NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2019

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. Further, the Telecommunications Regulatory Authority (TRA) has approved to renew the Company's mobile licence for another 15 years starting from February 2020. The renewal fees shall be RO 75,000,000, to be paid in two equal instalments of RO 37,500,000 in 2020 and 2021 (Note 15). The renewal of the licence is still subject to an official Royal Decree as at 30 June 2019.

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

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

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

During 2015, the Company acquired a 51 percent shareholding in Duqm Data Centre SAOC ("the Subsidiary"). The Subsidiary 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. During December 2018, the Company subscribed to additional shares in the Subsidiary for RO 765,000. Because of this, the shareholding of the Company in the Subsidiary became 60%.

On 1 April 2019, the Company acquired additional shares in the Subsidiary from a non-controlling interest shareholder for cash consideration. The difference between the acquisition cost and the carrying value of the minority interest at the date of the acquisition was adjusted in retained earnings. Due to this, the shareholding of the Company in the Subsidiary became 66%. The Subsidiary has started its commercial operations during the three-month period ended 30 June 2019.

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.

2 Basis of preparation

These condensed consolidated interim financial statements ("interim financial statements") of the Group are prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. The accounting policies used in the preparation of the interim financial statements are consistent with those used in the preparation of the annual financial statements of the Group for the year ended 31 December 2018 except for the policies as disclosed in note 3 "Changes in significant accounting policies".

The interim financial statements do not contain all information and disclosures required for full financial statements prepared in accordance with International Financial Reporting Standards and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2018.

The interim financial statements are prepared in Rial Omani (RO), rounded to the nearest thousand except when otherwise indicated.

The interim financial statements are prepared under the historical cost convention, except for the measurement at fair value of certain financial instruments.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2019 (continued)

3 Changes in significant accounting policies

This note explains the impact of the adoption of IFRS 16 Leases on the interim financial statements and discloses the new accounting policies that have been applied from 1 January 2019.

The Group has adopted IFRS 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening statement of financial position on 1 January 2019.

i. Leases classified as operating leases under IAS 17

At transition, lease liabilities were measured at the present value of the remaining lease payments discounted at the Group's incremental borrowing rate as at 1 January 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Group has used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- Accounted for each lease component and any associated non-lease components as a single lease component;
- Excluded initial direct costs from measurement of right-of-use asset at the date of initial application; and
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

ii. Leases classified as finance leases under IAS 17

There are no leases that were previously classified as finance leases under IAS 17.

Impact on financial statements

On transition to IFRS 16, the Group recognised RO 47 million of right-of-use assets and RO 46 million of lease liabilities.

When measuring the lease liabilities, the Group discounted lease payments using the incremental borrowing rate at 1 January 2019. The weighted-average rate applied is 5.54%.

	RO'000
Operating lease commitment at 31 December 2018 as disclosed in the Company's consolidated financial statements	**3,271**
Contracts/ agreements that do not meet the definition of leases under IFRS 16, however categorised as leases under IAS 17	**(1,547)**
Finance lease liabilities recognised as at 31 December 2018	-
- Recognition exemption for:	
- Short term leases	-
- Leases of low-value assets	-
- Extension and termination options reasonably certain to be executed	**2,990**
- Variable lease payments based on an index or rate	-
- Residual value guarantees	-
- Discounted using the incremental borrowing rate at 1 January 2019	**(678)**
- Contracts excluded from operating lease commitment disclosure under IAS 17	**41,725**
Lease liabilities recognised at 1 January 2019	**45,761**

On transition to IFRS 16, the standard provides practical expedient to not reassess the contracts that were previously identified as leases applying IFRIC 4 and IAS 17.

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 recognises 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 recognise 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 recognise 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 recognises 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 recognises 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.

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

	Three-month period ended		*Six-month period ended*	
	30 June 2019 (Unaudited) RO'000	30 June 2018 (Unaudited) RO'000	**30 June 2019 (Unaudited) RO'000**	30 June 2018 (Unaudited) RO'000
Revenues from Telecommunications services	**71,851**	72,875	**142,134**	142,727
Less: distributor discounts	**(1,444)**	(1,805)	**(3,078)**	(3,690)
	70,407	71,070	**139,056**	139,037
Timing of revenue recognition				
Over time	**68,788**	68,757	**136,390**	136,480
At a point in time	**1,619**	2,313	**2,666**	2,557
Revenue	**70,407**	71,070	**139,056**	139,037

