1. LEGAL STATUS AND PRINCIPAL ACTIVITIES

Omani Qatari Telecommunications Company SAOG (the “Parent Company” or the “Company”) is an Omani joint stock company registered under the Commercial Companies Law of the Sultanate of Oman. In accordance with Royal Decree 17/2005, effective 19 February 2005, the Company was granted a licence to provide mobile telecommunication services in the Sultanate of Oman for a period of 15 years ending 18 February 2020.

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

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

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

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

During 2015, the Company acquired a 51 percent shareholding in Duqm Data Centre SAOC ("the subsidiary"). Duqm Data Centre SAOC is registered in the Sultanate of Oman. The subsidiary’s principal activities are data collection, management and operation of data preparation of other agencies on permanent basis. The subsidiary has not started commercial operations at 31 December 2017.

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

This is the first period in which the Company is producing consolidated financial statements. Accordingly, the corresponding figures provided for comparative purposes for 2016 relate to only Parent Company and are not readily comparable with those for the current period.

2. BASIS OF PREPARATION

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

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

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

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2017, have been adopted in these financial statements. The application of these revised and new IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

- Disclosure Initiative (Amendments to IAS 7);

- Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12); and

- Annual Improvements to IFRSs 2014-2016 Cycle – various standards (Amendment to IFRS 12).

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

The Company has not early applied the following new standards, amendments and interpretations that have been issued but are not yet effective:

New and revised IFRSs	Effective for annual periods beginning on or after
• IFRS 16 Leases IFRS 16 introduces a single, on-balance lease sheet accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemption for short term leases and leases of low value items. Lessor accounting remain similar to current standard – i.e lessors continue to classify leases as finance and operating leases.	1 January 2019

2.2 New and revised IFRSs in issue but not yet effective and not early adopted *(continued)*

New and revised IFRSs *(continued)*	**Effective for annual periods beginning on or after**
• Annual Improvements to IFRS 2014-2016 Cycle – Amendments to IFRS 1 and IAS 28.	1 January 2018
• Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2).	1 January 2018
• Transfers of Investment property (Amendments to IAS 40).	1 January 2018
• Sale of Contribution of Assets between an Investor and its Associate or Joint Venture ((Amendments to IFRS 10 and IAS 28).	
• IFRIC 22 Foreign Currency Transaction and Advance Consideration.	1 January 2018
• IFRIC 23 Uncertainty over Income Tax Treatments.	1 January 2019

The Board of Directors anticipates that these new standards, interpretations and amendments will be adopted in the Group's consolidated financial statements for the period beginning 1 January 2018 or as and when they are applicable. Adoption of these new standards, interpretations and amendments are not expected to have a material impact on the consolidated financial statements of the Group in the period of initial application.

The Board of Directors anticipates that IFRS 15 and IFRS 9 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2018. These standards are not expected to have a material impact on the Group's financial statements in the period of initial application.

IFRS 15 Revenue from Contracts with Customers:

IFRS 15 was issued in May 2014, and amended in April 2016, and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted. The Company plans to adopt the new standard on the required effective date using the modified retrospective method. During 2016, the Company performed a preliminary assessment of IFRS 15, which was continued with a more detailed analysis that was completed in 2017.

The Company is in the business of primarily providing domestic and international telecommunication services (both fixed and mobile) in Oman. The services are sold on their own in separate identified contracts with customers and together as a bundled package of goods and/or services.

In preparing to adopt IFRS 15, the Company is considering the following:

Revenue from sale of equipment and rendering of services

For mobile and fixed contracts with customers where sale of services is the only expected performance obligation, adoption of IFRS 15 is not expected to have a material impact on the Company's profit or loss as the timing of revenue recognition will not change under the new Standard. Further, bundling of services with sale of equipment is also not expected to have a material impact on the Company's profit or loss as the bundled equipment are either locked to the Company's network or where the Company acts as agents in their sale, and are therefore not considered distinct or separate performance obligations ("PO") in the contract with the customer.

However, the above assessment will likely be impacted by any contract modifications, which will be quantified and accounted for as and when they occur when the Company adopts the Standard next year.

2.2 New and revised IFRSs in issue but not yet effective and not early adopted *(continued)*

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

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

The period in which enforceable rights and obligations exist may be affected by termination provisions in the contract. For example, an entity may apply the standard to only a portion of a contract with a stated term when the contract allows either party to terminate it at any time without penalty. Significant judgement will be required to determine the effect of termination provisions on the contract term.

The Company has concluded that the agreed contract duration in its respective mobile, fixed and bespoke contracts may be considered as the contract term in applying the IFRS 15 model as it was assessed that the termination provisions in its respective contracts are substantive.

Discounts and promotions
The Company provides various discounts and promotions to its customers, which maybe agreed at inception or provided during the contract term. These discounts consist broadly of the following:

a) Discounts which reduce the transaction price and are agreed with the customer at inception;
b) Discounts which reduce the transaction price which are given as a promotion during the contract term; and,
c) Additional allowances (e.g. additional minutes or data) which are provided free to the customer at inception or within the contract term and therefore, do not change the transaction price.

The Company recognises the discounts in full on the billing period to which these discounts relate under IAS 18. However, the accounting for the above discounts and promotions will vary under IFRS 15. For point a) these discounts will need to be considered as a reduction to transaction price and allocated to the relevant POs. For points b) and c), these are contract modifications and their accounting will further vary (i.e. prospective or retrospective) depending on the nature of the promotion.

The estimated impact of these discounts and promotions upon adoption of IFRS 15 is expected to result to an increase in the opening retained earnings and a recognition of a contract asset.

Installation services and connection fee
The Company charges connection fees for providing installation services and connection configuration. Currently, the installation fees are recognised as revenue at inception of the contract. Upon adoption of IFRS 15, these fees will form part of transaction price and allocated to the various performance obligations as the Company has concluded that there are no separate performance obligations underlying these connection fees. The Company, however, expects that the accounting of the connection fees under IFRS 15 will not have a material impact on the Company's profit or loss.

