

**1. Incorporation and activities**

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

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

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

**2. Basis of preparation**

This condensed consolidated interim financial information is prepared in accordance with IAS 34: Interim Financial Reporting.

In 2015, the Group noted that the economy of the Republic of Sudan, where the Group has subsidiaries, may be hyperinflationary from the beginning of 2015. This was based on the general price index showing the cumulative three-year rate of inflation exceeding 100% at that time. However, International Accounting Standard, IAS 29: Financial Reporting in Hyperinflationary Economies, does not establish an absolute rate at which hyperinflation is deemed to arise and states that it is a matter of judgment when restatement of financial statements in accordance with this Standard becomes necessary. In addition, the Group noted that in the 2014 International Monetary Fund (IMF) Sudan country report, the cumulative projected three year inflation rate outlook for Sudan in 2017 to be around 57% and thus, applying IAS 29 in 2015, could entail going in and out of hyperinflation within a short period. Based on the above matters, the Group concluded that there was no definitive basis to apply IAS 29 at that time and to review it on an ongoing basis. This assessment is now confirmed by the consumer price inflation rates in 2017 and during 2018, which indicate that the economy of Sudan is no longer hyperinflationary. Currently, the general price index after February 2018 is not available. Omantel acquired control over Zain group during November 2017 and, in the absence of sufficient information, is unable to quantify the impact of non-implementation of IAS 29: Financial Reporting in Hyperinflationary Economies from its acquisition date of Zain group in the consolidated financial statements.

This condensed consolidated interim financial information does not contain all of the information and disclosures required for complete financial statements prepared in accordance with International Financial Reporting Standards. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Results for the interim period are not necessarily indicative of the results that may be expected for the year ending 31 December 2018, including the impact of the matter stated above regarding application of IAS 29. For further information, refer to the audited consolidated financial statements and notes thereto for the year ended 31 December 2017.

**Changes in accounting policy and disclosures**

The accounting policies used in the preparation of the condensed consolidated interim financial information are consistent with those used in the preparation of the annual consolidated financial statements for the year ended 31 December 2017. However, the Group has adopted IFRS 15: Revenue from Contract with Customers and IFRS 9: Financial Instruments, effective 1 January 2018. As required by IAS 34, the nature and effect of adoption of IFRS 15 and IFRS 9 are disclosed in Note 3. Significant judgments and estimates are also disclosed in Note 3 considering first time adoption of IFRS 9 and IFRS 15.

Other amendments and interpretations apply for the first time in 2018, but do not have an impact on the condensed consolidated interim financial information of the Group.

*Financial support to associate and group companies*

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

### 3. Impact of changes in accounting policies due to adoption of new standards

The key changes to the Group's accounting policies resulting from its adoption of IFRS 9 and IFRS 15 are summarized below:

#### 3.1 IFRS 15 Revenue from Contracts with Customers

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

The implementation of IFRS15 does not affect the quantum or the phasing of cash flows. The adjustments made are purely a timing difference between the cash flows and accounting recognition, with the difference recognized on balance sheet and reflected in the working capital changes and other cash flow line items.

Management has identified the following as areas where key revenue recognition and other accounting changes under IFRS 15 have had an impact on the Group's condensed consolidated interim financial information.

##### *Handsets and telecommunication services*

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

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

##### *Upgrade rights*

The Group offers early upgrade rights for additional services. This requires the Group to determine the accounting, including whether a material right has been granted to the customer, if the right affects the transaction price, if modification accounting applies or if waived amounts are an incentive to enter into a new contract. A material right is an option to acquire additional goods or services at a price that does not reflect the good's or service's stand-alone selling price and is considered a separate performance obligation.

##### *Connection fees*

The Group has concluded that connection fees charged for the activation of services will be recognized over the contract period, however connection fees which relates at or near to the contract inception to fulfill that contract, then revenue will be recognized as and when services are provided (i.e.as the identified performance obligations are satisfied).

**3. Impact of changes in accounting policies due to adoption of new standards (continued)**

**3.1 IFRS 15 Revenue from Contracts with Customers (continued)**

*Customer retention discounts*

Even if customer retention discounts are not explicit in the contract, customary business practice could mean that fixed consideration is, in substance, variable. IFRS 15 requires an assessment as to whether the discount is variable consideration or a contract modification. This requires judgement and impact the timing of revenue recognition. IFRS 15 requires an assessment as to whether promotional offers to current customers are contract modifications or marketing transactions.

*Value added services - Principal vs. agent*

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

*Significant financing component*

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

*Commissions and other contract costs*

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

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

*Customer Loyalty Programs*

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

**3.2 IFRS 9 – Financial Instruments**

The Group has adopted *IFRS 9 Financial Instruments* issued in July 2014 with a date of initial application of 1 January 2018. The requirements of IFRS 9 represent a significant change from *IAS 39 Financial Instruments: Recognition and Measurement*. The new standard brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities.

**Classification of financial assets and financial liabilities**

The Group classifies its financial assets as follows:

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

**3. Impact of changes in accounting policies due to adoption of new standards (continued)**

**3.2 IFRS 9 – Financial Instruments (continued)**

**Classification of financial assets and financial liabilities (continued)**

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

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

**Business model assessment**

The Group determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'Sell' business model.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account.