5 Income tax

	Three-month period ended		*Six-month period ended*	
	30 June 2019 (Unaudited) RO'000	30 June 2018 (Unaudited) RO'000	**30 June 2019 (Unaudited) RO'000**	30 June 2018 (Unaudited) RO'000
Statement of profit or loss				
Current period	**2,039**	1,724	**4,255**	3,477
Deferred tax relating to origination and reversal of temporary differences	**(270)**	(19)	**(894)**	(347)
	1,769	1,705	**3,361**	3,130

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2019 (continued)

5 Income tax (continued)

	30 June 2019 (Unaudited) RO'000	31 December 2018 (Audited) RO'000
Current liability		
Current period / year	**4,255**	8,363
Prior period / year	**475**	485
	4,730	8,848
Deferred tax asset		
At 1 January	**2,630**	2,163
Movement for the period / year through statement of profit or loss	**894**	467
Movement for the period / year through statement of other comprehensive income	**3**	-
At 30 June / 31 December	**3,527**	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:

	Three-month period ended		*Six-month period ended*	
	30 June 2019 (Unaudited) RO'000	30 June 2018 (Unaudited) RO'000	**30 June 2019 (Unaudited) RO'000**	30 June 2018 (Unaudited) RO'000
Profit for the period (RO'000) attributable to equity holders of the Parent Company	**9,431**	9,621	**17,934**	17,601
Weighted average number of shares outstanding for the period (number in thousand)	**650,944**	650,944	**650,944**	650,944
Basic earning per share (RO)	**0.014**	0.015	**0.028**	0.027

No figure for diluted earnings per share has been presented as the Parent 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 30 JUNE 2019 (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	**-**	**-**	**-**	**17,097**	**17,097**
Transfers	**13,083**	**4,578**	**28**	**(17,689)**	**-**
Disposal	**(36,808)**	**-**	**-**	**-**	**(36,808)**
30 June 2019 (unaudited)	**561,045**	**75,818**	**10,748**	**13,130**	**660,741**
Depreciation					
1 January 2019	**347,238**	**53,591**	**6,412**	**-**	**407,241**
Charge for the period	**21,069**	**5,179**	**517**	**-**	**26,765**
Disposal	**(36,808)**	**-**	**-**	**-**	**(36,808)**
30 June 2019 (unaudited)	**331,499**	**58,770**	**6,929**	**-**	**397,198**
Net book value					
30 June 2019 (unaudited)	**229,546**	**17,048**	**3,819**	**13,130**	**263,543**
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	**(2,230)**	**(83)**	**(259)**	**(103)**	**(400)**	**(3,075)**
Additions during the period	**305**	**-**	**-**	**-**	**26**	**331**
Modification during the period	**-**	**-**	**(26)**	**-**	**-**	**(26)**
Expired contract for the period - cost	**-**	**-**	**-**	**(65)**	**-**	**(65)**
Expired contract for the period - amortisation	**-**	**-**	**-**	**65**	**-**	**65**
Balance as at 30 June 2019 (unaudited)	**36,051**	**1,488**	**2,375**	**274**	**4,409**	**44,597**

9 Licences

	Mobile licence RO'000	Fixed line licence RO'000	Total RO'000
Cost			
Balance at 1 January and 30 June 2019 (unaudited)	**52,537**	**21,847**	**74,384**
Amortisation			
Balance at 1 January 2019	**45,484**	**8,310**	**53,794**
Amortisation during the period	**2,360**	**559**	**2,919**
Balance at 30 June 2019 (unaudited)	**47,844**	**8,869**	**56,713**
Net book value			
At 30 June 2019 (unaudited)	**4,693**	**12,978**	**17,671**
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 represent the amount paid to the Telecommunication Regulatory Authority of the Sultanate of Oman for obtaining the licence to operate as fixed and mobile telecommunication service provider. Licences are stated at cost less accumulated amortisation and impairment losses.

In accordance with the terms of the mobile and fixed line licences, granted to the Parent 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 licence and 7% (2018: 7%) for fixed licence.

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**	**254**	**259**
Balance at 30 June 2019 (unaudited)	**10,038**	**10,398**	**20,436**
Amortisation			
Balance at 1 January 2019	**649**	**6,468**	**7,117**
Amortisation during the period	**200**	**804**	**1,004**
Balance at 30 June 2019 (unaudited)	**849**	**7,272**	**8,121**
Net book value			
At 30 June 2019 (unaudited)	**9,189**	**3,126**	**12,315**
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 systems, upto the allocated capacity, from the owners of the interests in the cable systems.

