3. Changes in significant accounting policies (continued)

Policy applicable from 1 January 2019 (continued)

Identification of a lease
At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses
whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use;
- the Group has the right to direct the use of the asset. The Group has the decision-making rights that are most relevant to changing how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset if either:
  - the Group has the right to operate the asset; or
  - the Group designed the asset in a way that predetermines how and for what purpose it will be used.

This policy is applied to contracts which are or contain lease, on or after 1 January 2019.

A. As a lessee

Under IFRS 16, the Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct cost incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated/amortised using the straight-line method from the commencement date to the earliest useful life of the right-of-use asset or at the end of the lease term. The estimated useful lives of the right-of-use assets is determined as the initial non-cancellable lease term adjusted by any extension or termination options available under the contract. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain re-measurements of lease liability. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease, or if such rate is not readily available, incremental borrowing rate of the Group. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed lease payments, including in-substance fixed payments;
- variable lease payments that depend in an index or rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and,
- the exercise price under the purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

3. Changes in significant accounting policies (continued)

Policy applicable from 1 January 2019 (continued)

A. As a lessee (continued)

The lease liability is remeasured when there is a change in any of the following:

- The lease terms
- The assessment of whether the Group is reasonably certain to exercise an option to purchase the underlying asset
- The amounts expected to be payable under residual value guarantees
- Future lease payments resulting from a change in an index or rate
- In-substance fixed lease payments

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents lease liabilities and right-of-use assets that do not meet the definition of investment property as separate line items in the statement of financial position classifying short and long term liabilities seperately. Similarly, the depreciation/amortisation arising from the right-of-use asset has been recognised under 'Depreciation and amortisation' and interest on lease liabilities under 'Financing cost' in the statement of profit or loss.

Short-term leases and leases of low-value assets

At the time of initial recognition, the Group shall elect to not recognize right-of-use assets and liabilities for leases where,

- the total lease term is less than or equal to 12 months i.e. short-term leases;
- value of the underlying asset is considered as a low value lease i.e. it the value of the asset when new is less than USD 5,000.

The Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases (space for billboards, self- service machines and generators for networking sites) that have a lease term of 12 months or less. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

B. As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease. The Group recognizes lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other income'

If an arrangement contains lease and non-lease components, the Group applies IFRS 15 to allocate the consideration in the contract.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019 (UNAUDITED) (continued)

3. Changes in significant accounting policies (continued)

Policy applicable before 1 January 2019

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized 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/amortised 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.

4 Revenue

	31 March 2019 (Unaudited) RO'000	31 March 2018 (Unaudited) RO'000
Revenues from Telecommunications servcies	**70,283**	69,852
Less : distributor discounts	**(1,634)**	(1,885)
	68,649	67,967

Timing of revenue recognition		
At a point in time	**1,047**	244
Over time	**67,602**	67,723
Revenue	**68,649**	67,967

5 Income tax

	31 March 2019 (Unaudited) RO'000	31 March 2018 (Unaudited) RO'000
Statement of profit or loss		
Current period	**2,216**	1,753
Deferred tax relating to origination and reversal of temporary differences	**(624)**	(328)
	1,592	1,425

5 Income tax (continued)

	31 March 2019 (Unaudited) RO'000	31 December 2018 (Audited) RO'000
Current liability		
Current period / year	**2,216**	8,363
Prior period / year	**475**	485
	2,691	8,848
Deferred tax asset		
At 1 January	**2,630**	2,163
Movement for the period / year through statement of profit or loss	**624**	467
Movement for the period / year through statement of other comprehensive income	**1**	-
At 31 March / 31 December	**3,255**	2,630

The tax rate applicable to the Company is 15% (2018: 15%). Deferred tax asset/liability is recorded at 15% (2018: 15%). For the purpose of determining the taxable results for the year, the accounting profit of the Company has been adjusted for tax purposes. Adjustments for tax purposes include items relating to both income and expense. The adjustments are based on the current understanding of the existing laws, regulations and practices.

