023)	(20,655)
Impairment losses on investment in a					
subsidiary -			(4,430)		-
Interest income		1,862	1,806	25,103	11,250
Investment income/(loss)	22	(750)	2,746	4,147	2,116
Share of results of associates and joint	4442			(2.726)	
venture	11,12	-	4.062	(3,726)	4,091
Other income/(expense) -net		3,552	1,862	(56,967)	(10,782)
Finance cost		(24,273)	(11,439)	(143,623)	(20,050)
Gain/(loss) from currency revaluation		(5)	146	(18,404)	(14,224)
Profit before taxation from continuing		79,812	82,395	249,169	109,084
operations	าว				
Taxation	23	(15,630)	(11,767)	(40,329)	(8,985)
Profit for the year from continuing operations		64,182	70,628	208,840	100,099
Loss from discontinued operations			70,020		(3,023)
Gain on deconsolidation of a subsidiary					2,676
Profit for the year		64,182	70,628	208,840	99,752
Attributable to:		07,102	70,020	200,040	33,732
Equity holders of the parent		64,182	70,628	64,798	78,280
Non-controlling interests		U-1, 1UZ		144,042	21,472
Profit for the year		64,182	70,628	208,840	99,752
Basic and diluted earnings per share (RO)	24	0.086	0.094	0.086	0.104
basic and unated earnings per snale (NO)	47	<u> </u>	0.074	<u> </u>	0.104

STATEMENT OF OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

		Parent Co	mpany	Consoli	dated
	Notes	2018	2017	2018	2017
		RO'000	RO'000	RO'000	RO'000
					(Restated-
					Note4(i))
Profit for the year from continuing operations		64,182	70,628	208,840	100,099
Continuing operations					
Other comprehensive (loss)/ income to be reclassified to profit or loss in subsequent periods:					
Share of comprehensive income of associates		-	-	486	517
Exchange differences on translation of foreign operation	19		-	(204,022)	(96,099)
Net loss transferred to statement of income on reclassification of investment in an associate to a					
subsidiary		-	-	15,694	517
Fair value change in available-for-sale investment		-	(2)	-	(742)
Realised gain/(loss) transferred to statement of					
income on sale of available-for-sale investments	22	-	-	-	70
Impairment losses on available-for-sale investments	22	-	-	-	(435)
Cash flow hedges	30	921	(122)	2,606	65
Net other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods		921	(124)	(185,236)	(96,107)
Other comprehensive expense not to be reclassified to profit or loss in subsequent periods		-	-	-	(310)
Change in the fair value of equity investments at FVOCI			-	(1,058)	-
Net other comprehensive loss not to be					
reclassified to profit or loss in subsequent periods				(1,058)	(310)
Net other comprehensive income / (loss) for the					
year		921	(124)	(186,294)	(96,417)
Total comprehensive income for the year from continuing operations		65,103	70,504	22,546	3,682
Loss for the year from discontinued operations					(347)
Total comprehensive expense for the year from					
discontinued operations					(347)
Total comprehensive income for the year		65,103	70,504	22,546	3,335
Total comprehensive income for the year attributable to:					
Equity holders of the parent		65,103	70,504	26,550	57,592
Non-controlling interests				(4,004)	(54,257)
		65,103	70,504	22,546	3,335

STATEMENT OF CHANGES IN EQUITY (CONSOLIDATED)

For the year ended 31 December 2018

	£	ŝ
	7	
	2	t
	у	,
	=	ī
	۷	?
	2	2
	d	í
	2	4
	÷	٠
١	۰	,
ļ	٠	
	C)
	ų	7
	Pro	7
	4	4
	<u>_</u>	2
	7	ς.
	≥	4
	4	
	5	_
١	۲	ñ
۰	Ξ	
		3
	Ē	3
	1	7
	٩	7
	٩	7
		2
	40	2 7 7
	٩	
	40	,
	40	
	40	,
	40	,
	40	,
	40	,
	40	,
	40	,
	ttribiitable to e	,
	40	,
	ttribiitable to e	,

	l					Foreign							
						currency						Non-	
		Share	Legal	Legal Voluntary	Capital	Capital translation Fair value	Fair value	Hedge	Other	Retained	0	controlling	
	Notes	capital	reserve	reserve co	contribution	reserve	reserve	reserve	reserve	earnings	Total	interests	Total
		RO'000	RO'000	RO'000	RO'000	RO '000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
At 1 January 2018		75,000	25,000	49,875	44,181	(25,475)	(207)	(81)	(89)	399,616	567,841	567,841 1,029,986 1,597,827	1,597,827
Adjustment for finalisation of accounting for acquisition	4(i)	1	1	•		5,179	1			(1,436)	3,743	3,743 1,010,258 1,014,001	1,014,001
Restated at 1 January 2018		75,000	25,000	49,875	44,181	(20,296)	(207)	(81)	(89)	398,180	571,584	2,040,244	571,584 2,040,244 2,611,828
Transition adjustment on adoption of IFRS 9 and IFRS 15	2.22					(34)	(645)		1	(10,680)	(11,359)	(43,174)	(54,533)
		75,000	25,000	49,875	44,181	(20,330)	(852)	(81)	(89)	387,500	560,225	1,997,070	2,557,295
Total comprehensive													
income for the year		•	•		•	(40,466)	(232)	2,343	107	64,798	26,550	(4,004)	22,546
Realised loss on equity securities at FVOCI					•		186			(186)		,	
Non-controlling interest on business combination			٠					•		٠	•	226,135	226,135
Additional capital in a		,	,	,	1	1	,	ı	1	,	1	00%	00.
Transaction with									•			121	(1,647)
minority shareholders										(1,768)	(1,768)		
Dividend paid		•	'							(37,500)	(37,500)	(153,683)	(191,183)
At 31 December 2018		75,000	25,000	49,875	44,181	(962'09)	(868)	2,262	39	412,844	547,507	2,066,039	2,613,546



STATEMENT OF CHANGES IN EQUITY - (continued)