Variable consideration
Some contracts with customers allow for discounts (usage/volume based), goodwill adjustments and discretionary price discounts. Currently, the Company recognises revenue from the sale of goods measured at the fair value of the consideration received or receivable, net of discounts. Such provisions give rise to variable consideration under IFRS 15, and are required to be estimated at contract inception and updated thereafter. IFRS 15 requires the estimated variable consideration to be constrained to prevent over-recognition of revenue. The Company expects that application of the constraint will not have a material impact on the Company's profit or loss.

2.2 New and revised IFRSs in issue but not yet effective and not early adopted *(continued)*

Significant financing component

If a significant financing component exists, the amount of revenue recognised differs from the amount of cash received from the customer. In transactions where payments are received in arrears of performance, the Company is required to recognise less revenue than cash received since a portion of the consideration will be considered interest income. Any interest expense or interest income resulting from a significant financing component is recorded separately from revenue from contracts with customers. The Company expects that the financing component on its long term contracts, if any, will not be material at the contract level.

Loyalty programme

Every consumer segment customer of the Company on a prepaid or post-paid plan is eligible for free membership to the Company's rewards loyalty programme ("Nojoom"). The customer earns points based on payments. Loyalty points can be redeemed in exchange for the Company's services and/or third party services. The Company expects that the accounting of the loyalty point upon adoption of IFRS 15 to be immaterial.

Principal versus agent considerations

The Company has agreements with different 3rd party suppliers to enable it to provide its products and services to the customer. The Company expects that the adoption of IFRS 15 will have no material impact to revenue and the related costs as the Company retains its principal or agent status in most of its products and services.

Contract costs

Commission and installation costs are currently recognised as expense as and when they are incurred. Under IFRS 15, if these expenses meet the definition of an incremental cost to acquire a contract or a cost to fulfil a contract (contract cost), the Company will be required to capitalise qualifying expenses as Contract Cost Assets and amortise them on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates (over the contract period plus contract period of any anticipated contracts, as the case maybe), subject to any impairment.

The Company has determined that certain expenses meet the qualifying criteria in IFRS 15 and will be recognising them as Contract Cost Assets and amortise them over the respective contract lifecycle to which these expenses relate. The estimated impact of adopting IFRS 15 would result to an increase in the opening retained earnings and a recognition of a Contract Cost Asset.

Standalone Selling Price (SSP)

IFRS 15 requires the Company to determine the stand-alone selling price (SSP) of the POs and allocate the transaction price in proportion to those SSP. Transaction price allocated to each PO impacts the amount of revenue recognised by the Company at various periods (i.e. at inception date, during the contract life, at termination date or at modification date) since revenues from POs are either recognised upfront, over the contract period or deferred until occurrence of certain future events. The Company will use observable price and various estimation methods (adjusted market price and cost plus margin) across its identified POs. The Company does not expect to use residual approach in estimating the SSPs of its identified POs.

Presentation and disclosure requirements

The presentation and disclosure requirements in IFRS 15 are more detailed than under current IFRS. The presentation requirements represent a significant change from current practice and significantly increases the volume of disclosures required in the Company's financial statements. Many of the disclosure requirements in IFRS 15 are new and the Company has assessed that the impact of some of these disclosures requirements will be significant. In 2017, the Company continued testing of appropriate systems, internal controls, policies and procedures necessary to collect and disclose the required information.

2.2New and revised IFRSs in issue but not yet effective and not early adopted *(continued)*

IFRS 9 Financial Instruments (revised versions in 2009, 2010, 2013 and 2014)

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

A finalised version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 Financial Instruments: Recognition and Measurement.

The standard contains requirements in the following areas:

- **Classification and measurement:** Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a 'fair value through other comprehensive income' category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk.

- **Impairment:** The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognised.

- **Hedge accounting:** Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.

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

The impact of applying the Standard are being analysed and based on the management's current assessment, the Group does not expect the first-time application of the Standard to have any material impact on the consolidated financial statements.

Based on management's assessment, following are the expected affected areas on applying IFRS 9:

- Depending on the respective underlying business model, the new rules in relation to the classification of financial assets will in some cases give rise to changes in measurement and presentation. The measurement of debt instruments – especially trade receivables held for potential sale – at fair value through other comprehensive income will have minor effects. The measurement of equity instruments at fair value through other comprehensive income without reclassification in profit or loss of the cumulative gains and losses on disposal (OCI option) will reduce volatility in the consolidated statement of profit or loss.

- The new rules regarding the accounting of impairment losses will lead to expected losses having to be expensed earlier in some cases. Application of the simplified approach also for financial assets with a significant financing component, and impairment losses on the contract assets to be recognised for the first time as of 1 January 2018 in accordance with IFRS 15, will lead to a change in impairment losses.

- The transition of existing hedging relationships to the new Standard are not expected to have any material financial impacts.

The Group will apply IFRS 9 from the period beginning January 1, 2018 and will not restate the prior periods. The differences between previous carrying amounts and those determined under IFRS 9 at the date of initial application will be included in the equity.