**Contractual cash flow characteristics test**

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

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

*Financial assets at amortised cost*

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

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

*Financial assets at FVOCI*

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

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

**3. Impact of changes in accounting policies due to adoption of new standards (continued)**

**3.2 IFRS 9 – Financial Instruments (continued)**

**Contractual cash flow characteristics test (continued)**

*Financial asset at FVTPL*

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

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

**Impairment of financial assets**

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

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

*General approach*

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

*Simplified approach*

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

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

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

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

**Notes to the Condensed Consolidated Interim Financial Information - 31 March 2018 (Unaudited)  
(continued)**

**3. Impact of changes in accounting policies due to adoption of new standards (continued)**

**3.3 Impact on adoption of the IFRS 9 and IFRS 15 - Transition**

Changes in accounting policies resulting from the adoption of IFRS 15 and IFRS 9 have been applied with effect from 1 January 2018, using modified retrospective method and has accordingly not restated the comparative period. Differences in the carrying amounts of assets and liabilities resulting from the adoption of IFRS 9 and IFRS 15 are recognised in opening retained earnings as at 1 January 2018.

Accordingly, the information presented for 2017 does not reflect the requirements of IFRS 9 and 15 and therefore is not comparable.

**(a) Impact of IFRS 9 and IFRS 15 on the condensed consolidated interim financial information**

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

	RO '000		
	Retained earnings	Fair value reserve	Non-controlling interests
Closing balance -31 December 2017	399,616	(207)	1,029,986
Adjustment from adoption of IFRS 9:			
On reclassification and re-measurement	645	(645)	-
On recognition of ECL on financial assets	(25,006)	-	(27,396)
Deferred tax on ECL on financial assets	2,665	-	-
Share of associate's (SMTC) ECL on financial assets	66	-	237
On recognition of ECL on financial guarantees	(723)	-	(2,576)
Adjustment from adoption of IFRS 15:			
Mainly from handset & telecommunication services	(592)	-	(16,046)
Share of associate's (SMTC) adjustments	1,001	-	3,571
	<u>(21,944)</u>	<u>(645)</u>	<u>(42,210)</u>
Opening retained earnings 1 January 2018 – post IFRS 9 and IFRS 15 restatement	<u>377,672</u>	<u>(852)</u>	<u>987,776</u>

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

Financial assets	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	Reclassification and re-measurement	New carrying amount under IFRS 9
			RO'000	RO'000	RO'000
Cash and bank balances	Loans and receivables	Amortised Cost	380,996	(8,149)	372,847
Trade and other receivables	Loans and receivables	Amortised cost	603,174	(35,098)	568,076
Contract assets	Loans and receivables	Amortised cost	76,088	(7,798)	68,290
Investment securities at FVTPL	FVTPL	FVTPL	49,893	-	49,893
Investment securities	AFS	FVOCI	8,096	-	8,096
Investment securities	AFS	FVTPL	15,025	-	15,025
Investment securities	HTM	Amortised cost	9,000	-	9,000
Due from associates	Loans and receivables	Amortised Cost	521,445	(1,357)	520,088
Other assets	Loans and receivables	Amortised Cost	15,141	-	15,141
Total financial assets			<u>1,678,858</u>	<u>(52,402)</u>	<u>1,626,456</u>

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

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

Notes to the Condensed Consolidated Interim Financial Information - 31 March 2018 (Unaudited)  
(continued)

## 3. Impact of changes in accounting policies due to adoption of new standards (continued)

## 3.4 Impact of adoption of IFRS 9 and 15 on the condensed consolidated interim statement of financial position

(a) The following table summarizes the impact on statement of financial position.

Balance Sheet	RO ('000)			Amounts without adoption of IFRS 15 and IFRS 9
	As reported	IFRS 15	IFRS 9	
<b>Current assets</b>				
Cash and bank balances	433,282	-	8,417	441,699
Trade and other receivables	630,654	105,483	35,542	771,679
Contract assets	65,484	(72,031)	6,547	-
Inventories	36,695	-	-	36,695
Investment securities at FVTPL	31,904	-	(15,548)	16,356
Investment securities at amortised cost	6,000	-	-	6,000
Non-current assets held for sale	9,644	-	-	9,644
	<u>1,213,663</u>	<u>33,452</u>	<u>34,958</u>	<u>1,282,073</u>
<b>Non-current assets</b>				
Contract assets	16,370	(18,324)	1,954	-
Investment securities at FVTPL	35,589	-	-	35,589
Investment securities at FVOCI	7,978	-	(7,978)	-
Investment securities available for sale	-	-	23,526	23,526
Investment securities amortised cost	3,000	-	-	3,000
Investments in associates and joint ventures	247,392	(4,592)	(305)	242,495
Due from associates	531,517	-	1,363	532,880
Other assets	22,752	-	(2,854)	19,898
Property and equipment	1,392,999	-	-	1,392,999
Intangible assets and goodwill	974,861	4,879	-	979,740
	<u>3,232,458</u>	<u>(18,037)</u>	<u>15,706</u>	<u>3,230,127</u>
<b>Total assets</b>	<u>4,446,121</u>	<u>15,415</u>	<u>50,664</u>	<u>4,512,200</u>
<b>Current liabilities</b>				
Trade and other payables	959,850	(4)	(2,643)	957,203
Deferred revenue	101,331	-	-	101,331
Due to banks	807,334	-	-	807,334
	<u>1,868,515</u>	<u>(4)</u>	<u>(2,643)</u>	<u>1,865,868</u>
<b>Non-current liabilities</b>				
Due to banks	1,204,673	-	-	1,204,673
Other non-current liabilities	59,892	-	-	59,892
	<u>1,264,565</u>	<u>-</u>	<u>-</u>	<u>1,264,565</u>