Assessments for tax years 2017 and 2018 are yet to be completed.

6 Earnings per share

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

	31 March 2019 (Unaudited)	31 March 2018 (Unaudited)
Profit for the period (RO'000) attributable to equity holders of the Parent Company	**8,503**	7,980
Weighted average number of shares outstanding for the period (number in thousand)	**650,944**	650,944
Basic earning per share (RO)	**0.013**	0.012

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2019 (UNAUDITED) (continued)

7 Property and equipment

	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 2019	**584,770**	**71,240**	**10,720**	**13,722**	**680,452**
Additions	**-**	-	**-**	**10,408**	**10,408**
Transfers	**8,353**	**2,327**	**-**	**(10,680)**	**-**
31 March 2019 (unaudited)	**593,123**	**73,567**	**10,720**	**13,450**	**690,860**
Depreciation					
1 January 2019	**347,238**	**53,591**	**6,412**	**-**	**407,241**
Charge for the period	**10,998**	**2,894**	**258**	**-**	**14,150**
31 March 2019 (unaudited)	**358,236**	**56,485**	**6,670**	**-**	**421,391**
Net book value					
31 March 2019 (unaudited)	**234,887**	**17,082**	**4,050**	**13,450**	**269,469**
31 December 2018 (audited)					
Cost	584,770	71,240	10,720	13,722	680,452
Accumulated depreciation	(347,238)	(53,591)	(6,412)	-	(407,241)
Net book value	237,532	17,649	4,308	13,722	273,211

8. Right-of-use assets

The Group entered into many lease arrangements with various counter parties which include arrangements for:

- Mobile network sites: To install and operate mobile telecommunication equipment's at green fields rooftop, land etc.
- Transmission and co-located sites: Network and service planning such as hosting, cross-connection, IPLC, Co-location and backhaul facility etc.
- Retail outlets
- Vehicles
- Buildings and warehouses

	Mobile network sites RO '000	Transmission and Co-located sites RO '000	Retail outlets RO '000	Vehicles RO '000	Buildings and warehouses RO '000	Total RO '000
Balance as at 1 January 2019	**37,976**	**1,571**	**2,660**	**377**	**4,783**	**47,367**
Amortisation for the period	**(1,097)**	**(42)**	**(129)**	**(59)**	**(200)**	**(1,527)**
Additions during the period	**65**	**-**	**-**	**-**	**27**	**92**
Modification during the period	**-**	**-**	**(26)**	**-**	**-**	**(26)**
Balance as at 31 March 2019	**36,944**	**1,529**	**2,505**	**318**	**4,610**	**45,906**

9 Licences

	Mobile licence RO'000	Fixed line licence RO'000	Total RO'000
Cost			
Balance at 1 January and 31 March 2019 (unaudited)	**52,537**	**21,847**	**74,384**
Amortisation			
Balance at 1 January 2019	**45,484**	**8,310**	**53,794**
Amortisation during the period	**1,164**	**287**	**1,451**
Balance at 31 March 2019 (unaudited)	**46,648**	**8,597**	**55,245**
Net book value			
At 31 March 2019 (unaudited)	**5,889**	**13,250**	**19,139**
31 December 2018 (audited)			
Cost	52,537	21,847	74,384
Accumulated amortisation	(45,484)	(8,310)	(53,794)
Net book value	7,053	13,537	20,590

Licences represents the amount paid to the Telecommunication Regulatory Authority of the Sultanate of Oman for obtaining the license to operate as fixed and mobile telecommunication service provider. Licences are 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% (2018: 12%) of the net of predefined sources of revenue and interconnection expenses to local operators for mobile license and 7% (2018: 7 %) for fixed license.