3 SIGNIFICANT ACCOUNTING POLICIES

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

Basis of consolidation

(i) Business Combinations

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

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

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

(ii) Subsidiaries

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

(iii) Non-controlling Interests

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

(iv) Transactions eliminated on consolidation

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

Revenue and deferred income

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue and deferred income *(continued)*

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

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

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

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

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

Borrowing costs

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

Taxation

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

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

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

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

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

Directors' remuneration

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

3 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Dividend distribution

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

Foreign currency transactions

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

Property and equipment

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

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

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

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

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

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

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

Intangible assets

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

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

3 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Intangible assets *(continued)*

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

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

Inventories

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

Employees' benefits

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

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

Provisions

General
A provision is recognised in the statement of financial position when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate of the amount thereof can be made. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

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

3 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Leases

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

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

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

Royalty

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

Financial instruments

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

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

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

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

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

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

Derivative financial instruments

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

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

3 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Derivative financial instruments *(continued)*

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

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

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

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

Derecognition of financial assets and financial liabilities

Financial assets:
A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:
- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a ‘pass-through’ arrangement; and
- Either (a) the Group has transferred substantially all the risks and rewards of the asset, or
  (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

Use of judgements and estimates

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

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

3 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Use of judgements and estimates *(continued)*

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

Note 22 - lease classification

B. Assumptions and estimation uncertainties
Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ending 31 December 2017 is included in the following notes:

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

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

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

4 REVENUE

	Parent Company		Consolidated	
	2017	2016	**2017**	2016
	RO'000	RO'000	**RO'000**	RO'000
Traffic	**255,766**	251,081	**255,766**	251,081
One time and recurring charges	**4,512**	3,275	**4,512**	3,275
Interconnection revenue	**15,467**	17,479	**15,467**	17,479
Inbound roaming	**4,645**	6,062	**4,645**	6,062
Site sharing revenue	**1,644**	829	**1,644**	829
	282,034	278,726	**282,034**	278,726
Less : Distributor discounts	**(8,428)**	(8,693)	**(8,428)**	(8,693)
	273,606	270,033	**273,606**	270,033

5 OPERATING EXPENSES

Interconnection charges, net of volume rebate	**20,863**	24,012	**20,863**	24,012
Repairs and maintenance	**23,408**	22,647	**23,408**	22,647
Lease lines and frequency fee	**8,209**	8,712	**8,209**	8,712
Rental and utilities	**8,720**	8,664	**8,720**	8,664
Cost of equipment sold and other services	**13,966**	11,455	**13,966**	11,455
Allowance for inventory obsolescence – net	**(72)**	122	**(72)**	122
	75,094	75,612	**75,094**	75,612

6 GENERAL AND ADMINISTRATIVE EXPENSES

	Parent Company		Consolidated	
	2017	2016	**2017**	2016
	RO'000	RO'000	**RO'000**	RO'000
Employees' salaries and associated costs	**33,994**	33,490	**34,023**	33,490
Service fees (note 21)	**8,208**	8,101	**8,208**	8,101
Brand license fees (note 21)	**4,070**	1,023	**4,070**	1,023
Sales and marketing	**4,049**	4,419	**4,049**	4,419
Rental and utilities	**2,795**	2,945	**2,805**	2,945
Allowance for impairment losses on trade receivables (note 13)	**1,078**	1,253	**1,078**	1,253
Legal and professional charges	**1,286**	678	**1,303**	678
Commission on sales	**1,358**	1,067	**1,358**	1,067
Others	**2,762**	2,226	**2,930**	2,226
	59,600	55,202	**59,824**	55,202

7 FINANCING COSTS (NET)

Interest on bank borrowings	**1,637**	2,135	**1,637**	2,135
Site restoration – unwinding of discount (note 18)	**454**	317	**454**	317
Interest income on deposits	**(8)**	(7)	**(8)**	(7)
	2,083	2,445	**2,083**	2,445

Omani Qatari Telecommunications Company SAOG

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

8 INCOME TAX

	Parent Company		Consolidated	
	2017	2016	**2017**	2016
	RO'000	RO'000	**RO'000**	RO'000
Statement of profit or loss				
Current tax				
- Current year	**7,082**	7,425	**7,082**	7,425
Deferred tax relating to origination and reversal of temporary differences	**(1,606)**	(924)	**(1,606)**	(924)
	5,476	6,501	**5,476**	6,501
Amounts recognised in other comprehensive Income				
Cash flow hedge	**4**	-	**4**	-
Current liability				
Current year	**7,082**	7,425	**7,082**	7,425
Prior year	**552**	593	**552**	593
	7,634	8,018	**7,634**	8,018
Deferred tax asset / (liability)				
Beginning of the year	**561**	(363)	**561**	(363)
Movement for the year through profit or loss	**1,606**	924	**1,606**	924
Movement for the year through other comprehensive income	**(4)**	-	**(4)**	-
At the end of the year	**2,163**	561	**2,163**	561

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

Property and equipment	**489**	(664)	**489**	(664)
Provisions	**1,678**	1,225	**1,678**	1,225
	2,167	561	**2,167**	561
Net unrealised gains on cash flow hedges	**(4)**	-	**(4)**	-
	2,163	561	**2,163**	561

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

Profit before tax	**36,683**	52,770	**36,459**	52,770
Add: subsidiary loss	**-**	-	**224**	-
	36,683	52,770	**36,683**	52,770
Tax at applicable rate	**5,503**	6,329	**5,503**	6,329
Non-deductible expenses and other permanent differences	**1,579**	1,096	**1,579**	1,096
Deferred tax relating to origination and reversal of temporary differences	**(1,606)**	(924)	**(1,606)**	(924)
	5,476	6,501	**5,476**	6,501

The tax rate applicable to the Parent Company is 15 percent (2016: 12 percent). Deferred tax asset/liability is recorded at 15 percent (2016: 12 percent). For the purpose of determining the taxable results for the year, the accounting profit of the Parent Company has been adjusted for tax purposes. Adjustments for tax purposes include items relating to both income and expense. The adjustments are based on the current understanding of the existing laws, regulations and practices.

The Parent Company's tax assessments up to 2014 have been completed. The Parent Company has objected to certain tax authority adjustments for the years 2010 – 2014. The objection was submitted on 18 August 2016. The decision on the objection was received on 22 March 2017. The objection was partially allowed and the tax amount involved for the remaining disallowance was paid in April 2017.