For the year ended 31 December 2018

CONSOLIDATED					Attributable to equity holders of the parent	o equity hol	ders of the	oarent				
	Share	Legal	Legal Voluntary serve co	oluntary Capital reserve contribution	Foreign currency translation	Fair value reserve	Hedge	Other	Retained	Total	Non- controlling interests	Total
I	RO'000	RO'000	RO'000	RO'000	RO ,000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
At 1 January 2017	75,000	25,000	49,875	44,181	1	890	ı		387,399	582,345	582,345 (35,644)	546,701
Total comprehensive income for the year Non-controlling interest	1	•		•	(20,296)	(544)	(81)	(89)	78,281	57,592	(54,257)	3,335
on acquisition of a subsidiary	1	1	1	1	1	,	,	ı	ı		2,093,526	2,093,526
Issue of share capital	,	1	•	,	,	•	,	,	1	,	971	971
Disposal of a subsidiary	ı	ı	٠	ı	1	(853)	,	1	ı	(853)	35,648	34,795
Dividend paid	1		·	'	'		'	'	(67,500)	(67,500)	'	(67,500)
At 31 December 2017 (Restated)	75,000	75,000 25,000	49,875	44,181	(20,296)	(207)	(81)	(89)	398,180	571,584 2,040,244	2,040,244	2,611,828

STATEMENT OF CHANGES IN EQUITY - [continued]

For the year ended 31 December 2018

Parent Company	Share	Legal	Voluntary	Capital	Fair value	Hedge	Retained	
	capital	reserve	reserve	contribution	reserve		earnings	Total
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
1 January 2018	75,000	25,000	49,875	44,181	35	(122)	391,732	585,701
Transition adjustment on adoption of IFRS 9 and IFRS 15	' 	'	•	'	(35)		(11,188)	(11,223)
Restated balance at 1 January 2018	75,000	25,000	49,875	44,181	٠	(122)	380,544	574,478
Total comprehensive income for the year			•	•	٠	921	64,182	65,103
Dividend paid	'				'		(37,500)	(37,500)
At 31 December 2018	75,000	25,000	49,875	44,181	•	799	407,226	602,081
1 January 2017	75,000	25,000	49,875	44,181	37		388,604	582,697
Total comprehensive income for the year	1	•	1	1	(2)	(122)	70,628	70,504
Dividend paid	'	'	'		'	'	(67,500)	(67,500)
At 31 December 2017	75,000	25,000	49,875	44,181	35	(122)	391,732	585,701

The attached notes 1 to 36 form part of these financial statements.



STATEMENT OF CASH FLOW

For the year ended 31 December 2018

	Parent Co	mpany	Consolid	lated
	2018	2017	2018	2017
	RO'000	RO'000	RO'000	RO'000
				(Restated)
Operating activities				
Profit before tax from continuing operations	79,812	82,395	249,169	109,084
Loss before tax from discontinuing operations	-	-	-	(347)
Adjustments for:				
Depreciation and amortisation	106,154	115,163	442,732	158,272
Profit on sale of property, plant and equipment	(35)	(39)	214	(246)
Investment income	1,774	(419)	(3,123)	(853)
Dividend income	(1,024)	(2,327)	(1,024)	(1,395)
Share of results of associates and joint controlled				
entity	-	-	3,726	(4,091)
Gain on deconsolidation of a subsidiary	-	-	-	(2,676)
Interest income	(1,862)	(1,806)	(25,103)	(11,250)
Interest expense	24,273	11,439	143,623	20,050
Impairment losses on investment in a subsidiary	-	4,430	-	-
(Gain) / loss on exchange translation	-	-	18,404	14,811
Impairment loss on property, plant and equipment	-	-	12,023	20,655
Fair value loss on previously held equity interest	-	-	15,694	587
Net monetary gain	-	-	(58,489)	(25,337)
	209,092	208,836	797,846	277,264
Working capital adjustments:				
Inventories	(2,404)	194	(7,051)	(11,593)
Trade and other receivables	(15,749)	(26,270)	(112,274)	32,144
Trade and other payables	28,246	14,776	174,346	(31,124)
Receivable from subsidiaries	(2,502)	(1,340)		
Cash generated from operations	216,683	196,196	852,867	266,691
Interest received	1,839	1,806	9,858	10,860
Tax paid		(14,703)	(13,333)	(17,073)
Net cash from operating activities	218,522	183,299	849,392	260,478
Investing activities				
Net purchase of property, plant and equipment	(106,116)	(129,684)	(323,831)	(188,526)
Proceeds from sale of property, plant and equipment	55	46	67	49
Purchase of intangibles	(1,583)	(179)	(56,386)	(461)
Net (acquisition) / disposal of investments	14,805	16,623	12,047	16,627
Movement in fixed deposits	14,003	59,500	37,742	59,620
Investment in subsidiaries	(4,337)	(853,092)	(1,650)	33,020
Investment in associate	(3,851)	(033,032)	(3,851)	
Due from associate	(5,051)		(8,772)	_
Acquisition of a subsidiary (note 4)	_	_	127,101	(557,894)
Dividend received (including associates)	1,024	2,327	1,024	3,263
Net cash used in investing activities	(100,003)	(904,459)	(216,509)	(667,322)

STATEMENT OF CASH FLOW (continued)

For the year ended 31 December 2018

	Parent Con	npany	Consolid	ated
	2018	2017	2018	2017
	RO'000	RO'000	RO'000	RO'000
				(Restated)
Financing activities				
Share capital raised from non-controlling interests	-	-	400	971
Dividend paid	(37,500)	(67,500)	(37,500)	(67,500)
Dividend paid to non-controlling interests	-	-	(147,802)	(666)
Proceeds from borrowings, net of transaction costs	6,313	852,541	824,811	891,093
Repayment of borrowings	(24,240)	(1,341)	(968,635)	(84,029)
Interest paid	(22,851)	(812)	(114,046)	(6,754)
Net cash (used in) / from in financing activities	(78,278)	782,888	(442,772)	733,115
Net change in cash and cash equivalents	40,241	61,728	190,111	326,271
Cash and cash equivalents at beginning of the year	70,184	8,456	330,379	11,768
Transition adjustment on adoption of IFRS 9	(74)	-	(8,223)	-
Currency translation adjustments	-	-	(21,325)	(7,345)
Cash and cash equivalents	110,351	70,184	490,942	330,694
Derecognition of a subsidiary	<u> </u>	-		(315)
Cash and cash equivalent of continued operation				
(note 5)	110,351	70,184	490,942	330,379



NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

1. Legal information and activities

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

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

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

2. Summary of significant accounting policies

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

2.1 Basis of preparation

(a) Statement of compliance and basis of measurement

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

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

(b) Standards, amendments and interpretation effective in 2018

Adoption of new and amended standards and interpretations to IFRS

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

IFRS 15 Revenue from Contracts with Customers

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

For the year ended 31 December 2018

2. Summary of significant accounting policies (continued)

IFRS 15 Revenue from Contracts with Customers (continued)

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



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

IFRS 9 - Financial Instruments

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

Hedge accounting

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

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



For the year ended 31 December 2018

2. Summary of significant accounting policies (continued)

(c) Standards issued but not yet effective

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

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

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

IFRS 16 Leases

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

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

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

For the year ended 31 December 2018

2. Summary of significant accounting policies (continued)

IFRS 16 Leases (continued)

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



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

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

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

Impact on Lessee Accounting

Operating leases

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

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

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

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

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

IFRIC 23 Uncertainty over Income Tax Treatments

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

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

For the year ended 31 December 2018

2. Summary of significant accounting policies (continued)

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

2.2.1 Subsidiary companies

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

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

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

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

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

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

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

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

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

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

For the year ended 31 December 2018

2. Summary of significant accounting policies (continued)

2.2.2 Transactions with non-controlling interests

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



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

2.2.3 Investment in associates and joint ventures

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

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

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

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

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

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

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

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

For the year ended 31 December 2018

2. Summary of significant accounting policies (continued)

2.2.3 Investment in associates and joint ventures (continued)

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

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

2.2.4 Business combinations and goodwill

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

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

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

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

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

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

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

For the year ended 31 December 2018

2. Summary of significant accounting policies (continued)

2.3 Segment reporting

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

2.4 Revenue

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

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

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

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

Handsets and telecommunication services

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

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

Value added services - Principal vs. agent

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

For the year ended 31 December 2018

2. Summary of significant accounting policies (continued)

2.4 Revenue (continued)

Significant financing component

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

Commissions and other contract costs

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

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

Customer loyalty programs

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

Interest income

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

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

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

For the year ended 31 December 2018

2. Summary of significant accounting policies (continued)

2.5 Leases

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

The Group as lessor

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

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

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

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

The Group as lessee

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

2.6 Borrowing costs

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

2.7 Foreign currency

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

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

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

For the year ended 31 December 2018

2. Summary of significant accounting policies (continued)

2.7 Foreign currency (continued)

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

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

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

2.8 Property, plant and equipment

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

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

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

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

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

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

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

For the year ended 31 December 2018

2. Summary of significant accounting policies (continued)

2.9 Intangible assets

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

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

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

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

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

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

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

Amortisation

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

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

2.10 Inventories

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

For the year ended 31 December 2018

2. Summary of significant accounting policies (continued)

2.11 Financial instruments

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

Classification

Classification of financial instruments-applicable from 1 January 2018

The Group classifies its financial assets as follows:

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

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

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

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

Business model assessment

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these are applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'Sell' business model. The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account.

Contractual cash flow characteristics test

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

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

Financial liabilities

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

Classification of financial instruments-applicable up to 31 December 2017

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

For the year ended 31 December 2018

2. Summary of significant accounting policies (continued)

2.11 Financial instruments (continued)

Recognition/derecognition

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

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

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

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

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

Measurement

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

Measurement of financial instruments- applicable from 1 January 2018

Financial assets at amortised cost

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

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

Financial assets at FVOCI

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

For the year ended 31 December 2018

2. Summary of significant accounting policies (continued)

2.11 Financial instruments (continued)

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

Financial asset at FVTPL

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

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

Financial liabilities

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

Financial guarantees

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

Measurement of financial instruments- applicable up to 31 December 2017

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

Financial assets at fair value through profit or loss

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

Loans and receivables

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

For the year ended 31 December 2018

2. Summary of significant accounting policies (continued)

2.11 Financial instruments (continued)

Available for sale

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

Financial liabilities/equity

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

Financial quarantees

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

Impairment

Impairment of financial assets –applicable from 1 January 2018

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

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

General approach

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

Simplified approach

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

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

For the year ended 31 December 2018

2. Summary of significant accounting policies (continued)

2.11 Financial instruments (continued)

Simplified approach (continued)

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

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

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

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

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

Impairment of financial assets –applicable upto 31 December 2017

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

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

Derivative financial instruments and hedging activities

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

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

For the year ended 31 December 2018

2. Summary of significant accounting policies (continued)

2.11 Financial instruments (continued)

Fair value hedge

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

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

Cash flow hedge

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

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

Net investment hedge

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

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

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

Offsetting financial assets and financial liabilities

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

For the year ended 31 December 2018

2. Summary of significant accounting policies (continued)

2.12 Non-current assets held for sale and discontinued operations

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

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

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

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

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

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

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

2.13 Impairment of non-financial assets

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

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

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

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

For the year ended 31 December 2018

2. Summary of significant accounting policies (continued)

2.14 Retirement benefits

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

2.15 Voluntary end of service benefits

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

2.16 Provisions

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

2.17 Taxation

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

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

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

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

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

2.18 Directors' remuneration

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

For the year ended 31 December 2018

2. Summary of significant accounting policies (continued)

2.19 Dividend distribution

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

2.20 Financial reporting in hyperinflationary economies

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

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

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

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

2.21 Fair value measurement

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

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

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

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

For the year ended 31 December 2018

2. Summary of significant accounting policies (continued)

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

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

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

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

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

For the year ended 31 December 2018

2. Summary of significant accounting policies (continued)

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

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

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

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

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

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

For the year ended 31 December 2018

2. Summary of significant accounting policies (continued)

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

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

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

For the year ended 31 December 2018

2. Summary of significant accounting policies (continued)

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

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

	31 December 2018	IFRS 15	IFRS 9	Amounts without adoption of IFRS 15 and IFRS 9
	RO'000	RO'000	RO'000	RO'000
Devenue	2.196.017	(10.1/2)		2 475 074
Revenue	2,186,014	(10,143)	•	2,175,871
Cost of sales	(637,395)	3,768		(633,627)
Gross profit	1,548,619	(6,375)		1,542,244
Operating and administrative expenses	(664,985)	627		(664,358)
Depreciation and amortization	(442,732)	(9,920)	-	(452,652)
Expected credit loss on financial assets	(29,035)		(9,659)	(38,694)
Operating profit	411,867	(15,668)	(9,659)	386,540
Interest income	25,103			25,103
Investment income	4,147		(4,571)	(424)
Share of results of associates and joint ventures	(3,726)			(3,726)
Other (expense)/income	(56,967)	601	752	(55,614)
Finance costs	(143,623)			(143,623)
Fair value gain on the previously held equity interest in a subsidiary	(15,694)	-		(15,694)
Provision for impairment loss on property and				
equipment	(12,023)		-	(12,023)
Loss from currency revaluation	(18,404)		-	(18,404)
Net monetary gain	58,489			58,489
Profit before taxation	249,169	(15,067)	(13,478)	220,624
Taxation	(40,329)	(28)	54	(40,303)
	<u> </u>			<u>-</u>
Profit for the year	208,840	(15,095)	(13,424)	180,321

