

**OOREDOO Q.P.S.C.
DOHA - QATAR**

**CONSOLIDATED FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED
31 DECEMBER 2017**



OOREDOO Q.P.S.C.

**CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S
REPORT**

For the year ended 31 December 2017

CONTENTS	Page (s)
Independent auditor's report	-
Consolidated financial statements	
Consolidated statement of profit or loss	1
Consolidated statement of comprehensive income	2
Consolidated statement of financial position	3 - 4
Consolidated statement of changes in equity	5 - 6
Consolidated statement of cash flows	7 - 8
Notes to the consolidated financial statements	9 - 85

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INDEPENDENT AUDITOR'S REPORT

**To the shareholders of
Ooredoo Q.P.S.C.
Doha, Qatar**

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Ooredoo Q.P.S.C. ("the Company"), and its subsidiaries (together "the Group") which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	How our audit addressed the key audit matters
<p>Revenue recognition and related IT systems</p> <p>The Group reported revenue of QR 32,735 million from telecommunication related activities.</p> <p>We have considered this as a key audit matter due to the estimates and judgments involved in the application of the revenue recognition accounting standards; and the complexity of IT systems and processes used in the Group's revenue recognition.</p> <p>Refer to the following notes of the consolidated financial statements:</p> <ul style="list-style-type: none"> • Note 3.3 – Summary of significant accounting policies • Note 4 - Revenue • Note 37 – Significant accounting judgements and estimates 	<p>We tested revenue through a combination of controls testing, data analytics and substantive audit procedures covering, in particular:</p> <ul style="list-style-type: none"> ➤ understanding the significant revenue processes and identifying the relevant controls (including IT systems, interfaces and reports); ➤ tested IT general controls, covering pervasive IT risks around access security, change management, data center and network operations. ➤ assessed the Group's selected accounting policies and checked compliance of revenue recognition therewith; ➤ performed data analysis and analytical reviews on significant revenue streams; ➤ tested IT application controls around input, data validation and processing of transactions; and ➤ performed automated and manual controls, and substantive tests, to ascertain accuracy and completeness of revenue. <p>Further, we instructed and ensured that the component auditors of the Group's significant entities have performed consistent audit procedures as per above, as applicable.</p> <p>We also assessed the adequacy and presentation of revenue related disclosures in notes 3.3, 4 and 37 of the consolidated financial statements.</p>

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Key audit matters	How our audit addressed the key audit matters
<p>Carrying value of property, plant and equipment and intangible assets, including goodwill</p> <p>The Group has the following significant assets in the consolidated statement of financial position:</p> <ul style="list-style-type: none"> • goodwill and other related intangible assets of QR 28,821 million; • certain property, plant and equipment in locations with prevailing security concerns. <p>The evaluation of the recoverable amount of these assets requires significant judgements and estimates, especially on the assumptions used in determining discounted future cash flows and utilization of relevant assets.</p> <p>Refer to the following notes of the consolidated financial statements:</p> <ul style="list-style-type: none"> • Note 3.1 – Basis of consolidation • Note 3.3 – Summary of significant accounting policies • Note 12 (ii) (iii) Property, plant and equipment • Note 13 - Intangible assets and goodwill • Note 37 – Significant accounting judgements and estimates 	<p>We focused our testing on impairment assessment models and key assumptions applied by management. Our audit procedures included the following:</p> <ul style="list-style-type: none"> ➤ Understand the business process, identify the internal controls and test their design and implementation. ➤ Evaluated whether the models used by management to calculate the value in use of subject assets or applicable cash generating units (“CGU”) comply with IAS 36 Impairment of Assets. ➤ Obtained and analyzed the approved business plans for each subject asset (or CGU, as applicable) to assess mathematical accuracy and reasonableness of key assumptions; ➤ Assessed the methodology used by the Group to estimate Weighted Average Cost of Capital (WACC) and corroborate discount rates used with external sector related guidelines; ➤ Compared assumptions on long term growth rates based on growth in local GDP and long term inflation expectation to external data; and <p>We performed sensitivity analysis on the key assumptions used by management to understand the extent to which these assumptions need to be adjusted before resulting in additional impairment loss.</p> <p>Further, we have instructed and ensured that where applicable, component auditors have performed consistent audit procedures as per above and performed additional tests to address the uncertainty due to security concerns and control over relevant property, plant and equipment.</p> <p>We assessed the appropriateness of the related disclosures in notes 3.1, 3.3, 12, 13 and 37 of the consolidated financial statements.</p>

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Key audit matters	How our audit addressed the key audit matters
<p>Provisions and contingent liabilities from tax, legal and other regulatory matters</p> <p>The Group operates in multiple jurisdictions which exposes it to certain tax, legal and other regulatory matters. The accounting of these matters require high level of judgements by management in estimating the provisions and presenting the related disclosures in accordance with IFRS.</p> <p>Refer to the following notes of the consolidated financial statements:</p> <ul style="list-style-type: none"> • Note 3.3 – Summary of significant accounting policies • Note 33 - Contingent liabilities • Note 37 – Significant accounting judgments and estimates. 	<p>In responding to this area of focus, our procedures included the following:</p> <ul style="list-style-type: none"> ➤ understanding the Group's policies in addressing tax, legal and regulatory requirements; ➤ assessed the adequacy of the design and implementation of controls over the appropriateness and completeness of provisions; ➤ discussed open matters with the Group's tax, legal and regulatory teams; ➤ read external legal opinions and other relevant documents supporting management's conclusions on these matters, where available; and ➤ obtained direct confirmation and/or discussion with third party legal counsel and tax representatives regarding material cases, where applicable. <p>Further, we have instructed and ensured that component auditors have performed consistent audit procedures as per above, as applicable.</p> <p>We assessed the completeness and appropriateness of the related disclosures in notes 3.3, 33 and 37 of the consolidated financial statements.</p>