Notes to the Condensed Consolidated Interim Financial Information - 31 March 2018 (Unaudited)  
(continued)

3. Impact of changes in accounting policies due to adoption of new standards (continued)
- 3.4 Impact of adoption of IFRS 9 and 15 on the condensed consolidated interim statement of financial position (continued)

Balance Sheet	RO ('000)			Amounts without adoption of IFRS 15 and IFRS 9
	As reported	IFRS 15	IFRS 9	
<b>Equity</b>				
<b>Attributable to the Group's shareholders</b>				
Share capital	75,000	-	-	432,706
Legal reserve	25,002	-	-	1,707,164
Voluntary reserve	49,875	-	-	216,353
Capital contribution	44,181	-	-	(1,286,552)
Foreign currency translation reserve	(44,174)	-	-	-
Investment fair valuation reserve	(865)	-	2,671	3,658
Hedging reserve	1,716	-	-	(240)
Share of reserves of associates	(67)	-	-	(240)
Retained earnings	354,372	15,796	24,878	172,902
	505,040	15,796	27,549	1,245,991
Non-controlling interests	805,931	129	1,324	155,703
<b>Total equity</b>	<b>1,310,971</b>	<b>15,925</b>	<b>28,873</b>	<b>1,401,694</b>
<b>Total Liabilities and Equity</b>	<b>4,444,051</b>	<b>15,927</b>	<b>26,171</b>	<b>3,011,710</b>



Notes to the Condensed Consolidated Interim Financial Information - 31 March 2018 (Unaudited)  
(continued)

## 3. Impact of changes in accounting policies due to adoption of new standards (continued)

## 3.4 Impact of adoption of IFRS 9 and 15 on the condensed consolidated interim statement of financial position (continued)

(b) The following table summarizes the impact on the condensed consolidated statement of profit or loss for the three months period ended 31 March 2018

	RO `000			Amounts without adoption of IFRS 15 and IFRS 9
	As reported	IFRS 15	IFRS 9	
Revenue	469,986	5,456	-	475,442
Cost of sales	(169,444)	1,251	-	(168,193)
<b>Gross profit</b>	<b>300,542</b>	<b>6,707</b>	<b>-</b>	<b>307,249</b>
Operating and administrative expenses	(140,416)	-	-	(140,416)
Depreciation and amortization	(75,069)	(3,171)	-	(78,240)
Provision for impairment – trade and other receivables	-	-	(6,724)	(6,724)
Expected credit loss on financial assets	(7,696)	-	7,696	-
<b>Operating profit</b>	<b>77,361</b>	<b>3,536</b>	<b>972</b>	<b>81,869</b>
Interest income	9,502	-	-	9,502
Investment income	918	-	(571)	347
Share of results of associates and joint ventures	(2,752)	-	-	(2,752)
Other (expense)/income	(21,879)	(191)	83	(21,987)
Finance costs	(25,169)	-	-	(25,169)
Provision for impairment loss on property and equipment	(12,130)	-	-	(12,130)
Loss from currency revaluation	(3,302)	-	-	(3,302)
Net monetary gain	43,007	-	-	43,007
<b>Profit before taxation</b>	<b>65,556</b>	<b>3,345</b>	<b>484</b>	<b>69,385</b>
Taxation	(8,181)	8	(190)	(8,363)
<b>Profit for the period</b>	<b>57,375</b>	<b>3,353</b>	<b>294</b>	<b>61,022</b>

## 3.5 Significant judgments and estimates

The preparation of the condensed consolidated interim financial information requires management to make judgments, estimates and assumptions that affects the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. The significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Group's annual consolidated financial statements for the year ended 31 December 2017, except as mentioned below:

**Notes to the Condensed Consolidated Interim Financial Information - 31 March 2018 (Unaudited)  
(continued)**

**3. Impact of changes in accounting policies due to adoption of new standards (continued)**

**3.5 Significant judgments and estimates (continued)**

*Classification of equity investment securities*

On acquisition of an equity investment security, the Group decides whether it should be classified as fair value through profit or loss or fair value through other comprehensive income.

*Measurement of the expected credit loss allowance*

Loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in the accounting policy above.