9 BASIC AND DILUTED EARNINGS PER SHARE

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

	Parent Company		**Consolidated**	
	2017	2016	**2017**	2016
Profit for the year (RO'000)) attributable to ordinary equity holders of the Parent Company	**31,207**	46,269	**31,093**	46,269
Weighted average number of shares outstanding for the year (number in thousand)	**650,944**	650,944	**650,944**	650,944
Basic earnings per share (RO)	**0.048**	0.071	**0.048**	0.071

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

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

Net assets (RO'000)	**239,488**	235,600	**239,374**	235,600
Number of shares outstanding at the reporting date (number in thousands)	**650,944**	650,944	**650,944**	650,944
Net assets per share (RO)	**0.368**	0.362	**0.368**	0.362

9 A BANK BALANCES AND CASH

	RO'000	RO'000	**RO'000**	RO'000
Bank balances	**2,547**	3,151	**2,679**	3,151
Call deposits	**30,797**	12,610	**30,797**	12,610
Total	**33,344**	15,761	**33,476**	15,761

10 PROPERTY AND EQUIPMENT

Parent Company

	Mobile/fixed exchange and network equipment RO '000	Subscriber apparatus and other equipment RO '000	Buildings RO '000	Capital work in progress RO '000	Total RO '000
Cost					
1 January 2017	**536,680**	**51,099**	**10,067**	**7,676**	**605,522**
Additions	**-**	**-**	**-**	**36,510**	**36,510**
Transfers	**30,405**	**7,420**	**7**	**(37,832)**	**-**
Reclassification (see below)	**(2,176)**	**(198)**	**-**	**-**	**(2,374)**
31 December 2017	**564,909**	**58,321**	**10,074**	**6,354**	**639,658**
Depreciation					
1 January 2017	**257,168**	**39,941**	**4,298**	**-**	**301,407**
Charge for the year	**52,762**	**5,929**	**1,001**	**-**	**59,692**
Reclassification (see below)	**(121)**	**(23)**	**-**	**-**	**(144)**
31 December 2017	**309,809**	**45,847**	**5,299**	**-**	**360,955**
Net book value					
31 December 2017	**255,100**	**12,474**	**4,775**	**6,354**	**278,703**
Cost					
1 January 2016	457,872	16,462	9,850	3,058	487,242
Reclassification	27,754	29,088	-	-	56,842
Additions	-	-	-	62,411	62,411
Transfers	52,027	5,549	217	(57,793)	-
Provided for	(740)	-	-	-	(740)
Write offs	(233)	-	-	-	(233)
31 December 2016	536,680	51,099	10,067	7,676	605,522
Depreciation					
1 January 2016	190,574	12,314	3,287	-	206,175
Reclassification	13,352	23,391	-	-	36,743
Charge for the year	53,408	4,236	1,011	-	58,655
Write offs	(166)	-	-	-	(166)
31 December 2016	257,168	39,941	4,298	-	301,407
Net book value					
31 December 2016	279,512	11,158	5,769	7,676	304,115

For the purposes of statement of cash flows additions to purchase of property and equipment has been adjusted by RO 12,078,000 (2016: RO 13,767,000) for the net movement in trade accounts payable and accrued expenses towards capital expenditure.

Further adjustment for the year ended 31 December 2017 includes reversal for site restoration of RO 233,000 (year ended 31 December 2016 includes provision for site restoration of RO 333,000) (note 18).

There has been a reclassification of software from Other intangible assets to the Property and Equipment categories of Mobile/fixed exchange and network equipment and Subscriber apparatus and other equipment. This is done in accordance with paragraph 4 of IAS 38 as nature of this software is an integral part of the related hardware and it has to be treated as property and equipment.

10 PROPERTY AND EQUIPMENT *(continued)*
Consolidated

	Mobile/fixed exchange and network equipment RO '000	Subscriber apparatus and other equipment RO '000	Buildings RO '000	Capital work in progress RO '000	Total RO '000
Cost					
1 January 2017	**536,680**	**51,099**	**10,067**	**7,676**	**605,522**
Additions	**-**	**-**	**-**	**36,735**	**36,735**
Transfers	**30,405**	**7,420**	**7**	**(37,832)**	**-**
Reclassification	**(2,176)**	**(198)**	**-**	**-**	**(2,374)**
31 December 2017	**564,909**	**58,321**	**10,074**	**6,579**	**639,883**
Depreciation					
1 January 2017	**257,168**	**39,941**	**4,298**	**-**	**301,407**
Charge for the year	**52,762**	**5,929**	**1,001**	**-**	**59,692**
Reclassification	**(121)**	**(23)**	**-**	**-**	**(144)**
31 December 2017	**309,809**	**45,847**	**5,299**	**-**	**360,955**
Net book value					
31 December 2017	**255,100**	**12,474**	**4,775**	**6,579**	**278,928**
Cost					
1 January 2016	457,872	16,462	9,850	3,058	487,242
Reclassification	27,754	29,088	-	-	56,842
Additions	-	-	-	62,411	62,411
Transfers	52,027	5,549	217	(57,793)	-
Provided for	(740)	-	-	-	(740)
Write offs	(233)	-	-	-	(233)
31 December 2016	536,680	51,099	10,067	7,676	605,522
Depreciation					
1 January 2016	190,574	12,314	3,287	-	206,175
Reclassification	13,352	23,391	-	-	36,743
Charge for the year	53,408	4,236	1,011	-	58,655
Write offs	(166)	-	-	-	(166)
31 December 2016	257,168	39,941	4,298	-	301,407
Net book value					
31 December 2016	279,512	11,158	5,769	7,676	304,115