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

Other Information

Management is responsible for the other information. The other information comprise Chairman's Message, Group CEO's Message, Operational and Financial Highlights, Our Reach, Our Businesses, Corporate Governance Report, Financial Review, which we obtained prior to the date of this auditor's report and the annual report, which is expected to be made available to us after that date. The other information does not include the consolidated financial statements and our auditor's report thereon.

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

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

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, applicable provisions of Qatar Commercial Companies Law and the Company's Articles of Association and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with ISA's, we exercise professional judgement and maintain professional scepticism throughout the audit. We also

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risk, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosure is inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Report on Other Legal and Regulatory Requirements

Further, as required by the Qatar Commercial Companies Law, we report the following:

- We are of the opinion that proper books of account were maintained by the Group, physical inventory verification has been duly carried out and the contents of the director's report are in agreement with the Group's accompanying consolidated financial statements.
- We obtained all the information and explanations which we considered necessary for the purpose of our audit.
- To the best of our knowledge and belief and according to the information given to us, no contraventions of the applicable provisions of Qatar Commercial Companies Law and the Company's Articles of Association were committed during the year which would materially affect the Group's financial position or its financial performance.

Doha – Qatar
11 February 2018

For Deloitte & Touche
Qatar Branch



Midhat Salha
Partner
License No. 257

QFMA Auditor License No. 120156



CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2017

	Note	2017 <i>QR'000</i>	2016 <i>QR'000</i>
Revenue	4	32,735,032	32,503,259
Operating expenses	5	(12,018,282)	(11,847,032)
Selling, general and administrative expenses	6	(6,888,608)	(7,291,264)
Depreciation and amortisation	7	(8,419,634)	(8,364,066)
Net finance costs	8	(1,740,780)	(1,808,543)
Impairment loss on goodwill and other assets	15, 16	(4,772)	(192,506)
Other income – net	9	144,108	555,944
Share of results in associates and joint ventures – net of tax	15	(45,641)	14,152
Royalties and fees	10	(564,724)	(443,185)
Profit before income tax		3,196,699	3,126,759
Income tax	18	(801,570)	(379,396)
Profit for the year		2,395,129	2,747,363
Profit attributable to:			
Shareholders of the parent		1,966,515	2,192,554
Non-controlling interests		428,614	554,809
		2,395,129	2,747,363
Basic and diluted earnings per share (Attributable to shareholders of the parent) (Expressed in QR per share)	11	6.14	6.84

The attached notes 1 to 45 form part of these consolidated financial statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

 For the year ended 31 December 2017

	<u>Note</u>	<u>2017</u> <u>QR'000</u>	<u>2016</u> <u>QR'000</u>
Profit for the year		2,395,129	2,747,363
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Net changes in fair value of available-for-sale investments	24	66,119	11,371
Effective portion of changes in fair value of cash flow hedges	24	81	(309)
Share of other comprehensive income (loss) of associates and joint ventures	24	(6,585)	2,011
Foreign currency translation differences	24	(39,599)	(799,173)
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Net changes in fair value of employees' benefit reserve	24	(23,046)	(56,338)
Other comprehensive loss – net of tax		(3,030)	(842,438)
Total comprehensive income for the year		2,392,099	1,904,925
Total comprehensive income attributable to:			
Shareholders of the parent		2,032,178	1,416,921
Non-controlling interests		359,921	488,004
		2,392,099	1,904,925

The attached notes 1 to 45 form part of these consolidated financial statements



OOREDOO Q.P.S.C.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

	Note	2017 <i>QR'000</i>	2016 <i>QR'000</i>
ASSETS			
Non-current assets			
Property, plant and equipment	12	29,529,873	32,450,005
Intangible assets and goodwill	13	28,821,013	29,617,154
Investment property	14	60,930	69,058
Investment in associates and joint ventures	15	2,119,936	2,043,222
Available-for-sale investments	16	812,933	732,742
Other non-current assets	17	685,308	586,076
Deferred tax asset	18	305,711	269,987
Total non-current assets		62,335,704	65,768,244
Current assets			
Inventories	19	679,623	581,144
Trade and other receivables	20	8,105,264	7,664,209
Bank balances and cash	21	18,459,188	16,501,877
Total current assets		27,244,075	24,747,230
TOTAL ASSETS		89,579,779	90,515,474
EQUITY			
Share capital	22	3,203,200	3,203,200
Legal reserve	23 (a)	12,434,282	12,434,282
Fair value reserve	23 (b)	522,873	462,600
Employees' benefit reserve	23 (c)	(12,497)	2,482
Translation reserve	23 (d)	(6,298,659)	(6,319,028)
Other statutory reserves	23 (e)	1,202,508	1,152,553
Retained earnings		12,070,177	11,247,966
Equity attributable to shareholders of the parent		23,121,884	22,184,055
Non-controlling interests		6,569,451	6,817,056
Total equity		29,691,335	29,001,111