For the year ended 31 December 2018

2. Summary of significant accounting policies (continued)

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

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

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

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

Financial assets	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	Reclassification and remeasurement	New carrying amount under IFRS 9
			RO'000	RO'000	RO'000
	Loans and				
Cash and bank balances	receivables	Amortised cost	73,184	(74)	73,110
Tuesda and athermación bloc	Loans and	At: t	110.073	(16.021)	102.052
Trade and other receivables	Loans and	Amortised cost	118,873	(16,821)	102,052
Contract assets	receivables	Amortised cost	-	8,230	8,230
Investment securities	AFS	FVTPL	2,906		2,906
Total financial assets			194,963	(8,665)	186,298

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

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

For the year ended 31 December 2018

2. Summary of significant accounting policies (continued)

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

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

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

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

For the year ended 31 December 2018

2. Summary of significant accounting policies (continued)

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

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

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

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

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

For the year ended 31 December 2018

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

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

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

4. Subsidiaries and associates

The principal subsidiaries and associates are:

Shareholding directly held by parent:

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

For the year ended 31 December 2018

4. Subsidiaries and associates (continued)

i) Acquisition of Zain Group (Purchase price allocation)

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

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

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

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

The purchase price allocation process requires an analysis of acquired fixed assets, licenses, customer relationships, brands, contractual commitments and contingencies to identify and record the fair values of all assets and liabilities assumed. In valuing acquired assets and liabilities assumed fair values were based on but not limited to future expected discounted cash flows for customer relationships, current replacement cost for similar capacity and obsolescence for certain fixed assets, royalty rates for brand and appropriate discount rates and growth rates.

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

Fair values b	ased on	purchase
price (allocatio	on process

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

For the year ended 31 December 2018

4. Subsidiaries and associates (continued)

i) Acquisition of Zain Group (Purchase price allocation)

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

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

	As reported	Restated
Statement of income	RO'000	RO'000
Depreciation and amortisation	151,729	158,266
Share of results of associate and Joint venture	4,581	4,091
Profit before taxation from continuing operations	116,111	109,084
Taxation	(8,985)	(8,985)
Profit for the year from continuing operations	107,126	100,099
Loss from discontinued operations	(3,023)	(3,023)
Gain on deconsolidation of a subsidiary	2,676	2,676
Profit for the year	106,779	99,752
Attributable to:		
Equity holders of the parent	79,717	78,280
Non controlling interest	27,062	21,472
Profit for the year	106,779	99,752
Profit for the year from continuing business	107,126	100,099
Other comprehensive income		
Share of comprehensive income of associates	517	517
Exchange differences arising on translation of foreign operations	(73,294)	(96,099)
Net loss transferred to statement of income on reclassification of		
investment in associate to a subsidiary	(517)	(517)
Fair value change in available for sale investment	(742)	(742)
Realised gain/(loss) transferred to statement of income on sale of available		
for sale investments	70	70
Impairment losses on available for sale investments	(435)	(435)
Cash flow hedges	65	65
Net other comprehensive income for the year from continuing		
operations	(74,336)	(96,107)
Other comprehensive expense not to be reclassified to profit or loss in		
subsequent periods	(0.40)	(5.4.5)
Actuarial loss on measurement of end of service benefit of an associate	(310)	(310)
Net other comprehensive loss not to be reclassified to profit or loss in	(240)	(240)
subsequent periods	(310)	(310)
Total comprehensive income for the year from continuing operations	32,480	3,682
Loss for the year from discontinued operations	(347)	(347)
Total comprehensive income for the year	32,133	3,335
Attributable to:	F2.0/0	F7 F00
Equity holders of the parent	53,849	57,592
Non-controlling interests	(21,716)	(54,257)
	32,133	3,335

For the year ended 31 December 2018

4. Subsidiaries and associates (continued)

i) Acquisition of Zain Group (Purchase price allocation)

	As reported	Restated
Statement of financial position	RO'000	RO'000
Non-current assets		
Intangible assets and goodwill	1,005,135	1,582,127
Investments in associates and Joint ventures	245,329	736,382
Non-current liabilities		
Other liabilities	58,899	112,942
Equity		
Share capital	75,000	75,000
Legal reserve	25,000	25,000
Voluntary reserve	49,875	49,875
Capital contribution	44,181	44,181
Foreign currency translation reserve	(25,475)	(20,296)
Fair value reserve	(207)	(207)
Hedge reserve	(81)	(81)
Other reserve	(68)	(68)
Retained earnings	399,616	398,180
Attributable to equity holders of the parent	567,841	571,584
Non-controlling interests related to continuing operations		
Total equity	1,029,986	2,040,244
Non-controlling interest	1,597,827	2,611,828

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

ii) Shareholding directly held by Zain Group

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

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

For the year ended 31 December 2018

4. Subsidiaries and associates (continued)

ii) Shareholding directly held by Zain Group (continued)

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

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

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

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

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

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

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

For the year ended 31 December 2018

4. Subsidiary and associates (continued)

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

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



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

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

iii) Zain South Sudan

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

iv) Financial support to Group companies

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

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

5 Cash and bank balances

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

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

Concolidato

For the year ended 31 December 2018

6. Trade and other receivables

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

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

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

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

For the year ended 31 December 2018

7. Inventories

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

8. Investment securities

	Current		Non-curre	ent				
	2018	2018	2018	2018 2017	2018 2017	2018 2017	2018	2017
	RO'000	RO'000	RO'000	RO'000				
Investments at fair value through profit or loss	29,759	18,043	32,947	31,850				
Investments at fair value through comprehensive								
income	-	-	8,692	-				
Available for sale investment carried at cost	-	101		8,644				
Available for sale investment carried at fair value	-	-	-	14,376				
Held to maturity investments	1.000	6.000	2.000	3.000				