**4. Cash and bank balances**

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

	<b>Unaudited</b>	Audited
	<b>31 March</b>	31 December
	<b>2018</b>	2017
	<b>RO'000</b>	RO'000
Cash on hand and at banks	222,204	228,854
Short-term deposits with banks	219,282	151,840
Government certificates of deposits held by subsidiaries	213	302
	441,699	380,996
Expected credit loss	(8,417)	-
	433,282	380,996
Cash at bank under lien	(9,426)	(9,463)
Deposits with maturity exceeding three months	(40,703)	(40,852)
Government certificates of deposits with maturities exceeding three months	(213)	(302)
Cash and cash equivalent in the condensed consolidated statements of cash flows	<u>382,940</u>	<u>330,379</u>

**5. Non-current assets held for sale**

This represents the carrying value of telecom tower assets in Kuwait classified as held for sale, on the basis that management is committed to a plan to sell these assets and the sale is expected to qualify for recognition as a sale within one year of the date of its classification.

**Notes to the Condensed Consolidated Interim Financial Information - 31 March 2018 (Unaudited)**  
(continued)

**6. Investments in associates and joint ventures**

**6.1 Investments in associates**

This represents the Group's share of investments in SMTC accounted for using the equity method:

	<b>Unaudited</b>	Audited
	<b>31 March</b>	31 December
	<b>2018</b>	2017
	<b>RO'000</b>	RO'000
Current assets	344,200	379,079
Non-current assets	2,271,793	2,238,615
Current liabilities	1,092,377	1,159,301
Non-current liabilities	1,159,726	1,098,785
Net asset of SMTC	363,890	359,608
	<b>Unaudited</b>	Un Audited
	<b>31 March</b>	31 March
	<b>2018</b>	2017
Revenue	169,474	195,678
Profit/(loss)	(7,773)	4,638
Other comprehensive income	292	(538)
Total comprehensive income/(expense) for the period	(7,481)	(4,100)
Proportion of Group's ownership interest in SMTC	37.045%	37.045%
Group's share of SMTC's net assets	134,803	133,217
Goodwill	15,450	15,511
Carrying amount of Group's interest in SMTC	<u>150,253</u>	<u>148,728</u>

SMTC is in negotiation with lenders to refinance the US\$ 1.76 billion syndicated murabaha debt that fully matures in 2018.

As at 31 March 2018 the fair value of the Group's investment in SMTC, being its quoted market share price on the Saudi Stock Exchange, was RO 155.8 million (31 December 2017 - RO 159.52 million).

The group also has interests in individually immaterial associates with a carrying value of RO 9.24 million (31 December 2017- RO 9.021 million).

**6.2 Interest in a joint venture**

This represents Group's RO 87.869 million (31 December 2017 - RO 87.6 million) interest in the joint venture, Zain Al Ajial S.A. that owns 31% of the equity shares and voting rights of Wana Corporate (a Moroccan joint stock company that is specialized in the telecom sector in that country).

**Oman Telecommunications SAOG**

**Notes to the Condensed Consolidated Interim Financial Information - 31 March 2018 (Unaudited)**  
(continued)

**7. Due to banks**

	<b>Unaudited 31 March 2018 RO'000</b>	Audited 31 December 2017 RO'000
<i>Parent company</i>		
Short term loans	556,262	554,010
Long term loans	312,838	313,037
<i>Oman Data Park</i>		
Bank Overdraft	456	427
Long term loans	6,746	7,199
Finance lease obligation	267	276
<i>Mobile Telecommunications Company-Kuwait</i>		
Short term loans	138,302	138,639
Long term loans	814,176	780,037
<i>Zain - Bahrain</i>		
Long term loans	937	1,883
<i>Atheer - Iraq</i>		
Bank overdraft	18,016	-
Long term loans	164,007	170,847
	<u>2,012,007</u>	<u>1,966,355</u>

The closing balance includes a non-cash movement arising from foreign currency gain of RO 8.9 million (31 December 2017 – gain of RO 14.3 million).

The current and non-current amounts are as follows:

	<b>Unaudited 31 March 2018 RO'000</b>	Audited 31 December 2017 RO'000
Current liabilities	807,334	854,934
Non-current liabilities	1,204,673	1,111,421
	<u>2,012,007</u>	<u>1,966,355</u>

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

	<b>Unaudited 31 March 2018 RO'000</b>	Audited 31 December 2017 RO'000
US dollar	1,978,407	1,916,294
Kuwaiti dinar	25,194	40,276
Omani Rial	7,469	7,904
Others	937	1,881
	<u>2,012,007</u>	<u>1,966,355</u>

The effective interest rate as at 31 March 2018 was 2.13% to 5.83% (31 December 2017 - 2.01% to 12%) per annum.

**7. Due to banks (continued)**

**i) Compliance with debt covenants**

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

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

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

- consolidated net borrowings to adjusted consolidated Earnings Before Interest Tax Depreciation and Amortisation (EBITDA);
- adjusted consolidated EBITDA to adjusted consolidated net interest payable;
- equity to total assets.

**(ii) Parent company**

The Parent Company acquired a bridge loan facility and term loan of USD 1,450 million and USD 800 million respectively in year 2017 from a consortium of banks for financing the acquisition of shares in Mobile Telecommunication Company (Zain Group). The bridge loan facility is drawn down in two separate facilities and is payable within a period of one year from the date of signing and can be extended for another two six months terms. The term loan is payable in five equal annual installments for an amount of 15% of the principal amount and the remaining amount of 25% is payable at the end of the term loan period. The loan is secured by way of a pledged on the acquired shares. The first interest period for the loan is set at 8 months from the date of drawdown and thereafter at a 3 month period till the date of repayment. Subsequent to 31 March 2018 the bridge loan was refinanced by issuance of long term bonds worth USD 1,500 million.