The attached notes 1 to 45 form part of these consolidated financial statements





OOREDOO Q.P.S.C.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

As at 31 December 2017

	Note	2017 <i>QR'000</i>	2016 <i>QR'000</i>
LIABILITIES			
Non-current liabilities			
Loans and borrowings	26	32,611,650	37,435,014
Employees' benefits	27	888,588	924,777
Deferred tax liabilities	18	376,897	422,240
Other non-current liabilities	28	1,963,028	2,285,034
Total non-current liabilities		35,840,163	41,067,065
Current liabilities			
Loans and borrowings	26	7,243,694	3,313,079
Trade and other payables	29	13,598,427	14,307,134
Deferred income	25	1,883,100	1,827,393
Income tax payable	18	1,323,060	999,692
Total current liabilities		24,048,281	20,447,298
Total liabilities		59,888,444	61,514,363
TOTAL EQUITY AND LIABILITIES		89,579,779	90,515,474


.....
Abdulla Bin Mohammed Bin Saud Al Thani
Chairman


.....
Ali Shareef Al Emadi
Deputy Chairman

The attached notes 1 to 45 form part of these consolidated financial statements

OOREDOO Q.P.S.C.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

Note	<i>Attributable to shareholders of the Parent</i>							<i>Non – controlling interests</i>	<i>Total Equity</i>	
	<i>Share capital</i>	<i>Legal reserve</i>	<i>Fair value reserve</i>	<i>Employees’ benefit reserve</i>	<i>Translation reserve</i>	<i>Other statutory reserves</i>	<i>Retained earnings</i>			<i>Total</i>
	<i>QR’000</i>	<i>QR’000</i>	<i>QR’000</i>	<i>QR’000</i>	<i>QR’000</i>	<i>QR’000</i>	<i>QR’000</i>	<i>QR’000</i>	<i>QR’000</i>	<i>QR’000</i>
At 1 January 2017	3,203,200	12,434,282	462,600	2,482	(6,319,028)	1,152,553	11,247,966	22,184,055	6,817,056	29,001,111
Profit for the year	-	-	-	-	-	-	1,966,515	1,966,515	428,614	2,395,129
Other comprehensive income (loss)	-	-	60,273	(14,979)	20,369	-	-	65,663	(68,693)	(3,030)
Total comprehensive income (loss) for the year	-	-	60,273	(14,979)	20,369	-	1,966,515	2,032,178	359,921	2,392,099
<i>Transactions with shareholders of the Parent, recognised directly in equity</i>										
Dividend for 2016	30	-	-	-	-	-	(1,121,120)	(1,121,120)	-	(1,121,120)
Transfer to other statutory reserves		-	-	-	-	-	49,955	(49,955)	-	-
<i>Transactions with non-controlling interest, recognised directly in equity</i>										
Change in non-controlling interest of a subsidiary (i)		-	-	-	-	-	69,226	69,226	25,129	94,355
Change in associate’s non-controlling interest of its subsidiary		-	-	-	-	-	671	671	-	671
Dividend for 2016		-	-	-	-	-	-	-	(632,303)	(632,303)
<i>Transactions with non-owners of the Group, recognised directly in equity</i>										
Transfer to social and sports fund	40	-	-	-	-	-	(41,269)	(41,269)	-	(41,269)
Transfer to employee association fund		-	-	-	-	-	(1,857)	(1,857)	(352)	(2,209)
At 31 December 2017	3,203,200	12,434,282	522,873	(12,497)	(6,298,659)	1,202,508	12,070,177	23,121,884	6,569,451	29,691,335

(i) One of the Group subsidiaries, Ooredoo Maldives, finalised an initial public offering (“IPO”) representing 9.5% shareholding on 20 July 2017. This resulted in total proceeds amounting to QR. 94.4 million and gain on disposal amounting to QR 69.2 million treated as an equity transaction.

The attached notes 1 to 45 form part of these consolidated financial statements



OOREDOO Q.P.S.C.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the year ended 31 December 2017

	Note	Attributable to shareholders of the parent							Non – controlling interests	Total Equity	
		Share capital	Legal reserve	Fair value reserve	Employees’ benefit reserve	Translation reserve	Other statutory reserves	Retained earnings			Total
		QR’000	QR’000	QR’000	QR’000	QR’000	QR’000	QR’000	QR’000	QR’000	
At 1 January 2016		3,203,200	12,434,282	448,184	39,102	(5,565,599)	1,094,696	10,155,924	21,809,789	6,563,076	28,372,865
Profit for the year		-	-	-	-	-	-	2,192,554	2,192,554	554,809	2,747,363
Other comprehensive income (loss)		-	-	14,416	(36,620)	(753,429)	-	-	(775,633)	(66,805)	(842,438)
Total comprehensive income (loss) for the year		-	-	14,416	(36,620)	(753,429)	-	2,192,554	1,416,921	488,004	1,904,925
<i>Transactions with shareholders of the Parent, recognised directly in equity</i>											
Dividend for 2015	30	-	-	-	-	-	-	(960,960)	(960,960)	-	(960,960)
Transfer to other statutory reserves		-	-	-	-	-	57,857	(57,857)	-	-	-
<i>Transactions with non-controlling interest, recognised directly in equity</i>											
Change in associate’s non-controlling interest of its subsidiary		-	-	-	-	-	-	(1,786)	(1,786)	-	(1,786)
Dividend for 2015		-	-	-	-	-	-	-	-	(229,398)	(229,398)
<i>Transactions with non-owners of the Group, recognised directly in equity</i>											
Transfer to social and sports fund	40	-	-	-	-	-	-	(55,467)	(55,467)	-	(55,467)
Transfer to employee association fund		-	-	-	-	-	-	(24,442)	(24,442)	(4,626)	(29,068)
At 31 December 2016		<u>3,203,200</u>	<u>12,434,282</u>	<u>462,600</u>	<u>2,482</u>	<u>(6,319,028)</u>	<u>1,152,553</u>	<u>11,247,966</u>	<u>22,184,055</u>	<u>6,817,056</u>	<u>29,001,111</u>