10 Interest bearing borrowings

	30 June 2019 (Unaudited) RO'000	31 December 2018 (Audited) RO'000
Non-current		
Long term loan	**10,109**	13,457
Less: deferred financing costs	**(141)**	(186)
	9,968	13,271
Less: payable within one year	**(5,777)**	(6,237)
	4,191	7,034
Current		
Short term loan	**44**	-
Current portion of long term loan	**5,777**	6,237
	5,821	6,237

As of 30 June 2019, the Company has available funds for drawdown of RO 45 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 2.25% with maturity in 2019.

The Group has complied with all the financial covenants of its borrowing facilities during and as at 30 June 2019 and 31 December 2018.

11 Lease liabilities (refer note 3)

	30 June 2019 (Unaudited) RO'000
Maturity analysis - contractual undiscounted cash flow	
Less than one year	**10,252**
One to five years	**27,980**
More than five years	**16,028**
Total undiscounted lease liabilities at 30 June	**54,260**
Lease liabilities included in the statement of financial position at 30 June	**44,582**
Current	**(8,095)**
Non-current	**36,487**

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

	30 June 2019 (Unaudited) RO'000	31 December 2018 (Audited) RO'000
Employees' end of service benefits	**1,554**	1,425
Employee retention – long term incentive	**697**	1,173
Non-current liability as at the end of the period/year	**2,251**	2,598

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:

Three-month period ended

	Other related parties	**Directors and key management**	Other related parties	Directors and key management
	30 June 2019 (Unaudited) RO'000		30 June 2018 (Unaudited) RO'000	
Director's and key management remuneration	**-**	**760**	-	713
Service fees	**2,110**	**-**	2,132	-
Brand licence fee	**1,053**	**-**	1,064	-
Other expenses	**136**	**-**	155	-
	3,299	**760**	3,351	713

Six-month period ended

	Other related parties	**Directors and key management**	Other related parties	Directors and key management
	30 June 2019 (Unaudited) RO'000		30 June 2018 (Unaudited) RO'000	
Director's and key management remuneration	**-**	**1,460**	-	1,228
Service fee	**4,169**	**-**	4,171	-
Brand licence fee	**2,078**	**-**	2,045	-
Other expenses	**273**	**-**	276	-
	6,520	**1,460**	6,492	1,228

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

	30 June 2019 (Unaudited) RO'000	31 December 2018 (Audited) RO'000
Payables		
Other related parties	**4,738**	3,016
Receivables		
Other related parties	**587**	535

**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2019** (continued)

14 Related party transactions (continued)

Compensation of key management personnel

The remuneration of members of key management and directors during the periods were as follows:

	Three-month period ended		*Six-month period ended*	
	30 June 2019 (Unaudited) RO'000	30 June 2018 (Unaudited) RO'000	**30 June 2019 (Unaudited) RO'000**	30 June 2018 (Unaudited) RO'000
Salaries / remuneration and benefits	**697**	708	**1,311**	1,100
Director's remuneration	**55**	50	**108**	100
Employees' end of service benefits	**8**	(45)	**41**	28
	760	713	**1,460**	1,228

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

	Three-month period ended		*Six-month period ended*	
	30 June 2019 (Unaudited) RO'000	30 June 2018 (Unaudited) RO'000	**30 June 2019 (Unaudited) RO'000**	30 June 2018 (Unaudited) RO'000
Telecom revenues	**230**	208	**479**	460
Telecom costs	**61**	75	**123**	209

15 Capital commitments

	30 June 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	**23,750**	15,402
Licences (Note 1)	**75,000**	-
[Spectrum (see below)	**7,200**	-

Subsequent to the six-month period ended 30 June 2019, the Company's Board of Directors has accepted an offer from the TRA for the 100 MHz of spectrum in the 3.5 GHz band. The cost of the additional spectrum is RO 7.2 million payable in 2020 following a one year grace period. The spectrum licence will be for 15 years.]

16 Contingent liabilities

Guarantees
At 30 June 2019, the Company had contingent liabilities in respect of guarantees of RO 2,690,613. (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.