11 LICENCE FEE

Parent Company and Consolidated

	Mobile licence RO'000	Fixed line licence RO'000	Total RO'000
Cost			
Balance at 1 January and 31 December 2017	**52,537**	**21,403**	**73,940**
Amortisation			
Balance at 1 January 2017	**35,888**	**6,424**	**42,312**
Amortisation during the year	**4,798**	**856**	**5,654**
Balance at 31 December 2017	**40,686**	**7,280**	**47,966**
Net book value			
At 31 December 2017	**11,851**	**14,123**	**25,974**
Cost			
Balance at 1 January and 31 December 2016	52,537	21,403	73,940
Amortisation			
Balance at 1 January 2016	31,090	5,568	36,658
Amortisation during the year	4,798	856	5,654
Balance at 31 December 2016	35,888	6,424	42,312
At 31 December 2016	16,649	14,979	31,628

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

In accordance with the terms of the mobile, and fixed line licences, granted to the Company, royalty is payable to the Government of the Sultanate of Oman. The royalty payable is calculated based on 12 percent (2016: 7 percent) of the net of predefined sources of revenue and interconnection expenses to local operators.

11 A Other Intangible asset
Parent Company and Consolidated

	Right to Use RO'000	Software RO'000	Total RO'000
Cost			
Balance at 1 January 2017	**-**	**5,146**	**5,146**
Additions during the period	**6,732**	**3,630**	**10,362**
Reclassification from property and equipment	**2,374**	**-**	**2,374**
Balance at 31 December 2017	**9,106**	**8,776**	**17,882**
Amortisation			
Balance at 1 January 2017	**-**	**1,820**	**1,820**
Amortisation during the period	**92**	**2,302**	**2,394**
Reclassification from property and equipment	**144**	**-**	**144**
Balance at 31 December 2017	**236**	**4,122**	**4,358**
Net book value			
At 31 December 2017	**8,870**	**4,654**	**13,524**
Cost			
Balance at 1 January 2016	-	60,322	60,322
Reclass	-	(56,842)	(56,842)
Additions during the period	-	1,666	1,666
Balance at 31 December 2016	-	5,146	5,146
Amortisation			
Balance at 1 January 2016	-	37,170	37,170
Reclassification	-	(36,743)	(36,743)
Amortisation during the period	-	1,393	1,393
Balance at 31 December 2016	-	1,820	1,820
Net book value			
At 31 December 2016	-	3,326	3,326

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

12 INVESTMENT IN A SUBSIDIARY

Parent Company

	2017	2016
	RO'000	RO'000
Duqm Data Centre SAOC	**255**	255

During 2015, the Company subscribed to a 51 percent shareholding in Duqm Data Centre SAOC for RO 255,000. Duqm Data Centre SAOC is registered in the Sultanate of Oman. The subsidiary's principal activities are data collection, management and operation of data preparation of other agencies on permanent basis. The subsidiary has not started commercial operations at 31 December 2017.

Consolidated

	2017	2016
	RO'000	RO'000
Duqm Data Centre SAOC	**-**	255

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

Non-controlling interests ("NCI")

The following table summarises the information relating to the subsidiary as at 31 December 2017

	RO'000
NCI percentage	**49%**
Non-current assets	**225**
Current assets	**151**
Current liabilities	**(100)**
Net assets	**276**
Net assets attributable to NCI (%)	**135**
Total comprehensive loss	**(224)**
Loss of subsidiary allocated to NCI	**(110)**
Intra-group eliminations	**-**
Loss attributable to NCI	**(110)**
Cash flows used in from operating activities	**(143)**
Cash flows generated from financing activities	**500**
Cash flows generated from investing activities	**(225)**
Increase in cash and cash equivalents	**132**

13 RECEIVABLES AND PREPAYMENTS

	Parent Company		Consolidated	
	2017	2016	**2017**	2016
	RO'000	RO'000	**RO'000**	RO'000
Post-paid receivables	**10,478**	7,876	**10,478**	7,876
Amount due from distributors	**10,385**	12,857	**10,385**	12,857
Receivables from other operators	**5,184**	6,694	**5,184**	6,694
Unbilled receivables	**5,030**	6,190	**5,030**	6,190
	31,077	33,617	**31,077**	33,617
Less: allowance for impaired receivables	**(6,977)**	(5,899)	**(6,977)**	(5,899)
	24,100	27,718	**24,100**	27,718
Prepaid expenses and other receivables	**15,554**	12,266	**15,573**	12,266
Deferred cost	**2,062**	2,115	**2,062**	2,115
	41,716	42,099	**41,735**	42,099

As at 31 December 2017, trade receivables at nominal value of RO 6,976,745 (2016: RO 5,899,247) were impaired. Movements in allowance for impairment of receivables were as follows:

	Parent Company		Consolidated	
	2017	**2016**	**2017**	**2016**
	RO'000	**RO'000**	**RO'000**	**RO'000**
At 1 January	**5,899**	4,646	**5,899**	4,646
Charge for the year (note 6)	**1,078**	1,253	**1,078**	1,253
	6,977	5,899	**6,977**	5,899

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

	Parent Company and Consolidated				
			Past due but not impaired		
	Total RO'000	**Neither past due nor impaired RO'000**	**30 - 60 Days RO'000**	**60 - 90 days RO'000**	**Over 90 days RO'000**
2017	**24,100**	**19,135**	**1,742**	**569**	**2,654**
2016	27,718	22,773	1,515	658	2,772

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

14 SHARE CAPITAL AND DIVIDENDS

	Authorised		Issued and fully paid	
	2017	2016	**2017**	2016
	RO'000	RO'000	**RO'000**	RO'000
Ordinary shares – par value RO 0.1	**70,000**	70,000	**65,094**	65,094

Major shareholders

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

	2017		2016	
	Number of shares	**%**	Number of shares	%
MENA Investcom S.P.C.	**358,019,310**	**55**	358,019,310	55

Dividends

The Company's shareholders at the annual general meeting held on 20 March 2017 approved a payment of baisa 42 per share as dividend for the financial year ended 31 December 2016 and this was paid in April 2017.