The attached notes 1 to 45 form part of these consolidated financial statements



OOREDOO Q.P.S.C.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2017

	Note	2017 <i>QR'000</i>	2016 <i>QR'000</i>
OPERATING ACTIVITIES			
Profit before income tax		3,196,699	3,126,759
Adjustments for:			
Depreciation and amortization		8,419,634	8,364,066
Dividend income	9	(28,424)	(13,608)
Impairment loss on goodwill and other assets	15, 16	4,772	192,506
Reversal of impairment of assets		(8,265)	-
Gain on disposal of available-for-sale investments		(1,295)	(2,975)
Gain on disposal of property, plant and equipment		(63,681)	(31,645)
Gain on disposal of a subsidiary	41	-	(34,450)
Finance cost	8	2,091,924	2,139,686
Finance income	8	(351,144)	(331,143)
Provision for employees' benefits		162,785	304,205
Provision against doubtful debts		296,346	212,251
Share of results in associates and joint ventures – net of tax	15	45,641	(14,152)
Operating profit before working capital changes		13,764,992	13,911,500
Working capital changes:			
Changes in inventories		(98,479)	121,350
Changes in trade and other receivables		(737,401)	(257,942)
Changes in trade and other payables		(659,066)	(1,980,198)
Cash from operations		12,270,046	11,794,710
Finance costs paid		(2,010,478)	(2,097,764)
Employees' benefits paid	27	(272,110)	(179,856)
Income tax paid		(560,566)	(322,387)
Net cash from operating activities		9,426,892	9,194,703
INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		(3,801,347)	(5,705,965)
Acquisition of intangible assets		(1,225,693)	(2,652,941)
Net cash outflow from acquisition of a subsidiary	42	-	(131,816)
Investment in an associate		(43,960)	(24,743)
Investment in joint ventures		(79,838)	(38,596)
Investment in available-for-sale investments		(20,218)	(15,259)
Proceeds from disposal of property, plant and equipment		117,121	506,231
Proceeds from disposal of available-for-sale investments		3,277	3,842
Proceeds from disposal of a subsidiary	41	-	27,274
Movement in restricted deposits		(106,210)	(313,440)
Movement in short-term deposits		(318,229)	(201,027)
Movement in other non-current assets		(108,264)	89,470
Dividend received		133,042	120,628
Interest received		351,144	331,143
Net cash used in investing activities		(5,099,175)	(8,005,199)

The attached notes 1 to 45 form part of these consolidated financial statements



OOREDOO Q.P.S.C.

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

For the year ended 31 December 2017

	Note	2017 <i>QR'000</i>	2016 <i>QR'000</i>
FINANCING ACTIVITIES (i)			
Proceeds from loans and borrowings		4,515,609	10,193,590
Repayment of loans and borrowings		(5,361,342)	(12,352,098)
Proceeds from IPO transaction		94,355	-
Additions to deferred financing costs	26	(8,076)	(100,283)
Dividend paid to shareholders of the parent	30	(1,121,120)	(960,960)
Dividend paid to non-controlling interests		(632,303)	(229,398)
Movement in other non-current liabilities		(286,046)	130,779
Net cash used in financing activities		(2,798,923)	(3,318,370)
NET CHANGE IN CASH AND CASH EQUIVALENTS			
		1,528,794	(2,128,866)
Effect of exchange rate fluctuations		4,078	(41,904)
Cash and cash equivalents at 1 January		15,562,730	17,733,500
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	21	17,095,602	15,562,730

(i) Refer to Note 45 for the reconciliation of liabilities arising from financing activities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

1 REPORTING ENTITY

Qatar Public Telecommunications Corporation (the “Corporation”) was formed on 29 June 1987 domiciled in the State of Qatar by Law No. 13 of 1987 to provide domestic and international telecommunication services within the State of Qatar. The Company’s registered office is located at 100 Westbay Tower, Doha, State of Qatar.

The Corporation was transformed into a Qatari Shareholding Company under the name of Qatar Telecom (Qtel) Q.S.C. (the “Company”) on 25 November 1998, pursuant to Law No. 21 of 1998.

In June 2013, the legal name of the Company was changed to Ooredoo Q.S.C. This change had been duly approved by the shareholders at the Company’s extraordinary general assembly meeting held on 31 March 2013.