Segmental results for the three-month period ended 30 June 2019 (unaudited) are as follows:

	Mobile RO'000	**Fixed line RO'000**	**Adjustments RO'000**	**Total RO'000**
Revenue				
External sales	**54,880**	**15,527**	**-**	**70,407**
Inter-segment sales	**152**	**1,438**	**(1,590)**	**-**
Total revenue	**55,032**	**16,965**	**(1,590)**	**70,407**
Results				
Depreciation and amortisation	**12,487**	**2,147**	**-**	**14,634**
Amortisation – licence	**1,196**	**272**	**-**	**1,468**
Segment results - profit	**5,917**	**6,210**	**-**	**12,127**
Finance costs (including interest expense on lease liabilities) - net				**(850)**
Loss of subsidiary				**(118)**
Profit before taxation				**11,159**
Taxation				**(1,769)**
Profit for the period				**9,390**

17 Segment information (continued)

Segmental results for the three-month period ended 30 June 2018 (unaudited) are as follows:

	Mobile RO'000	Fixed line RO'000	Adjustments RO'000	Total RO'000
Revenue				
External sales	58,120	12,950	-	71,070
Inter-segment sales	183	1,508	(1,691)	-
Total revenue	58,303	14,458	(1,691)	71,070
Results				
Depreciation and amortisation	10,888	2,728	-	13,616
Amortisation – licence	1,250	219	-	1,469
Segment results – profit	9,248	2,470	-	11,718
Finance costs				(366)
Loss of subsidiary				(53)
Profit before taxation				11,299
Taxation				(1,705)
Profit for the period				9,594

Segmental results for the six-month period ended 30 June 2019 (unaudited) are as follows:

	Mobile RO'000	**Fixed line RO'000**	**Adjustments RO'000**	**Total RO'000**
Revenue				
External sales	**108,793**	**30,263**	**-**	**139,056**
Inter-segment sales	**315**	**2,680**	**(2,995)**	**-**
Total revenue	**109,108**	**32,943**	**(2,995)**	**139,056**
Results				
Depreciation and amortisation	**26,482**	**4,362**	**-**	**30,844**
Amortisation – licence (Note 9)	**2,360**	**559**	**-**	**2,919**
Segment results - profit	**10,998**	**12,030**	**-**	**23,028**
Finance costs (including interest expense on lease liabilities) - net				**(1,592)**
Loss of subsidiary				**(226)**
Profit before taxation				**21,210**
Taxation				**(3,361)**
Profit for the period				**17,849**

17 Segment information (continued)

Segmental results for the six-month period ended 30 June 2018 (unaudited) are as follows:

	Mobile RO'000	Fixed line RO'000	Adjustments RO'000	Total RO'000
Revenue				
External sales	113,949	25,088	-	139,037
Inter-segment sales	380	3,020	(3,400)	-
Total revenue	114,329	28,108	(3,400)	139,037
Results				
Depreciation and amortisation	22,778	5,715	-	28,493
Amortisation – licence (Note 9)	2,431	432	-	2,863
Segment results – profit	16,075	5,447	-	21,522
Finance costs				(761)
Loss of subsidiary				(60)
Profit before taxation				20,701
Taxation				(3,130)
Profit for the period				17,571

Capital expenditure incurred for different segments are as follows:

	30 June 2019 (Unaudited) RO'000	31 December 2018 (Audited) RO'000
Property and equipment		
- Mobile	**11,745**	39,727
- Fixed	**5,349**	8,566
- Others (subsidiary)	**3**	592
	17,097	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			
30 June 2019	**Fair value – hedging instruments RO'000**	**Financial assets RO'000**	**Financial liabilities RO'000**	**Total RO'000**	**Level 1 RO'000**	**Level 2 RO'000**	**Level 3 RO'000**	**Total RO'000**
Financial assets measured at fair value								
Interest rate swaps used for hedging	**7**	**-**	**-**	**7**	**-**	**7**	**-**	**7**
Financial assets not measured at fair value								
Trade and other receivables	**-**	**35,819**	**-**	**35,819**	**-**	**-**	**-**	**-**
Cash and cash equivalents	**-**	**15,333**	**-**	**15,333**	**-**	**-**	**-**	**-**
	7	**51,152**	**-**	**51,152**	**-**	**7**	**-**	**7**
Financial liabilities not measured at fair value								
Interest bearing borrowings	**-**	**-**	**10,012**	**10,012**	**-**	**-**	**-**	**-**
Payables and accruals	**-**	**-**	**81,787**	**81,787**	**-**	**-**	**-**	**-**
	-	**-**	**91,799**	**91,799**	**-**	**-**	**-**	**-**

	Carrying amount				Fair value			
31 December 2018	Fair value – hedging instruments RO'000	Financial assets RO'000	Financial liabilities RO'000	Total RO'000	Level 1 RO'000	Level 2 RO'000	Level 3 RO'000	Total RO'000
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.