Consolidated

	30,759	24,144	43,639	57,870
		Parent com	pany	
	Curren	t	Non-cur	rent
	2018	2017	2018	2017
	RO'000	RO'000	RO'000	RO'000
Investments at fair value through profit or loss	10,598	17,067	31,445	31,850
Available for sale investment carried at cost	-	101	-	2,566
Available for sale investment carried at fair value	-	-	-	239
Held to maturity investments	1,000	6,000	2,000	3,000
	11,598	23,168	33,445	37,655

Investment comprise the following:

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

For the year ended 31 December 2018

8. Investment securities (continued)

Investment securities are denominated in the following currencies:

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

9. Investment in subsidiaries

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

10 Other assets - consolidated

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

For the year ended 31 December 2018

11. Investment in associated companies

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

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

- (b) On August 24,2017, Oztel Holding SPC Limited (SPV) which is wholly owned by the parent company acquired 425.7 million treasury shares representing 9.84% of the share capital in Mobile Telecommunication Company (Zain) at a price of 0.060 Kuwaiti Dinar. The total consideration for the acquisition amounted to RO 326.6 million. The investment was reclassified to Investment in a subsidiary upon acquisition of an additional stake of 12.06% in Zain Group (refer note 4 (i)).
- (c) The Group has concluded that it controls SMTC effective July 2018 and accordingly has consolidated SMTC from that date (Refer note 4(iii)). Prior period numbers represent the Group's share of investments in SMTC, which was accounted for using the equity method

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

RO'C	00	RO'000
Current assets	-	379,079
Non-current assets	-	2,238,615
Current liabilities	-	1,159,301
Non-current liabilities	-	1,098,785
Net asset of SMTC	-	359,609
Revenue	-	755,669
Profit for the year	-	1,193
Other comprehensive expense	-	(721)
Total comprehensive income	-	472
Proportion Zain Group's ownership interest in SMTC	-	37.045%

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

For the year ended 31 December 2018

11. Investment in associated companies (continued)

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

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

12 Interest in α joint venture

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

13. Due from an associate

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

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

For the year ended 31 December 2018

14. Property, plant and equipment

Consolidated

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



For the year ended 31 December 2018

14. Property, plant and equipment (continued)

Consolidated (continued)

Consolidated (continued)	Land, building	Telecommunications	Capital work-	Total
	_	and other equipment	in- progress	
	improvements		. 3	
	RO'000	RO'000	RO'000	RO'000
Cost				
1 January 2017	77,532	1,110,125	72,209	1,259,866
Acquisition of a subsidiary (note 4 (i))	93,236	1,937,835	119,605	2,150,676
Additions	7,068	15,361	182,717	205,146
Transfers	4,499	167,849	(172,348)	-
Transfers to other assets	-	-	(2,701)	(2,701)
Disposals	-	(29,303)	(2,171)	(31,474)
Impairment (note 33)	-	(20,069)	(2,083)	(22,152)
Exchange adjustment	(4,106)	(47,440)	(7,665)	(59,211)
31 December 2017	178,229	3,134,358	187,563	3,500,150
Depreciation				
1 January 2017	47,576	695,611	-	743,187
Acquisition of a subsidiary (note 4)	32,247	1,170,143	-	1,202,390
Charge for the year	4,134	124,905	-	129,039
Impairment (note 33)	-	(1,496)	-	(1,496)
Disposals	- (5.4.2)	(13,347)	-	(13,347)
Exchange adjustment	(543)	(27,311)		(27,854)
31 December 2017	83,414	1,948,505		2,031,919
Net book value At 31 December 2017	94,815	1 105 052	107.562	1,468,231
Parent - movement in property, pla		1,185,853	187,563	1,400,231
raient - movement in property, pia	Land, building	Telecommunications	Capital	Total
		and other equipment	work-	
	improvements		in- progress	
	RO'000	RO'000	RO'000	RO'000
Cost				
1 January 2018	81,177	1,230,327	53,134	1,364,638
Additions	25	890	113,648	114,563
Transfers	4,611	102,305	(106,916)	
Transfers to other assets		· -	(4,512)	(4,512)
Disposals	(1)	(47,051)	-	(47,052)
31 December 2018	85,812	1,286,471	55,354	1,427,637
Depreciation	05,012	1,200,771	33,337	1,727,037
•	F1 / F2	797.200		025 051
1 January 2018	51,452	784,399	-	835,851
Charge for the year	3,984	93,375		97,359
Disposals	(1)	(38,583)		(38,584)
31 December 2018	55,435	839,191		894,626
Net book value				

For the year ended 31 December 2018

14. Property, plant and equipment (continued)

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

15. Intangible assets and goodwill

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

For the year ended 31 December 2018

15. Intangible assets and goodwill-consolidated (continued)

Impairment test for Goodwill

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

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

Impairment testing

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

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

Key assumption	Basis used to determine	value to be	assigned to ke	v assumption

Growth rate

Increase in competition expected but no significant change in market share of any CGU as a result of ongoing service quality improvements and expected growth from technology and license upgrades. The growth rates are consistent with forecasts included in industry and country reports.

Compounded annual growth in revenue of up to 2.5% for Zain Kuwait, 10% for Atheer, 3% for Pella, 4.1% for SMTC during the projected four or five year period. Value assigned reflects past experience and changes in economic environment.

Cash flows beyond the four to five-year period have been extrapolated using a growth rate of up to of 3.7% for Zain Kuwait, 3% for Atheer, 4% for Pella and 2.5% for SMTC. This growth rate does not exceed the long-term average growth rate of the market in which the CGU operates.

Capital expenditure The cash flow forecasts for capital expenditure are based on experience and include the ongoing capital expenditure required to continue rolling out networks to deliver target voice and data products and services and meeting license obligations. Capital expenditure includes cash outflows for the purchase of property, plant and equipment and other intangible assets.

Discount rate

Discount rates of 8% for Zain Kuwait, 13.8% for Atheer, 11.2% for Pella and 9.9% for SMTC. Discount rates reflect specific risks relating to the relevant CGU.