9(a) Other intangible assets:

	IRU RO'000	Software RO'000	Total RO'000
Cost			
Balance at 1 January 2019	**10,033**	**10,144**	**20,177**
Additions	**5**	**139**	**144**
Balance at 31 March 2019	**10,038**	**10,283**	**20,321**
Amortisation			
Balance at 1 January 2019	**649**	**6,468**	**7,117**
Amortisation during the period	**99**	**434**	**533**
Balance at 31 March 2019 (unaudited)	**748**	**6,902**	**7,650**
Net book value			
At 31 March 2019 (unaudited)	**9,290**	**3,381**	**12,671**
31 December 2018 (audited)			
Cost	10,033	10,144	20,177
Accumulated amortisation	(649)	(6,468)	(7,117)
Net book value	9,384	3,676	13,060

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

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2019 (UNAUDITED) (continued)**

10 Interest bearing borrowings

	31 March 2019 (Unaudited) RO'000	31 December 2018 (Audited) RO'000
Non-current		
Long term loan	**11,552**	13,457
Less: deferred financing costs	**(163)**	(186)
	11,389	13,271
Less: payable within one year	**(5,776)**	(6,237)
	5,613	7,034
Current		
Short term loan	**17,358**	-
Current portion of long term loan	**5,776**	6,237
	23,134	6,237

As of 31 March 2019, the Company has available funds for drawdown of RO 28 million (31 December 2018: RO 45 million). The above borrowings are unsecured and carry effective interest rates of Libor+1.25% for long term maturing in 2021 and with effective interest rates of FD rate+1.75% for short term maturing 2019 and 2.25% with maturity in 2019.

The Group has complied with all the financial covenants of its borrowing facilities during and as at 31 March 2019 and 31 December 2018.

11. Lease liabilities (refer note 3)

	31 March 2019 (Unaudited) RO'000
Maturity analysis - contractual undiscounted cash flow	
Less than one year	**10,188**
One to five years	**28,103**
More than five years	**16,578**
Total undiscounted lease liabilities at 31 March	**54,869**
Lease liabilities included in the statement of financial position at 31 March	**44,886**
Current	**(8,004)**
Non-current	**36,882**

Extension options

Some leases contain extension options exercisable by the Group before the end of the non-cancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The Group assesses at lease commencement whether it is reasonably certain to exercise the extension options. It reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control.

12 Employee benefits

	31 March 2019 (Unaudited) RO'000	31 December 2018 (Audited) RO'000
Employees' end of service benefits	**1,500**	1,425
Employee retention – Long term incentive	**1,491**	1,173
Non-current liability as at the end of the period/year	**2,991**	2,598

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31 MARCH 2019 (UNAUDITED) (continued)

13 Dividend

The Parent Company's shareholders at the annual general meetings held on 5 March 2019 approved a payment of baisa 45 per share as dividend for the financial year ended 31 December 2018, and this was paid in March 2019.

14 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:

	31 March 2019 (Unaudited) RO'000		31 March 2018 (Unaudited) RO'000	
	Other related parties	**Directors and key management**	Other related parties	Directors and key management
Director's and key management remuneration	**-**	**700**	-	515
Service fees	**2,059**	**-**	2,039	-
Brand license fee	**1,025**	**-**	981	-
Other expenses	**137**	**-**	121	-
	3,221	**700**	3,141	515

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

	31 March 2019 (Unaudited) RO'000	31 December 2018 (Audited) RO'000
Payables		
Other related parties	**2,804**	3,016

	31 March 2019 (Unaudited) RO'000	31 December 2018 (Audited) RO'000
Receivables		
Other related parties	**494**	535

Compensation of key management personnel

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

	31 March 2019 (Unaudited) RO'000	31 March 2018 (Unaudited) RO'000
Salaries / remuneration and benefits	**614**	463
Director's remuneration	**53**	50
Employees' end of service benefits	**33**	73
	700	586

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2019 (UNAUDITED) (continued)

14 Related party transactions (continued)

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

	31 March 2019 (Unaudited) RO'000	31 March 2018 (Unaudited) RO'000
Telecom revenues	**249**	252
Telecom costs	**62**	134

15 Capital commitments

	31 March 2019 (Unaudited) RO'000	31 December 2018 (Audited) RO'000
Capital commitments		
Estimated capital expenditure contracted for at the reporting date but not provided for:		
Property and equipment	**15,053**	15,402
Licences (Note 1)	**75,000**	-

16 Contingent liabilities

Guarantees
At 31 March 2019, the Company had contingent liabilities in respect of guarantees of RO 2,778,272 (31 December 2018 - RO 275,122). It is anticipated that no material liabilities are expected to arise from these.