Long-term loans also comprise an outstanding balance of RO 11.7 million from National Bank of Oman and is repayable in 16 quarterly instalments commencing from 30 September 2017. The loan is unsecured.

**(iii) Mobile Telecommunications Company K.S.C.P**

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

*Zain – Bahrain*

This represents balance outstanding on the long term Bahraini Dinar denominated facilities, availed in 2013, at a fixed margin over Bahrain Inter Bank Overnight rate (BIBOR). These were four year amortising facilities with maturities in September 2018.

*Atheer*

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

**8. Share capital**

The authorized, issued and fully paid up share capital as of 31 March 2018 is 750,000,000 shares (31 December 2017 –750,000,000) of RO 100 Baiza each.

**9. Dividend**

The annual general meeting of shareholders for the year ended 31 December 2017 held on 22 March 2018 approved distribution of cash dividends of RO 0.050 (31 December 2016 – RO 0.070) per share amounting to RO 37,500,000 (31 December 2016 - RO 52,500,000).

**10. Reserves**

**Legal reserve**

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

**Voluntary reserve**

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

**Capital contribution**

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

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

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

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

**Foreign currency translation reserve**

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

**Fair value reserve**

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

**Hedge reserve**

The hedging reserve is used to record gains or losses on derivatives that are designated and qualify as cash flow hedges and that are recognised in comprehensive income as described in note 18. Amounts are reclassified to statement of income when the associated hedged item affects statement of income.

**Notes to the Condensed Consolidated Interim Financial Information - 31 March 2018 (Unaudited)**  
**(continued)**

**11. Investment income**

	<b>Three months ended 31 March (Unaudited)</b>	
	<b>2018</b>	2017
	<b>RO'000</b>	RO'000
Fair value gain on investment securities at FVTPL	601	159
Realised gains/(loss) from investment securities 'available for sale'	44	(15)
Dividend income	273	518
	<u>918</u>	<u>662</u>

**12. Earnings per share**

Basic earnings per share based on the weighted average number of shares outstanding during the period are as follows:

	<b>Three months ended 31 March (Unaudited)</b>	
	<b>2018</b>	<b>2017</b>
	<b>RO'000</b>	<b>RO'000</b>
Profit for the period attributable to shareholders	15,970	23,797
	<b>Shares</b>	<b>Shares</b>
Weighted average number of shares in issue outstanding during the period	750,000,000	750,000,000
	RO	RO
Earnings per share – Basic	0.021	0.033

**13. Segmental information**

The Company and its subsidiaries operate in a single business segment, telecommunications and related services in Oman and other countries. This forms the basis of the geographical segments.

Based on the quantitative thresholds, the Group has identified its operations in Oman, Kuwait, Jordan, Sudan, Iraq and Bahrain as the basis for disclosing the segment information.

Oman Telecommunications SAOG

Notes to the Condensed Consolidated Interim Financial Information - 31 March 2018 (Unaudited)

13. Segmental information (continued)

	31 March 2018							Total RO '000
	Oman	Kuwait	Jordan	Sudan	Iraq	Bahrain	Others	
<b>Segment revenues-</b> airtime, data and subscription (Point over time)	129,957	92,270	43,674	32,012	103,295	12,831	6,812	420,851
<b>Segment revenues-</b> (Point in time)	14,501	28,503	1,368	167	527	4,021	48	49,135
<b>Net profit before interest and tax</b>	20,139	23,769	10,336	6,469	7,947	1,118	30,811	100,589
Interest income	419	-	138	153	39	14	60	823
Finance costs	-	-	(1,750)	-	(3,669)	(23)	(28)	(5,470)
Income tax expense	(3,162)	-	(1,969)	(1,416)	(1,285)	-	(155)	(7,987)
	<u>17,396</u>	<u>23,769</u>	<u>6,755</u>	<u>5,206</u>	<u>3,032</u>	<u>1,109</u>	<u>30,688</u>	<b>87,955</b>
<i>Unallocated items:</i>								
Investment income								918
Share of results of associates and joint ventures								(2,752)
Others								(28,746)
<b>Profit for the period</b>								<b>57,375</b>
<b>Segment assets including goodwill</b>	754,275	388,673	295,291	148,724	686,350	99,051	98,359	2,470,723
<i>Unallocated items:</i>								
Investment securities at fair value through profit or loss								67,493
Investment securities at amortised cost								9,000
Investment securities at FVOCI								7,978
Investment in associates and joint ventures								247,392
Dues from associates								534,517
Goodwill arising on acquisition of Zain Group (Refer note below)								600,885
Others								508,133
<b>Consolidated assets</b>								<b>4,446,121</b>
<b>Segment liabilities</b>	254,045	105,618	202,324	45,524	194,359	31,962	268,162	1,101,994
Due to banks	-	-	-	-	182,023	937	-	182,960
	<u>254,045</u>	<u>105,618</u>	<u>202,324</u>	<u>45,524</u>	<u>376,382</u>	<u>32,899</u>	<u>268,162</u>	1,284,954
<i>Unallocated items:</i>								
Due to banks								1,062,529
Others								785,597
<b>Consolidated liabilities</b>								<b>3,133,080</b>
<b>Net consolidated assets</b>								<b>1,310,971</b>
Capital expenditure incurred during the period	14,618	9,769	661	2,999	8,312	25	4,579	40,963
Unallocated								1,160
<b>Total capital expenditure</b>								<b>42,123</b>
Depreciation and amortization	26,613	7,937	7,740	3,756	24,164	2,590	1,587	74,387
Unallocated								682
<b>Total depreciation and amortization</b>								<b>75,069</b>