The Company changed its legal name from Ooredoo Q.S.C. to Ooredoo Q.P.S.C. to comply with the provisions of the new Qatar Commercial Companies Law issued on 7 July 2015.

The Company is a telecommunications service provider licensed by the Communications Regulatory Authority (CRA) (formerly known as Supreme Council of Information and Communication Technology (ictQATAR)) to provide both fixed and mobile telecommunications services in the state of Qatar. As a licensed service provider, the conduct and activities of the Company are regulated by CRA pursuant to Law No. 34 of 2006 (Telecommunications Law) and the Applicable Regulatory Framework.

The Company and its subsidiaries (together referred to as the “Group”) provides domestic and international telecommunication services in Qatar and elsewhere in the Asia and MENA region. Qatar Holding L.L.C. is the Parent Company of the Group.

The consolidated financial statements of the Group for the year ended 31 December 2017 were authorised for issue in accordance with a resolution of the Board of Directors of the Company on 11 February 2018.

2 BASIS OF PREPARATION

a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB), applicable provisions of Qatar Commercial Companies Law and the Company’s Articles of Association.

b) Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis except for the following:

- Available-for-sale investments are measured at fair value;
- Derivative financial instruments are measured at fair value; and
- Liabilities for cash-settled share-based payment arrangements are measured at fair value through profit or loss;

Historical cost is based on the fair value of the consideration given in exchange for goods and services. The methods used to measure fair values are discussed further in note 35.

c) Functional and presentation currency

These consolidated financial statements are presented in Qatari Riyals, which is the Company’s functional currency. All the financial information presented in these consolidated financial statements has been rounded off to the nearest thousand (QR’000) except where otherwise indicated.

d) Use of estimates and judgments

The preparation of consolidated financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

2 BASIS OF PREPARATION (CONTINUED)

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements is included in note 37.

3 SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements comprise the financial statements of Ooredoo Q.P.S.C and its subsidiaries (together referred to as the “Group”). The accounting policies set out below have been applied consistently to all the periods presented in these consolidated financial statements, and have been applied consistently by the Group entities, where necessary, adjustments are made to the financial statements of the subsidiaries to bring their accounting policies in line with those used by the Group.

3.1. BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (including structured entities) and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company’s voting rights in an investee are sufficient to give it power, including:

- the size of the Company’s holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the company, other vote holders or other parties
- rights arising from contractual arrangements; and
- any additional facts and circumstances that indicate that the company has, or does not have the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders’ meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit and loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributable to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group’s accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 BASIS OF CONSOLIDATION (CONTINUED)

a) Business combinations and Goodwill

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

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

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for noncontrolling interests and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, we reassess whether we correctly identified all of the assets acquired and all of the liabilities assumed and review the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain on a bargain purchase is recognized in profit or loss.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, we report in our consolidated financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, which is no longer than one year from the acquisition date, the provisional amounts recognized at acquisition date are retrospectively adjusted to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognized as of that date. During the measurement period, we also recognize additional assets or liabilities if new information is obtained about facts and circumstances that existed as of the acquisition date and, if known, would have resulted in the recognition of those assets and liabilities as of that date.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**3.1 BASIS OF CONSOLIDATION (CONTINUED)****a) Business combinations and Goodwill (continued)**

Where goodwill acquired in a business combination has yet to be allocated to identifiable CGUs because the initial accounting is incomplete, such provisional goodwill is not tested for impairment unless indicators of impairment exist and we can reliably allocate the carrying amount of goodwill to a CGU or group of CGUs that are expected to benefit from the synergies of the business combination. Where goodwill has been allocated to a CGU and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the disposed operation and the portion of the CGU retained.

b) Non-controlling interests ("NCI")

NCI are measured at their proportionate share of the acquiree's identifiable net assets at the acquisition date. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

c) Subsidiaries

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

d) Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in consolidated statement of profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

e) Interests in associates and joint ventures

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

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

Interests in associates and joint ventures are accounted for using the equity method. They are recognised initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of associates and joint ventures less any impairment in the value of individual investments. Losses of the associates and joint ventures in excess of the Group's interest are not recognised unless the Group has incurred legal or constructive obligations on their behalf. The carrying values of investments in associates and joint ventures are reviewed on a regular basis and if an impairment in the value has occurred, it is written off in the period in which those circumstances are identified.

Any excess of the cost of acquisition over the Group's share of the fair values of the identifiable net assets of the associates and joint ventures at the date of acquisition is recognised as goodwill and included as part of the cost of investment. Any deficiency of the cost of acquisition below the Group's share of the fair values of the identifiable net assets of the associates and joint ventures at the date of acquisition is credited to the consolidated statement of profit or loss in the year of acquisition.

The Group's share of associates' and joint ventures' results is based on the most recent financial statements or interim financial statements drawn up to the Group's reporting date.