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

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

For the year ended 31 December 2018

15. Intangible assets and goodwill-consolidated (continued)

Parent - Intangible assets

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

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

16. Trade and other payables

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

For the year ended 31 December 2018

17. Borrowings

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

For the year ended 31 December 2018

17. Borrowings (continued)

The current and non-current amounts are as follows:

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

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

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

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

(i) Compliance with debt covenants

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

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

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

- Consolidated net borrowings to adjusted consolidated EBITDA;
- Adjusted consolidated EBITDA to adjusted consolidated net interest payable;
- Equity to total assets.

For the year ended 31 December 2018

17. Borrowings (continued)

(ii) Parent company

Long term loans comprise of the following:

- The Parent Company acquired a bridge loan facility and term loan of USD 1,450 million and USD 800 million respectively in year 2017 from a consortium of banks for financing the acquisition of shares in Mobile Telecommunication Company K.S.C.P (Zain Group). During the year, the Parent company transferred USD 435.225 Million representing the offshore part of the term loan to its wholly owned subsidiary Oztel Holding SPC. The remaining amount of USD 364.775 million is retained by the Parent company. The term loan is payable in five equal annual installments for an amount of 15% of the principal amount and the remaining amount of 25% is payable at the end of the term loan period. The loan is secured by way of a pledge on the acquired shares of Zain group.
- Loan term loans comprise an outstanding balance of RO 12.3 million from National Bank of Oman and is repayable in 16 quarterly instalments commencing from 24 October 2017. The loan is unsecured.
- Export credit loan with an outstanding balance of RO USD 15 million (RO 5.8 million) from a consortium of banks to finance the procurement of capital equipment. The facility carries an interest of 3.64% and is repayable in semi-annual instalments commencing from November 2018. The loan is unsecured.

iii) Oztel Holdings SPC Limited (Oztel)

Bonds

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

- a) 5.5 years' tranche USD 600 million with coupon rate of 5.63% per annum. The bonds are due for payment in year 2023. The effective interest rate on the bond is 6.05% per annum. The fair value of the bond is USD 569.3 million.
- b) 10 years' tranche USD 900 million with coupon rate of 6.63 % per annum. The bonds are due for payment in year 2028. The effective interest on the bond is 7.09 %. The fair value of the bond is USD 820 million.
- c) The bonds are secured by way of a pledge on the acquired shares in Zain Group and is guaranteed by the Parent company.

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

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

(v) SMTC

- SAR 4,746 million (RO 474.5 million) syndicated Murabaha facility availed from a consortium of banks. In June 2018, SMTC refinanced and extended the maturity of the syndicated Murabaha facility that was maturing in 2018 to a SAR 5,900 million (RO 589.99 million) facility maturing in June 2023 which includes a working capital facility of SAR 647.3 million (RO 64.7 million) for two years. During the third and fourth quarter of the year, SMTC made early voluntary payments amounting to SAR 1,125 million (RO 112.5 million). The Murabaha facility is secured partially by a guarantee from the Company and a pledge of the Company's and some of the founding shareholders' shares in SMTC and assignment of certain contracts and receivables. Under the Murabaha financing agreement, SMTC can declare dividend or other distribution in cash or in kind to shareholders, only if no event of default has occurred and SMTC is in compliance with all the loan covenants.
- SAR 2,269 million (RO 226.9 million) long-term loan repayable by August 2019 availed from a commercial bank. This facility is guaranteed by Mobile Telecommunications Company K.S.C.P

For the year ended 31 December 2018

17. Borrowings (continued)

(vi) Zain - Bahrain

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



(vii) Atheer

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

18. Other liabilities

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

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

19. Share capital and reserves

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

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

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

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

For the year ended 31 December 2018

19. **Share capital and reserves** (continued)

Legal reserve

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

Voluntary reserve

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

Capital contribution

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

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

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

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

Foreign currency translation reserve

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

Fair value reserve

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

Hedge reserve

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

For the year ended 31 December 2018

20. Revenue

20.1 Disaggregated revenue information

The total revenue disaggregated by major service lines is:

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

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

20.2 Contract balances

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

Contract assets

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

Contract liabilities

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

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

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

For the year ended 31 December 2018

21. Operating and administrative expenses

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

22. Investment income

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

23. Taxation

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

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

24. Basic and diluted earnings per share

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

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

For the year ended 31 December 2018

25. Related parties

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

Consolidated

Transactions

	2018	2017
	RO'000	RO '000
Revenue	1,550	901
Purchase of goods and services	11,998	14,048
Management fee (included in other income)	2,525	839
Dividend income from associate	-	932
Interest income on loans to an associate	14,439	4,768
Key management compensation		
Salaries and other short term employee benefits	2,766	2,140
Post-employment benefits	135	78
Director's remuneration	582	573
Balances		
Trade receivables	-	20,769
Trade payables	1,920	14,442
Parent Company	2018	2017
Parent Company	2018 RO'000	2017 RO '000
Parent Company Revenue	RO'000	2017 RO '000 436
Revenue	RO'000 2,059	RO '000 436
	RO'000	RO '000
Revenue Purchase of goods and services	RO'000 2,059	RO '000 436 14,048
Revenue Purchase of goods and services Dividend income from associate Interest income on loans to an associate	2,059 18,050	RO '000 436 14,048
Revenue Purchase of goods and services Dividend income from associate Interest income on loans to an associate Key management compensation	RO'000 2,059 18,050 - 96	RO '000 436 14,048 932
Revenue Purchase of goods and services Dividend income from associate Interest income on loans to an associate Key management compensation Salaries and other short term employee benefits	2,059 18,050	RO '000 436 14,048
Revenue Purchase of goods and services Dividend income from associate Interest income on loans to an associate Key management compensation	RO'000 2,059 18,050 - 96	RO '000 436 14,048 932
Revenue Purchase of goods and services Dividend income from associate Interest income on loans to an associate Key management compensation Salaries and other short term employee benefits	RO'000 2,059 18,050 - 96	RO '000 436 14,048 932 - 2,140 78
Revenue Purchase of goods and services Dividend income from associate Interest income on loans to an associate Key management compensation Salaries and other short term employee benefits Post-employment benefits	2,059 18,050 - 96 2,766 135	RO '000 436 14,048 932 - 2,140 78 573
Revenue Purchase of goods and services Dividend income from associate Interest income on loans to an associate Key management compensation Salaries and other short term employee benefits Post-employment benefits Director's remuneration	2,059 18,050 - 96 2,766 135	RO '000 436 14,048 932 - 2,140 78 573
Revenue Purchase of goods and services Dividend income from associate Interest income on loans to an associate Key management compensation Salaries and other short term employee benefits Post-employment benefits Director's remuneration Balances	2,059 18,050 - 96 2,766 135	RO '000 436 14,048 932 - 2,140 78 573 200