The Directors have proposed a dividend of baisas 42 per share for year ended 31 December 2017 amounting to RO 27,339,658. This is subject to approval of the Company's shareholders at the Annual General Meeting on 5 March 2018.

Other comprehensive income accumulated in reserves, net of tax

	2017	2016
	RO'000	RO'000
Cash flow hedges – effective portion of changes in fair value	**21**	-

15 STATUTORY RESERVE

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

16 DEFERRED REVENUE (Loyalty credits)

The deferred revenue of RO 16,953,000 (2016: RO 18,376,000) includes RO 2,032,000 (2016: RO 3,249,000) for loyalty credits awarded to customers based on bill payments and recharges, entitling customers to the right to redeem the accumulated points via specified means.

17 INTEREST BEARING BORROWINGS – *Unsecured*

Parent Company and Consolidated

	2017 RO'000	2016 RO'000
Total interest bearing borrowings	**23,780**	26,707
Less: deferred financing costs	**(297)**	(692)
	23,483	26,015
Less: current portion of term loan	**(10,783)**	(21,700)
Non-current portion	**12,700**	4,315

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

As on 31 December 2017, the Company has utilized full USD 182 million (RO 70 million). Out of this term loan, USD 104 million is repayable in sixteen quarterly instalments commencing from April 2014 and USD 78 million is repayable in twelve quarterly instalments commenced from April 2015. The tenure for the revolving credit facility has reached an end and is no longer available.

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

In June 2017, the Company has signed trade finance facility amounting USD 13 million (RO 5 million) with an international bank for general purpose requirements with a one year tenure.

As of 31 December 2017, the Company has available funds for drawdown of RO 50 million (31 December 2016: RO 68.1 million).

The Facilities are either based on USD Libor plus margin or linked to margin plus bank deposit rate or CBO private deposit rate and the loan agreement contains two financial covenants being a maximum leverage ratio and a minimum interest cover ratio.

Loan covenant

1. Loan contains a covenant stating that at the end of any relevant period the Company's total net debt [defined in the covenant as the total borrowings less the aggregate of: eligible cash and cash equivalents; and cash and investments held at a bank that is not an acceptable bank by the borrower, a subsidiary, or joint venture (to the extent consolidated) in any country but only to the extent that such cash and investments are applied against that portion of total borrowings directly attributable to such subsidiary or joint venture (to the extent consolidated) in the same country] cannot exceed 4 times the Company's EBITDA, and

2. The Company must ensure that the ratio of EBITDA to net interest payable is not, at the end of each relevant period, less than 3:1.

17A DERIVATIVE FINANCIAL INSTRUMENTS

Parent Company and Consolidated

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

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

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

The swap arrangement qualifies for hedge accounting under IAS 39 and, as at 31 December 2017, the unrealised gain / (loss) of RO 25,000 relating to measuring the financial instruments at fair value is included in equity in respect of these contracts (31 December 2016: RO Nil).

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

			Notional amount by term to maturity		
	Fair Value RO'000	**Notional amount total RO'000**	**1 - 12 months RO'000**	**More than 1 up to 5 years RO'000**	**Over 5 years RO'000**
31 December 2017					
Positive value	25	-	-	-	-
Negative value	-	-	-	-	-
Interest rate swaps	25	11,004	-	11,004	-
31 December 2016					
Positive value	-	-	-	-	-
Negative value	-	-	-	-	-
Interest rate swaps	-	17,329	17,329	-	-

Positive fair value shown under equity in the statement of financial position is net of deferred tax of RO 3,792 (2016: RO Nil).

17B MOVEMENT IN FINANCING ACTIVITIES
Parent Company

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

1.

1 January 2016 to 31 December 2016	Currency of loan	Nominal interest rate	Year of maturity	Face value RO '000	Carrying amount RO '000
New loans					
Revolving credit facility	OMR	FD rate+1.75%	2016	17,000	17,000
Repayment of loans					
Unsecured bank loan	USD	Libor+2%	2017	(6,700)	(6,700)
Revolving credit facility	OMR	FD rate+1.75%	2016	(17,000)	(17,000)
Unsecured bank loan	USD	Libor+1.8%	2018	(10,013)	(10,013)
Unsecured bank loan	USD	Libor+1.8%	2018	(10,013)	(10,013)
Other movements – deferred finance cost					100
Other movements – dividend paid					(26,038)
Net movement during 1 January 2016 to 31 December 2016					(52,664)

17B MOVEMENT IN FINANCING ACTIVITIES *(continued)*

Consolidated

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

1 January 2016 to 31 December 2016	Currency of loan	Nominal interest rate	Year of maturity	Face value RO '000	Carrying amount RO '000
New loans					
Revolving credit facility	OMR	FD rate+1.75%	2016	17,000	17,000
Repayment of loans					
Unsecured bank loan	USD	Libor+2%	2017	(6,700)	(6,700)
Revolving credit facility	OMR	FD rate+1.75%	2016	(17,000)	(17,000)
Unsecured bank loan	USD	Libor+1.8%	2018	(10,013)	(10,013)
Unsecured bank loan	USD	Libor+1.8%	2018	(10,013)	(10,013)
Other movements – deferred finance cost					100
Other movements – dividend paid					(26,038)
Net movement during 1 January 2016 to 31 December 2016					(52,664)

18 SITE RESTORATION PROVISION

Parent Company and Consolidated

Site restoration provision as of the reporting date amounted to RO 5,396,424 (2016: RO 5,174,704). The Company is committed to restore each site as it is vacated. A movement schedule is set out below:

	2017 RO’000	2016 RO’000
Balance at 1 January	**5,175**	4,525
(Reversal)/ additional provision during the year	**(233)**	333
Unwinding of discount (note 7)	**454**	317
Balance at 31 December	**5,396**	5,175