Profits and losses resulting from upstream and downstream transactions between the Group (including its consolidated subsidiaries) and its associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of unrelated group's interests in the associates or joint ventures.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**3.1 BASIS OF CONSOLIDATION (CONTINUED)****f) Transactions eliminated on consolidation**

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

The subsidiaries of the Group, incorporated in the consolidated financial statements of Ooredoo Q.P.S.C. are as follows:

Name of subsidiary	Principal activity	Country of incorporation	Group effective shareholding percentage	
			2017	2016
Ooredoo Investment Holding S.P.C.	Investment company	Bahrain	100%	100%
Ooredoo International Investments L.L.C	Investment company	Qatar	100%	100%
Ooredoo Group L.L.C.	Management service company	Qatar	100%	100%
Ooredoo South East Asia Holding S.P.C	Investment company	Bahrain	100%	100%
West Bay Holding S.P.C.	Investment company	Bahrain	100%	100%
Ooredoo Asian Investments Pte. Ltd.	Investment company	Singapore	100%	100%
Al Dafna Holding S.P.C.	Investment company	Bahrain	100%	100%
Al Khor Holding S.P.C.	Investment company	Bahrain	100%	100%
IP Holdings Limited	Investment company	Cayman Islands	100%	100%
Ooredoo Myanmar Tower Holding Co.	Investment company	Cayman Islands	100%	100%
wi-tribe Asia Limited	Investment company	Cayman Islands	100%	100%
Ooredoo Asia Pte. Ltd.	Investment company	Singapore	100%	100%
Ooredoo International Finance Limited	Investment company	Bermuda	100%	100%
MENA Investcom S.P.C.	Investment company	Bahrain	100%	100%
Omani Qatari Telecommunications Company S.A.O.G. ("Ooredoo Oman")	Telecommunication company	Oman	55.0%	55.0%
Starlink W.L.L.	Telecommunication company	Qatar	72.5%	72.5%
National Mobile Telecommunications Company K.S.C.P ("Ooredoo Kuwait")	Telecommunication company	Kuwait	92.1%	92.1%
Wataniya International FZ – L.L.C.	Investment company	United Arab Emirates	92.1%	92.1%
Al-Bahar United Company W.L.L. ("Phono")	Telecommunication company	Kuwait	92.1%	92.1%
Al Wataniya Gulf Telecommunications Holding Company S.P.C.	Investment company	Bahrain	92.1%	92.1%
Ooredoo Maldives PLC	Telecommunication company	Maldives	83.3%	92.1%
WARF Telecom International Pvt. Ltd.	Telecommunication company	Maldives	59.9%	59.9%
Wataniya Telecom Algeria S.P.A. ("Ooredoo Algeria")	Telecommunication company	Algeria	74.4%	74.4%
Ooredoo Consortium Ltd.	Investment company	Malta	92.1%	92.1%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**3.1 BASIS OF CONSOLIDATION (CONTINUED)**

Name of subsidiary	Principal activity	Country of incorporation	Group effective shareholding percentage	
			31 Dec 2017	31 Dec 2016
Ooredoo Tunisia Holdings Ltd.	Investment company	Malta	92.1%	92.1%
Ooredoo Malta Holdings Ltd.	Investment company	Malta	100%	100%
Ooredoo Tunisie S.A.	Telecommunication company	Tunisia	84.1%	84.1%
Wataniya Palestine Mobile Telecommunications Public Shareholding Company ("Wataniya Palestine") (i)	Telecommunication company	Palestine	44.6%	44.6%
Raywood Inc.	Investment company	Cayman Islands	100%	100%
Newood Inc.	Investment company	Cayman Islands	100%	100%
Midya Telecom Company Limited ("Fanoos") (ii)	Telecommunication company	Iraq	49.0%	49.0%
Al-Rowad General Services Limited	Investment company	Iraq	100%	100%
Asiacell Communications PJSC	Telecommunication company	Iraq	64.1%	64.1%
wi-tribe Limited	Investment company	Cayman Islands	86.1%	86.1%
Barzan Holding S.P.C.	Investment company	Bahrain	100%	100%
Laffan Holding S.P.C.	Investment company	Bahrain	100%	100%
Zekret Holding S.P.C.	Investment company	Bahrain	100%	100%
Ooredoo Myanmar Ltd.	Telecommunication company	Myanmar	100%	100%
Al Wokaer Holding S.P.C.	Investment company	Bahrain	100%	100%
Al Wakrah Holding S.P.C.	Investment company	Bahrain	100%	100%
Ooredoo Tamweel Ltd.	Investment company	Cayman Islands	100%	100%
Ooredoo IP L.L.C.	Management service company	Qatar	100%	100%
Ooredoo Global Services FZ-L.L.C	Management service company	United Arab Emirates	100%	100%
Ooredoo Global Services L.L.C	Management service company	Qatar	100%	-
Seyoula International Investments S.P.C	Investment company	Qatar	100%	100%
Ooredoo Innovate FZ – L.L.C	Investment company	United Arab Emirates	-	100%
Fast Telecommunications Company W.L.L.	Telecommunication company	Kuwait	92.1%	92.1%
Ooredoo Myanmar Fintech Limited	Telecommunication company	Myanmar	100%	100%
OIH Investment L.L.C.	Investment company	Qatar	100%	-
Al Wokaer East L.L.C.	Investment company	Qatar	100%	-
Barzan East L.L.C.	Investment company	Qatar	100%	-
Mena Investcom L.L.C.	Investment company	Qatar	100%	-
Al Wakra East L.L.C.	Investment company	Qatar	100%	-
OSEA Investment L.L.C.	Investment company	Qatar	100%	-
PT. Indosat Tbk ("Indosat Ooredoo")	Telecommunication company	Indonesia	65.0%	65.0%
Indosat Singapore Pte. Ltd.	Management service company	Singapore	65.0%	65.0%
PT Indosat Mega Media	Telecommunication company	Indonesia	64.9%	64.9%
PT Starone Mitra Telekomunikasi	Telecommunication company	Indonesia	65.0%	65.0%
PT Aplikanusa Lintasarta (iii)	Telecommunication company	Indonesia	47.0%	47.0%
PT Artajasa Pembayaran Elektronik (iii)	Telecommunication company	Indonesia	25.9%	25.9%
PT Lintas Media Danawa (iii)	Investment company	Indonesia	32.9%	32.9%
PT Interactive Vision Media	Telecommunication company	Indonesia	64.9%	64.9%
PT Portal Bursa Digital (iii)	Investment company	Indonesia	40.3%	40.3%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTSFor the year ended 31 December 2017