For the year ended 31 December 2018

26. Commitments

(a) Commitments

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

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

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

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

(b) Claims

(i) Parent company

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

(ii) Claims pertaining to Zain Group

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

For the year ended 31 December 2018

26. Commitments (continued)

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

Pella-Jordan

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

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

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

For the year ended 31 December 2018

27. Subsidiaries with significant non-controlling interests

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

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

For the year ended 31 December 2018

28. Financial risk management

Consolidated

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

Amortized costs	At fair value through profit or loss	Fair value through comprehensive income
RO'000	RO'000	RO'000
503,423		-
726,369		-
114,835		-
3,000	62,706	8,692
1,283		
1,348,910	62,706	8,692
Loans and	At fair value through	Available-for-sale
receivables	profit or loss	
380,996	-	-
639,905	-	-
9,000	49,893	23,120
521,445	-	-
15,500	-	-
1,566,846	49,893	23,120
	RO'000 503,423 726,369 114,835 3,000 1,283 1,348,910 Loans and receivables 380,996 639,905 9,000 521,445 15,500	RO'000 RO'000 503,423 - 726,369 - 114,835 - 3,000 62,706 1,283 - 1,348,910 62,706 Loans and receivables At fair value through profit or loss 380,996 - 639,905 - 9,000 49,893 521,445 - 15,500 -

Parent

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

	Amortized costs	At fair value through profit or loss	_
	RO'000	RO'000	RO'000
31 December 2018			
Cash and bank balances	113,351		
Trade and other receivables	96,203		
Contract assets (current and non-current)	12,352		
Investment securities	3,000	42,043	
	224,906	42,043	
	Loans and	At fair value through	
	receivables	profit or loss	Available-for-sale
31 December 2017			
Cash and bank balances	73,184	-	-
Trade and other receivables	108,637	-	-
Investment securities	9,000	48,917	2,906
	190,821	48,917	2,906

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

For the year ended 31 December 2018

28. **Financial risk management** (continued)

Parent

Financial risk factors

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

(i) Market risk

Foreign currency risk

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

Parent company

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

Subsidiaries

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

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

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

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

For the year ended 31 December 2018

28 Financial risk management (continued)

Parent

Financial risk factors

(i) Market risk (continued)

Subsidiaries

Equity price risk

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

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

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

Cash flow and fair value interest rate risk

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

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

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

Parent company

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

Consolidated

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

For the year ended 31 December 2018

28. Financial risk management (continued)

Financial risk factors

b) Credit risk

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

Expected credit loss (ECL) measurement

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

Significant increase in credit risk

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

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

Financial instrument is determined to have low credit risk if:

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

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

Credit impaired assets

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

Incorporation of forward looking information

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

For the year ended 31 December 2018

28. Financial risk management (continued)

Financial risk factors

b) Credit risk

Consolidated

	31-Dec-18				1-Jan-18		
			_				
	Stage 1	Stage 2	Stage 3	Simplified			
				approach			
	12-month	Lifetime	Lifetime	Lifetime	Total	Total	
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	
		407040			500010	200.005	
Cash & Bank	401,068	107,242	-	-	508,310	380,996	
Less: ECL					(4,887)	(8,223)	
	401,068	107,242			503,423	372,773	
Customer receivables	-	-	-	399,207	399,207	242,755	
Dealer receivables	-	-	-	38,296	38,296	14,282	
Contract assets	-	-	-	121,182	121,182	79,659	
Less: ECL	-	-	-	(222,137)	(222,137)	(134,596)	
	-	_	-	336,548	336,548	202,100	
Roaming receivables				21,373	21,373	19,121	
Interconnect receivables	-	-	-	89,963	89,963	64,193	
Less: ECL	-	-	-	(19,949)	(19,949)	(24,664)	
		-		91,387	91,387	58,650	
Due from associates							
Gross carrying amount	-	-	-	-	-	521,445	
Less:- ECL	-	-	-	-	-	(1,357)	
Carrying amount						520,088	
Other receivables		_	-	209,654	209,654	143,995	
Less:-ECL	-	-	-	(4,403)	(4,403)	(4,826)	
		-	-	205,251	205,251	139,169	
Financial guarantees	-	-	-				
Less:-ECL	-	-	-	(1,394)	(1,394)	(3,300)	
		-	-	(1,394)	(1,394)	(3,300)	

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

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

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

For the year ended 31 December 2018

28. Financial risk management (continued)

Financial risk factors (continued)

b) Credit risk (continued)

Consolidated (continued)

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

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

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

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

Credit quality of roaming, interconnect and other balances:

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

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

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

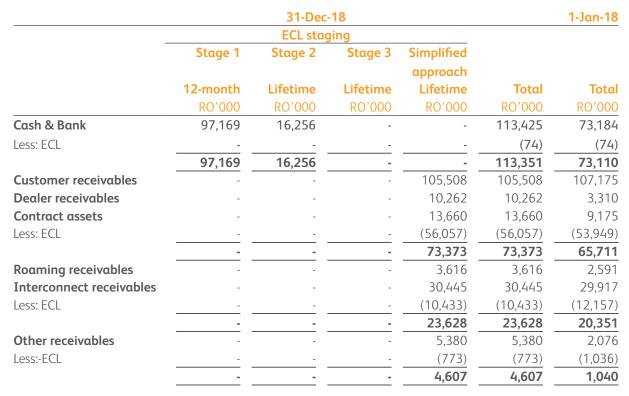
For the year ended 31 December 2018

28. Financial risk management (continued)

Financial risk factors (continued)

b) Credit risk (continued)

Parent Company



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

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

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

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

For the year ended 31 December 2018

28. Financial risk management (continued)

Financial risk factors (continued)

b) Credit risk (continued)

Parent Company (continued)

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

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

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

Credit quality of roaming, interconnect and other balances:

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

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

29 Liquidity risk

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

The Group has committed to provide working capital and other financial support to some of its affiliates (refer note 4 (v)). Other than cash and bank balance of RO 15.2 million equivalent held in Sudanese pounds and RO 2.28 million held in South Sudanese pounds, all other cash and bank balance are maintained in freely convertible currencies.