19 EMPLOYEE BENEFITS

	Parent Company		Consolidated	
	2017	2016	**2017**	2016
Non-current	**RO'000**	RO'000	**RO'000**	RO'000
Employees' end of service benefits	**1,299**	1,799	**1,299**	1,799
Long term incentives	**932**	1,313	**932**	1,313
	2,231	3,112	**2,231**	3,112

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

Balance at 1 January	**1,799**	1,454	**1,799**	1,454
Provided during the year	**309**	525	**309**	525
Paid during the year	**(809)**	(180)	**(809)**	(180)
Balance at 31 December	**1,299**	1,799	**1,299**	1,799

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

20 PAYABLES AND ACCRUALS

Trade accounts payable	**7,598**	16,464	**7,677**	16,464
Accrued expenses – operating expenses	**57,507**	44,060	**57,528**	44,060
Accrued expenses – capital expenses	**34,242**	38,700	**34,242**	38,700
Amounts due to related parties (note 21)	**2,816**	2,797	**2,816**	2,797
Deposits from customers	**350**	172	**350**	172
	102,513	102,193	**102,613**	102,193

21 RELATED PARTY TRANSACTIONS

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

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

	2017 (RO'000)		2016 (RO'000)	
	Other related parties	**Directors and key management**	Other related parties	Directors and key management
Directors' and key management Remuneration	-	**2,517**	-	2,826
Service fee (note 6)	**8,208**	-	8,101	-
Brand License fee (note 6)	**4,070**	-	1,023	-
Other expenses	**618**	-	491	-
	12,896	**2,517**	9,615	2,826

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

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

21 RELATED PARTY TRANSACTIONS *(continued)*

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

	2017 RO'000	2016 RO'000
Other related parties	**2,816**	2,797
	2,816	2,797

Compensation of key management personnel

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

Salaries / remuneration and benefits	**2,240**	2,563
Directors' remuneration	**200**	200
Employees' end of service benefits	**77**	63
	2,517	2,826

Consolidated

	2017 (RO'000)		2016 (RO'000)	
	Other related parties	**Directors and key management**	Other related parties	Directors and key management
Directors' and key management Remuneration	**-**	**2,527**	-	2,826
Service fee (note 6)	**8,208**	**-**	8,101	-
Brand License fee (note 6)	**4,070**	**-**	1,023	-
Other expenses	**801**	**-**	491	-
	13,079	**2,527**	9,615	2,826

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

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

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

	2017 RO'000	2016 RO'000
Other related parties	**2,897**	2,797
	2,897	2,797

Compensation of key management personnel

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

Salaries / remuneration and benefits	**2,250**	2,563
Directors' remuneration	**200**	200
Employees' end of service benefits	**77**	63
	2,527	2,826

22 EXPENDITURE COMMITMENTS

	Parent Company		Consolidated	
	2017	2016	**2017**	2016
	RO'000	RO'000	**RO'000**	RO'000
Capital expenditure commitments				
Estimated capital expenditure contracted for at the reporting date but not provided for:				
Property and equipment	**17,860**	21,839	**17,988**	21,839
Operating lease commitments				
Future minimum lease payments:				
Within one year	**3,080**	3,606	**3,080**	3,606
After one year but not more than five years	**1,952**	4,732	**1,952**	4,732
Total operating lease expenditure contracted for at the reporting date	**5,032**	8,338	**5,032**	8,338

23 CONTINGENT LIABILITIES
Parent Company and Consolidated

Guarantees

At 31 December 2017, the Company had contingent liabilities in respect of guarantees of RO 275,122 (2016: RO 271,756). It is anticipated that no material liabilities are expected to arise from these.

24 RISK MANAGEMENT

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

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

Interest rate risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to its long-term debt obligations with floating interest rates. The Group's bank deposits carry fixed rate of interest and therefore are not exposed to interest rate risk.

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

Credit risk
Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group trades only with recognised, creditworthy dealers and operators. Its three largest dealers' balances account for 39 percent of outstanding unimpaired trade receivable at 31 December 2017 (2016: 40 percent). The Group obtains bank/corporate guarantees from its dealers in order to mitigate its credit risk. It is the Group's policy that certain credit verification is performed for all of the Group's post-paid subscribers. In addition, receivable balances are monitored on an ongoing basis.

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

Currency risk
Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's payable and accruals include amounts payable in US Dollars. As of the reporting date this USD denominated payable amount was approximately 40 percent (31 December 2016: 54 percent) of the Group's total payables and accruals. The Group's borrowings amounting to RO 23,779,925 (2016: RO 26,706,685) are denominated in US Dollars. The Omani Rial is effectively pegged to the US Dollar. There are no other significant financial instruments in foreign currency other than US Dollars and consequently foreign currency risk is mitigated.

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

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

24 RISK MANAGEMENT *(continued)*

Parent Company

As at 31 December 2017	**Carrying amount RO'000**	**Less than 3 months RO'000**	**Contractual cash flows 3 to 12 months RO'000**	**1 to 5 years RO'000**	**Total RO'000**
Interest bearing borrowings	**23,780**	**6,450**	**4,332**	**12,998**	**23,780**
Payables and accruals	**99,697**	**99,347**	**350**	**-**	**99,697**
Due to related parties	**2,816**	**2,816**	**-**	**-**	**2,816**
Interest on bank borrowings	**-**	**37**	**359**	**343**	**739**
Total	**126,293**	**108,650**	**5,041**	**13,341**	**127,032**
As at 31 December 2016					
Interest bearing borrowings	26,707	6,681	15,019	5,007	26,707
Payables and accruals	99,396	96,749	2,647	-	99,396
Due to related parties	2,797	2,797	-	-	2,797
Interest on bank borrowings	-	40	253	28	321
Total	128,900	106,267	17,919	5,035	129,221