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**3.1 BASIS OF CONSOLIDATION (CONTINUED)**

- (i) The Group holds 44.6% of Wataniya Palestine and has established control over the entity as it can demonstrate power through its indirect ownership of National Mobile Telecommunications Company K.S.C.P (“NMTC”) by virtue of NMTC having more than 51% of the voting interests in Wataniya Palestine Mobile Telecommunications Public Shareholding Company (“WPT”). This exposes and establishes rights of the Group to variable returns and gives ability to affect those returns through its power over WPT.
- (ii) The Group incorporated Raywood Inc (“Raywood”), a special purpose entity registered in Cayman Islands with 100% (2016: 100%) voting interest held by the Group to carry out investment activities in Iraq. Raywood acquired 49% voting interest of Midya Telecom Company Limited (“MTCL”) in Iraq. Although the Group holds less than a majority of the voting rights of MTCL, the Group can still demonstrate its power by virtue of shareholders’ agreement entered into between Raywood and MTCL, Iraq. This arrangement exposes the Group to variable returns and gives the ability to affect those returns over MTCL.
- (iii) The Group has the power, indirectly through PT Indosat Tbk (“Indosat Ooredoo”) by virtue of Indosat Ooredoo having control over these companies. This exposes the Group to variable returns from their investment and gives ability to affect those returns through its power over them. Hence, these companies have been considered as subsidiaries of the Group.

3.2 APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

The accounting policies adopted are consistent with those of the previous financial year, except for the new and amended IAS, IFRS and IFRIC interpretations effective as of 1 January 2017. The adoption of the new and amended standards and interpretations did not have any material effect on the consolidated financial statements of the Group. They did however give rise to additional disclosures. The following standards, amendments and interpretations, which became effective 1 January 2017, are relevant to the Group:

3.2.1 New and revised IFRSs that are mandatorily effective

The following new and revised IFRSs, which became effective for annual periods beginning on or after 1 January 2017, have been adopted in these consolidated financial statements.

- Amendments to IAS 7 – Disclosure Initiative
- Amendments to IAS 12 – Recognition of Deferred Tax Assets for Unrealised Losses
- Annual Improvements to IFRSs: 2014-16 Cycle – IFRS 12 Amendments

The application of these revised IFRSs has not had any material impact on the amounts reported for the current and prior years but may affect the accounting for future transactions or arrangements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**3.2.2. New and revised IFRSs in issue but not yet effective**

<u>New and revised IFRSs</u>	<u>Effective for annual periods beginning on or after</u>
Annual Improvements to IFRS Standards 2014 – 2016 Cycle amending IFRS 1 and IAS 28	1 January 2018
Amendments to IFRS 4 <i>Insurance Contracts</i> : Relating to the different effective dates of IFRS 9 and the forthcoming new insurance contracts standard.	1 January 2018
IFRIC 22 <i>Foreign Currency Transactions and Advance Consideration</i>	1 January 2018
The interpretation addresses foreign currency transactions or parts of transactions where: <ul style="list-style-type: none"> • there is consideration that is denominated or priced in a foreign currency; • the entity recognises a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and • the prepayment asset or deferred income liability is non-monetary. 	
Amendments to IFRS 2 <i>Share Based Payment</i> regarding classification and measurement of share based payment transactions.	1 January 2018
Amendments to IAS 40 <i>Investment Property</i> : Amends paragraph 57 to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use. The paragraph has been amended to state that the list of examples therein is non-exhaustive.	1 January 2018
Amendments to IFRS 7 <i>Financial Instruments: Disclosures</i> relating to disclosures about the initial application of IFRS 9.	When IFRS 9 is first applied
IFRS 7 <i>Financial Instruments: Disclosures</i> relating to the additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9.	When IFRS 9 is first applied

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**3.2.2. New and revised IFRSs in issue but not yet effective (continued)**IFRS 9 *Financial Instruments* (revised versions in 2009, 2010, 2013 and 2014)

1 January 2018

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

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

The standard contains requirements in the following areas:

- **Classification and measurement:** Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk.
- **Impairment:** The 2014 version of IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognised.
- **Hedge accounting:** Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.
- **Derecognition:** The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

The impact of applying the Standard is still under final assessment; however based on management's initial assessment, the Group expects the first-time application of the Standard may not have a material impact on the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2.2. New and revised IFRSs in issue but not yet effective (continued)

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

- Depending on the respective underlying business model, the new rules in relation to the classification of financial assets will in some cases give rise to changes in measurement and presentation. The Group has yet to elect whether to reclassify its Available for sale investments as FVTPL or FVTOCI. This classification on first time adoption is irrevocable.
- The new rules regarding the accounting of impairment losses will lead to expected losses having to be expensed earlier in some cases. The Group is in the process of developing their expected credit loss model (ECL) in accordance with the simplified approach under IFRS 9. The ECL model will be applied to trade receivables, related party receivables and other receivables.
- The exemption to measure unquoted equity investments at cost has been eliminated. Under IFRS 9, all investments in equity instruments (both quoted and unquoted) are required to be measured at fair value.
- The transition of existing hedging relationships to the new Standard are not expected to have any material financial impacts.