For the year ended 31 December 2018

29. **Liquidity risk** (continued)

The following are the contractual maturities of financial liabilities:

Consolidated	Contract Amount	0-1 year	1-2 year	2-5 years	More 5 years
	RO'000	RO'000	RO'000	RO'000	RO'000
2018					
Borrowings	2,479,722	427,227	322,692	1,208,074	521,729
Trade and other payables	1,388,817	1,388,040	177	268	332
Customer deposits	12,946	-	9,980	-	2,966
Refundable deposits and others	1,094	-	1,094	-	-
2017					
Borrowings	2,134,080	922,256	275,301	769,084	167,439
Trade and other payables	682,806	681,575	252	379	600
Customer deposits	9,698	-	6,406	-	3,292
Refundable deposits and others	787	-	787	-	-
Parent Company					
	Contract Amount	0-1 year	1-2 year	2-5 years	More 5 years
	RO'000	RO'000	RO'000	RO'000	RO'000
2018					
Borrowings	156,291	28,448	27,950	97,945	1,948
Trade and other payables	205,167	205,167	-	-	-
Customer deposits	6,478	-	6,478	-	-
Refundable deposits and others	913	-	913	-	-
2017					
Borrowings	937,541	626,508	68,998	242,035	-
Trade and other payables	151,691	151,691	-	-	-
Customer deposits	5,479	-	5,479	-	-
Refundable deposits and others	608	-	608	-	-

30 Derivative financial instruments

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

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

For the year ended 31 December 2018

30. Derivative financial instruments (continued)

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

		of maturity	rity			
	Positive fair	Negative	Notional L	ess than 1	1-2 years	2-5 years
	value	fair value	amount	year		
						RO'000
2018						
Derivatives held for hedging:						
Interest rate swap-Parent Company	799		69,849	12,326	12,326	45,197
Interest rate swap-Oztel holdings	1,502	-	139,699	24,653	24,653	90,393
Interest rate swaps-SMTC		2,159	297,995	297,995	-	-
2017						
Derivatives held for hedging:						
Interest rate swap-Parent Company	-	122	246,528	36,979	36,979	172,570
Interest rate swaps-share of						
associates	187	-	120,972	120,972	-	-

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

31 Capital risk management

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

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

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

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

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

For the year ended 31 December 2018

32. Fair value of financial instruments

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

Consolidated

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

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

Parent

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

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

For the year ended 31 December 2018

33. Adjustments relating to hyperinflationary economies

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

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

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

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

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

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

ii) Zain group's subsidiary in Republic of Sudan

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

34 Significant accounting judgements and estimates

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

Judgments

Assessment of control

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

For the year ended 31 December 2018

34. Significant accounting judgements and estimates (continued)

Judgments (continued)

Business combinations

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

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

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

Principal versus agent considerations

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

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

Consideration of significant financing component in a contract

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

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

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

Assets held for sale

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

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

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

For the year ended 31 December 2018

34. Significant accounting judgements and estimates (continued)

Judgments (continued)

Classification of equity investments

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

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

Impairment

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

Contingent liabilities/liabilities

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

Hyperinflation

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

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

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

Sources of estimation uncertainty

Fair values - unquoted equity investments and business combinations

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

For the year ended 31 December 2018

34. Significant accounting judgements and estimates (continued)

Sources of estimation uncertainty (continued)

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

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

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

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

Tangible and intangible assets

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

Taxes

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

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

Impairment of non-financial assets

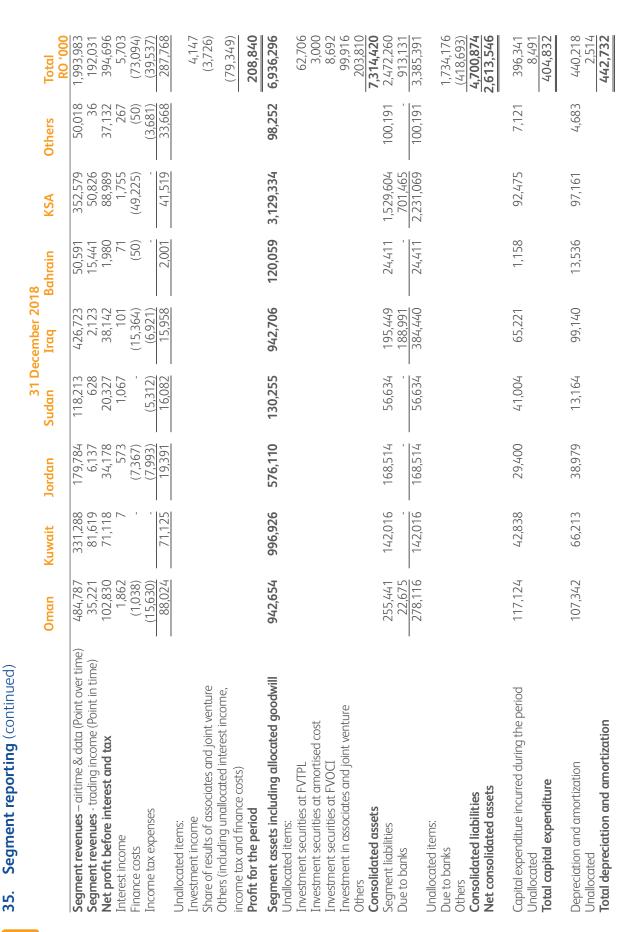
The Group annually tests non-financial assets for impairment to determine their recoverable amounts based on value-in-use calculations or at fair value less costs to sell. The value in use includes estimates on growth rates of future cash flows, number of years used in the cash flow model and the discount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

35. Segment reporting

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



For the year ended 31 December 2018





For the year ended 31 December 2018

35. Segment reporting (continued)

31 December 2017

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

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

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

36. Comparative figures

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



Remarks



Remarks





Oman Telecommunications Company SAOG P.O. Box 789, PC 112, Ruwi, Sultanate of Oman www.omantel.om