Consolidated

As at 31 December 2017	**Carrying amount RO'000**	**Less than 3 months RO'000**	**Contractual cash flows 3 to 12 months RO'000**	**1 to 5 years RO'000**	**Total RO'000**
Interest bearing borrowings	**23,780**	**6,450**	**4,332**	**12,998**	**23,780**
Payables and accruals	**99,797**	**99,447**	**350**	**-**	**99,797**
Due to related parties	**2,816**	**2,816**	**-**	**-**	**2,816**
Interest on bank borrowings	**-**	**37**	**359**	**343**	**739**
Total	**126,393**	**108,750**	**5,041**	**13,341**	**127,132**
As at 31 December 2016					
Interest bearing borrowings	26,707	6,681	15,019	5,007	26,707
Payables and accruals	99,396	96,749	2,647	-	99,396
Due to related parties	2,797	2,797	-	-	2,797
Interest on bank borrowings	-	40	253	28	321
Total	128,900	106,267	17,919	5,035	129,221

Operational risk

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

Capital management

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the year ended 31 December 2017 and year ended 31 December 2016. Capital comprises share capital and retained earnings, and is measured at RO 217,655,000 as at 31 December 2017 (2016: RO 213,902,000). Capital requirements are prescribed by the Commercial Companies Law of 1974, as amended.

25 KEY SOURCES OF ESTIMATION UNCERTAINTY
Parent Company and Consolidated

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

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

At the reporting date, gross trade accounts receivable were RO 31,077,000 (2016: RO 33,617,000) and the provision for doubtful debts is RO 6,976,745 (2016: RO 5,899,247). Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the profit or loss. The related details are set out in note 13.

Provision for site restoration
The Group has recognised a provision for site restoration associated with the sites it leases. In determining the amount of the provision, assumptions and estimates are required in relation to discount rates and the expected cost to dismantle and remove equipment from the site and restore the land in its original condition. The carrying amount of the provision as at 31 December 2017 is RO 5,396,424 (2016: RO 5,174,704). The related details are set out in note 18.

In order to reflect the current market conditions affecting site restoration costs, a review of the estimates was carried out during 2017 by the management, and included inflation rate, interest rate, number of sites and costs per site, and as a result an increase in provision was made.

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

At the reporting date goods for resale were RO 2,602,622 (31 December 2016: RO 1,425,907) and the allowance for obsolete inventory amounted to RO 609,003 (2016: RO 681,729). Any difference between the amounts actually realised in future periods and the amounts expected will be recognised in the profit or loss.

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

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

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

26 SEGMENT INFORMATION

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

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

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

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

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

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

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

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

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

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

26 SEGMENT INFORMATION *(continued)*

Segmental results for the year ended 31 December 2016 are as follows:

	Mobile RO'000	**Fixed line RO'000**	**Adjustments RO'000**	**Total RO'000**
Revenue				
External sales	231,103	38,930	-	270,033
Inter-segment sales	1,401	13,194	(14,595)	-
Total revenue	232,504	52,124	(14,595)	270,033
Results				
Depreciation and Amortisation	52,671	7,377	-	60,048
Amortisation – Licence	4,798	856	-	5,654
Segment results – Profit	42,961	12,254	-	55,215
Finance expenses (net)				(2,445)
Profit before taxation				52,770
Taxation				(6,501)
Profit for the year				46,269

Capital expenditure incurred for different segments are as follows:

	2017 RO'000	2016 RO'000
Property and equipment		
- Mobile	**27,314**	49,770
-Fixed	**6,822**	12,641
- Others (Subsidiary)	**225**	-
	34,361	62,411

The total capital expenditure for the 2017 is OR 47.1 million (2016: OR 64.1 million). This expenditure includes property and equipment with amount of OR 34.3 million (2016: OR 62.4 million) and other intangibles with amount of OR 12.8 million (2016: OR 1.7 million).

Omani Qatari Telecommunications Company SAOG

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

27 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise financial assets, financial liabilities and derivatives.

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

Fair value hierarchy

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

Parent Company

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

	Carrying amount				Fair value			
31 December 2016	Fair value – hedging instruments	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value								
Interest rate swaps used for hedging	-	-	-	-	-	-	-	-
Financial assets not measured at fair value								
Trade and other receivables	-	27,718	-	27,718	-	-	-	-
Cash and cash equivalents	-	15,761	-	15,761	-	-	-	-
	-	43,479	-	43,479	-	-	-	-
Financial liabilities measured at fair value								
Interest rate swaps used for hedging	-	-	-	-	-	-	-	-
Financial liabilities not measured at fair value								
Bank loans	-	-	26,015	26,015	-	-	-	-
Payables and accruals	-	-	102,193	102,193	-	-	-	-
	-	-	128,208	128,208	-	-	-	-

Omani Qatari Telecommunications Company SAOG

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

27 FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

Consolidated

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

	Carrying amount				Fair value			
31 December 2016	Fair value – hedging instruments	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value								
Interest rate swaps used for hedging	-	-	-	-	-	-	-	-
Financial assets not measured at fair value								
Trade and other receivables	-	27,718	-	27,718	-	-	-	-
Cash and cash equivalents	-	15,761	-	15,761	-	-	-	-
	-	43,479	-	43,479	-	-	-	-
Financial liabilities measured at fair value								
Interest rate swaps used for hedging	-	-	-	-	-	-	-	-
Financial liabilities not measured at fair value								
Bank loans	-	-	26,015	26,015	-	-	-	-
Payables and accruals	-	-	102,193	102,193	-	-	-	-
	-	-	128,208	128,208	-	-	-	-

27 FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

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

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

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

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

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

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

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

28 COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform to the current period presentation. The reclassifications do not affect the reported profit during the period ended 31 December 2017. (Refer to note 10 and 11A)

Since this is the first period of consolidation, the corresponding figures provided for comparative purposes for the year ended 31 December 2016 are not readily comparable with those for the current period.