13. Segmental information (continued)

	<b>Oman RO '000</b>
<b>Segment revenues</b>	131,619
<b>Net profit before interest and tax</b>	25,652
Interest income	720
Investment income	662
Share of results of associates and joint ventures	(14)
Finance costs	(258)
Others	(46)
Income tax expense	(1,811)
<b>Profit for the period</b>	<b>24,905</b>
<b>Segment assets including goodwill</b>	730,008
<i>Unallocated items:</i>	
Investment securities at fair value through profit or loss	61,775
Investment securities available for sale	3,020
Investment securities at amortised cost	12,420
Investment in associates and joint ventures	8,876
<b>Consolidated assets</b>	<b>816,099</b>
<b>Segment liabilities</b>	289,731
Due to banks	8,429
<b>Consolidated liabilities</b>	<b>298,160</b>
<b>Net consolidated assets</b>	<b>517,939</b>
Capital expenditure incurred during the period	35,538
Depreciation and amortization	28,543

**14. Related party transactions**

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

**Transactions**

	<b>Three months ended 31 March (Unaudited)</b>	
	<b>2018</b>	2017
	<b>RO'000</b>	RO'000
Revenue	729	-
Cost of sales	1,897	2,146
Management fee (included in other income)	1,226	-
Interest income on loans to an associate	7,163	-

**Key management compensation**

	<b>Three months ended 31 March (Unaudited)</b>	
	<b>2018</b>	2017
	<b>RO'000</b>	RO'000
Salaries and other short term employee benefits	1,524	1,449
Post-employment benefits	57	30

**Balances**

	<b>Unaudited</b>	Audited
	<b>31 March</b>	31 December
	<b>2018</b>	2017
Trade receivables	21,249	20,769
Trade payables	15,644	14,442

**15.(a) Commitments and contingencies**

	<b>Unaudited</b>	Audited
	<b>31 March</b>	31 December
	<b>2018</b>	2017
	<b>RO'000</b>	RO'000
Capital expenditure	94,721	156,741
Capital expenditure - share of an associate	77,169	76,299
Uncalled share capital of investee companies	5,562	5,876
Letters of guarantee and credit	560,786	570,424
Investments	4,141	4,141

The above include guarantees amounting to RO 491.4 million (31 December 2017 – RO 497 million) provided by Zain group relating to loans and other vendor financing availed by SMTC.

Zain group is a guarantor for credit facilities amounting to RO 9 million (31 December 2017 - RO 13.23 million) granted to a founding shareholder in SMTC. The Company believes that the collaterals provided by the founding shareholder to the bank, covers the credit facilities.

**15.(b) Claims**

**(i) Parent company**

The Parent Company during FY 2015 received demand notice amounting to RO 4.4 million from the TRA towards additional royalty payable for the prior years on certain categories of wholesale revenue. The Parent Company has paid RO 1.7 million under protest to TRA. Based upon legal opinion and interpretation of the relevant provisions of the Parent Company's license terms, the management believes that the additional royalty amount is not payable.

**(ii) Claims pertaining to Zain Group**

Penalties and Fee claims in Iraq

In 2011, the Communications and Media Commission (CMC) claimed an amount of USD 100 million (RO 38.8 million) from Atheer, citing non-compliance with certain license terms. This claim was resolved in favor of Atheer during the second quarter of 2015. However, in March 2016, the Executive Director of the CMC filed a complaint with the Hearing Panel of the CMC claiming US\$ 100 million (RO 38.8million) relating to the matter which had been ruled in favor of Atheer by the Appeals Board of the CMC on three previous occasions. On 13 July 2016, the Hearing Panel of the CMC issued a decision in favor of CMC. On 8 September 2016, Atheer filed an appeal against this decision with the CMC Appellate Panel. On 15 January 2017, the CMC Appeals Board issued a decision in favor of CMC. Atheer challenged this decision of the CMC Appeals Board in the Court of First Instance arguing that the provisions of Order No. 65 (governing telecom activities in Iraq), that immunizes CMC Appeals Board decisions from being appealed or challenged, is unconstitutional. Atheer also requested the Court to issue an order preventing the CMC from collecting the amount of claim or the Court decides enforcing the CMC Appeals Board decision until the matter. The Court of First Instance issued orders in February and April 2017 to stop any enforcement proceedings by the CMC to collect the amount of claim until the case is decided by the Court. On 27 April 2017, the Court of First Instance issued a decision in favor of CMC. In May 2017, Atheer filed an appeal with the Court of Appeals against this decision. In November 2017, the Court of Appeals issued a decision in favor of Atheer. However, CMC challenged such decision by filing an appeal with the Court of Cassation which issued a decision on 15 November 2017 reversing the decision of the Court of Appeals and returning the file to the Court of Appeals for a decision. On 28 December 2017, the Court of Appeals issued a decision which upheld the decision of Court of First Instance dated 27 April 2017. Atheer filed a challenge to this decision with the Court of Cassation on 11 January 2018. On 12 March 2018, the Court of Cassation decided in favour of Atheer and ruled that the Court of Appeals erred and should have examined the basis on which the CMC imposed the fine, taking into account the views of the expert appointed by the CMC. The case was remanded to the Court of Appeals to take a decision. The Court of Appeals instructed the CMC to provide all grounds and basis relied on in the decision to impose the fine, supported by all documentary evidence that would provide the basis of CMC to impose such fine. Based on the report of its attorneys, Atheer believes that the prospects of resolving this matter is in its favor.