17 Segment information

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

For management purpose, 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 prepaid 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 the purpose of making decisions about resource allocation and performance assessment.

Transfer prices between operating segments are on an arms 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 Group commenced its fixed line services in May 2010 and its operations are mainly confined to the Sultanate of Oman.

17 Segment information (continued)

Segmental results for the period ended 31 March 2019 are as follows:

	Mobile RO'000	Fixed line RO'000	Adjustments RO'000	Total RO'000
Revenue				
External sales	**53,913**	**14,736**	**-**	**68,649**
Inter-segment sales	**163**	**1,242**	**(1,405)**	**-**
Total revenue	**54,076**	**15,978**	**(1,405)**	**68,649**
Results				
Depreciation and amortisation	**13,995**	**2,215**	-	**16,210**
Amortisation – license (Note 9)	**1,164**	**287**	-	**1,451**
Segment results - profit	**5,081**	**5,820**	-	**10,901**
Finance costs (including interest expense on lease liabilities) - net				**(742)**
Loss of subsidiary allocated to the Group				**(108)**
Profit before taxation				**10,051**
Taxation				**(1,592)**
Profit for the period				**8,459**

Segmental results for the three month period ended 31 March 2018 are as follows:

	Mobile RO'000	Fixed line RO'000	Adjustments RO'000	Total RO'000
Revenue				
External sales	55,829	12,138	-	67,967
Inter-segment sales	197	1,512	(1,709)	-
Total revenue	56,026	13,650	(1,709)	67,967
Results				
Depreciation and amortisation	11,890	2,987	-	14,877
Amortisation – license (Note 9)	1,181	213	-	1,394
Segment results – profit	6,827	2,977	-	9,804
Finance costs				(395)
Loss of subsidiary allocated to the Group				(7)
Profit before taxation				9,402
Taxation				(1,425)
Profit for the period				7,977

Capital expenditure incurred for different segments are as follows:

	31 March 2019 (Unaudited) RO'000	31 December 2018 (Audited) RO'000
Property and equipment		
- Mobile	**8,107**	39,727
- Fixed	**2,299**	8,566
- Others (Subsidiary)	**2**	592
	10,408	48,885

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

	Carrying amount				Fair value			
31 March 2019	**Fair value – hedging instruments**	**Financial assets**	**financial liabilities**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets measured at fair value								
Interest rate swaps used for hedging	**19**	**-**	**-**	**19**	**-**	**19**	**-**	**19**
Financial assets not measured at fair value								
Trade and other receivables	**-**	**30,511**	**-**	**30,511**	**-**	**-**	**-**	**-**
Cash and cash equivalents	**-**	**15,362**	**-**	**15,362**	**-**	**-**	**-**	**-**
	19	**45,873**		**45,892**	**-**	**19**	**-**	**19**
Financial liabilities not measured at fair value								
Interest bearing borrowings	**-**	**-**	**28,747**	**28,747**	**-**	**-**	**-**	**-**
Payables and accruals	**-**	**-**	**79,319**	**79,319**	**-**	**-**	**-**	**-**
	-	**-**	**108,066**	**108,066**	**-**	**-**	**-**	**-**

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

18 Fair values of financial instruments (continued)

Fair value hierarchy (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 liabilities, 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.

19 Comparatives

Certain corresponding figures for 2018 have been reclassified in order to conform to the presentation adopted in the current period. Such reclassifications have not resulted in any change in the prior period reported profit or equity.