Income and Capital Gains taxes in Iraq

In November 2016, Atheer signed an agreement with Iraq's Ministry of Finance as follows:

- In connection with the additional corporate income tax for the years 2004 to 2010 of USD 244 million (RO 94.7 million) claimed by the Iraq General Commission for Taxes (IGCT), Atheer would have the right to submit its objection to the income tax claimed by the Income Tax Authority for the years from 2004 to 2010, and to pay minimum 25% of the amount claimed and the balance USD 173 million (RO 67.2 million) in fifty equal monthly instalments from December 2016, net of amount already paid. Atheer would reserve the right to file an objection for each of these years;
- Atheer to settle the capital gains tax claim for USD 93 million (RO 36 million) which is 50% of the original claim based on Iraq's Council of Ministers approval in November 2016;
- The block on Atheer's bank accounts and the lien on part of Group's share in Al Khatem would be released.

Atheer paid the amounts agreed in December 2016 and secured the release of the block on its bank accounts and the lien on Group's shares in Al Khatem. Atheer submitted its objections against the USD 244 million (RO 73.030 million) tax claim in November 2016 objecting to the full amount of the claim. As of 31 March 2018, Atheer has an obligation to pay the balance of USD 117 million; equivalent to RO 44.1 million (31 December 2017: RO 48.45 million) net of previous payments in thirty four instalments.

**15.(b) Claims (continued)****(ii) Claims pertaining to Zain Group (continued)**

In May 2017, IGCT issued its decision rejecting the objections for the above years without stating any reasons. On 7 June 2017, Atheer filed appeals against IGCT decisions with the Appeal Committee at IGCT. On 9 November 2017, the Appeal Committee issued a decision with respect to years 2004-2007 rejecting Atheer's appeals by mainly arguing that Atheer did not have the right to file the original objections in November 2016, which implies that the Appeal Committee did not recognize the settlement agreed with the Ministry of Finance. On 21 December 2017, the Appeal Committee issued a decision with respect to years 2008-2010 rejecting Atheer's appeals on the basis that while Atheer had filed the objections on time but it did not pay the requisite amounts that are required under the law for the objections to be deemed properly filed, which again implies that the Appeal Committee did not recognize the settlement agreed with the Ministry of Finance. On 21 November 2017, Atheer filed appeal with the Cassation Committee at the IGCT with respect to years 2004-2007, and further filed similar appeals with the Cassation Committee on 2 January 2018 for the years 2008-2010. On 12 February 2018, the Cassation Committee issued decisions in favour of Atheer in relation to the years 2004-2010, by upholding Atheer's right to appeal and instructing the Appeals Committee to reconsider those appeals on their merits on the basis that Atheer's agreement with Ministry of Finance was not invalid. Based on the report of its attorneys, Atheer believes that the prospects of resolving this matter is in its favor.

Pella is a defendant in lawsuits amounting to RO 16 million (31 December 2017 - RO 15.64 million). Based on the report of its attorneys, the Group expects the outcome of these proceedings to be favorable to Pella. Pella has initiated legal proceedings against the claim by regulatory authorities of RO 11.8 million (31 December 2017 - RO 11.9 million) for the years 2002 - 2005 on the grounds that it has already paid the amount that it was obligated to pay for those years. Pella has also initiated legal proceedings against the regulatory authorities claiming refund of excess license fee paid amounting to RO 14.5 million (31 December 2017 - RO 14.967 million) of earlier years. Based on the report of its attorneys, the Group expects the outcome to be favorable to Pella.

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

**16. Financial instruments****16.1 Categories of financial assets and liabilities**

The carrying amounts of the Group's financial assets and liabilities as stated in the condensed consolidated statement of financial position are categorized as follows:

	<b>(Unaudited)</b> <b>31 March</b> <b>2018</b> <b>RO'000</b>	<b>(Audited)</b> <b>31 December</b> <b>2017</b> <b>RO'000</b>
<b>Amortised costs/Loans and receivables:</b>		
Cash and bank balances	433,282	380,996
Trade and other receivables	628,545	693,207
Contract assets (current and non-current)	81,854	-
Due from associates	531,517	521,445
Other assets	15,081	15,141
Investment securities at amortised cost	9,000	9,000
<b>Investment securities – FVTPL</b>	<b>64,333</b>	<b>49,893</b>
<b>Investment securities – FVOCI</b>	<b>7,978</b>	<b>-</b>
<b>Investment securities -available for sale</b>	<b>-</b>	<b>23,121</b>
<b>Interest rate swap</b>	<b>3,160</b>	<b>-</b>

All financial liabilities are categorized as 'other than at fair value through profit or loss'.

**16. Financial instruments (continued)****16.2 Fair value hierarchy for financial instruments measured at fair value**

The following table presents the financial assets which are measured at fair value in the condensed consolidated statement of financial position in accordance with the fair value hierarchy.

This hierarchy groups financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: Inputs for assets or liabilities that are not based on observable market data (unobservable inputs).

The level within which the financial asset or liability is classified is determined based on the lowest level of significant input to the fair value measurement.

**31 March 2018**

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>RO'000</b>	<b>RO'000</b>	<b>RO'000</b>	<b>RO'000</b>
<b>Financial assets at fair value:</b>				
Interest rate swap		3,160	-	3,160
Investments securities at fair value through profit or loss	21,870	32,857	9,606	64,333
Investments securities at fair value through comprehensive income	1,382	496	6,100	7,978
Total assets	<u>23,252</u>	<u>36,513</u>	<u>15,706</u>	<u>75,471</u>

**31 December 2017**

	Level 1	Level 2	Level 3	Total
	RO'000	RO'000	RO'000	RO'000
<b>Financial assets at fair value:</b>				
Investments securities at fair value through profit or loss	20,417	22,291	7,185	49,893
Investments securities available for sale	4,197	10,179	-	14,376
Total assets	<u>24,614</u>	<u>32,470</u>	<u>7,185</u>	<u>64,269</u>

Available for sale investments include unlisted securities amounting to RO Nil (31 December 2017 – RO 8.644 million) carried at cost less impairment since it is not possible to reliably measure their fair value.

**Measurement at fair value**

The methods and valuation techniques used for measuring fair value are unchanged compared to the previous year.

**17. Hyperinflation – Zain South Sudan****Net monetary gain**

The Republic of South Sudan economy had become hyperinflationary in 2016. Accordingly, the results, cash flows and financial position of the Group's subsidiary in South Sudan have been expressed in terms of the measuring unit current at the reporting date in accordance with IAS 29 Financial Reporting. The effect on the net monetary position is included in the Condensed Consolidated Statement of Profit or Loss as 'net monetary gain'

**17. Hyperinflation – Zain South Sudan (continued)****Net monetary gain (continued)**

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

	<b>Index</b>	<b>Conversion factor</b>
31 March 2018	5,785	1.0
31 December 2017	4,502	1.2
31 December 2016	2,068	2.8
31 December 2015	357	16.2
31 December 2014	170	34.0
31 December 2013	155	37.3
31 December 2012	170	34.1

**Provision for impairment loss on property and equipment**

The Group assessed that the carrying value of its network assets at Zain South Sudan exceeds their recoverable amount as determined by their fair value less cost of disposal and estimated an impairment loss of RO 12.1 million (31 March 2017 - RO Nil). The fair value was determined using the current replacement cost approach based on level 3 inputs of the fair value hierarchy with the service capacity of the assets being the most significant unobservable input. The current use was determined to be highest and best use. The impairment loss is subject to reassessment at the end of each reporting period to determine if it no longer exists or may have decreased in which case it is reversible to that extent.

**18. Derivative financial instruments**

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

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

**At 31 March 2018:**

	<b>Notional amounts by term to maturity</b>					
	<b>Positive fair value RO '000</b>	<b>Negative fair value RO '000</b>	<b>Notional amount RO '000</b>	<b>Less than 1 year RO '000</b>	<b>1-2 years RO '000</b>	<b>2-5 years RO '000</b>
<i>Derivatives held for hedging:</i>						
<i>Cash flow hedges</i>						
<b>Parent company:</b>						
Interest rate swap	3,160	-	246,528	36,979	36,979	172,570
Interest rate swap	-	1,508	385,200	385,200	-	-
<b>Associate:</b>						
Profit rate swaps - share of an associate	6	-	101,407	101,407	-	-

**At 31 December 2017:***Derivatives held for hedging:**Cash flow hedges*

Interest rate swap-Parent company	-	122	246,528	36,979	36,979	172,570
Profit rate swaps - share of an associate	-	78	96,454	-	96,454	-

**19. Events subsequent to the reporting date**

On 18 April 2018 the parent company issued bonds worth USD 1,500 million in two tranches, one for USD 600 million maturing in year 2023 (5.5 years) yielding an interest rate of 5.625% and one for USD 900 million maturing in year 2028 (10 years) yielding an interest rate of 6.625%. The proceeds of the bond were used to repay the bridge loan facility.

**20. Comparative figures**

Figures for the period ended 31 March 2017 in Statement of Profit or loss and Statement of Cash flow are not comparable with current period since the current period figures include the Consolidation of results of Zain group.