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

IFRS 15 Revenue from Contracts with Customers

1 January 2018

In May 2014, IFRS 15 was issued which established a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**3.2.2. New and revised IFRSs in issue but not yet effective (continued)**

Under IFRS 15, an entity recognises when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

Amendments to IFRS 15 *Revenue from Contracts with Customers* were made to clarify three aspects of the standard (identifying performance obligations, principal versus agent considerations, and licensing) and to provide some transition relief for modified contracts and completed contracts.

The Group will utilize the option for modified transition approach, i.e., the contracts that are not complete by January 1, 2018 will be accounted for as if they had been recognised in accordance with IFRS 15 from the very beginning.

The cumulative effect arising from the transition will be recognised as an adjustment to the opening balance of equity in the year of initial application, i.e. 1 January 2018.

Prior-year comparatives will not be adjusted; instead, the Group will provide an explanation of the reasons for the changes in items in the consolidated statement of financial position and in the statement of profit or loss for the current period as a result of applying IFRS 15 for the first time.

The Group has assessed the impact on the consolidated financial statements upon initial application of IFRS 15 and provided the key impacts below:

- Revenue from transit services and valued added services will be accounted for differently under IFRS 15. In consideration of the indicators of controls provided in IFRS 15, the Group has assessed that they will be acting as principal on these types of arrangement with the customers. As such the revenue will be accounted on a gross basis. This change will result to an increase in transit revenue and cost.
- The Group has loyalty schemes for the customers and award loyalty points under this scheme. These points can be applied to redeem different products and services from the Group or through its partners. Under IFRS 15, the Group has assessed that they will be acting as an agent for the loyalty points which are redeemed through partners.
- Connection fees charged by Group for activation of services will be recognized over the contract period under IFRS 15. Although the connection fee relates to activities that the Group is required to undertake at or near contract inception to fulfil the contract, it does not result in the transfer of a promised good or service to the customer and will be recognized as revenue when the associated goods or services are provided (i.e. as the identified performance obligations are satisfied).
- Installation cost, commission paid to third party dealers and marketing expenses that are incremental in obtaining the contract will be capitalized and amortized under IFRS 15. Recognised contract assets will be subject to impairment assessment under IFRS 9 requirements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2.2. New and revised IFRSs in issue but not yet effective (continued)

- In the case of multiple-element arrangements (e.g., mobile contract plus handset) with subsidized products delivered in advance, a larger portion of the total remuneration is attributable to the component delivered in advance (mobile handset), requiring earlier recognition of revenue. This would lead to the recognition of a contract asset – a receivable arising from the customer contract that has not yet legally come into existence – in the consolidated statement of financial position.

Management anticipates that IFRS 15 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2018.

IFRS 16 *Leases*

1 January 2019

IFRS 16 specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

Management have not yet performed a detailed analysis of the impact of the application of IFRS 16 and hence have not yet quantified the extent of the impact.

Management anticipates that IFRS 16 will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2019.

Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates and Joint Ventures* (2011) relating to the treatment of the sale or contribution of assets from and investor to its associate or joint venture.

Effective date deferred indefinitely

IFRIC 23 *Uncertainty over Income Tax Treatments*

1 January 2019

Amendments to IFRS 9 (October 2017)

1 January 2019

Amendments to IAS 28 (October 2017)

1 January 2019

Annual Improvements to IFRS Standards 2015–2017 Cycle amending IFRS 3, IFRS 11, IAS 12 and IAS 23 (December 2017)

1 January 2019

IFRS 17 *Insurance Contracts*

1 January 2021

Management anticipates that these new standards, interpretations and amendments will be adopted in the Group's consolidated financial statements as and when they are applicable and adoption of these new standards, interpretations and amendments, except for IFRS 9, IFRS 15 and IFRS 16 as highlighted in previous paragraph, may have no material impact on the consolidated financial statements of the Group in the period of initial application.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****Revenue**

Revenue represents the fair value of consideration received or receivable for communication services and equipment sales net of discounts and sales taxes. Revenue from rendering of services and sale of equipment is recognised when it is probable that the economic benefits associated with the transaction shall flow to the Group and the amount of revenue and the associated costs can be measured reliably.

When deciding the most appropriate basis for presenting revenue and cost of revenue, we assess our revenue arrangements against specific criteria to determine if we are acting as principal or agent. We consider both the legal form and the substance of our agreement, to determine each party's respective roles in the agreement. We are acting as a principal when we have the significant risks and rewards associated with the rendering of telecommunication services.

When our role in a transaction is that of principal, revenue is presented on a gross basis, otherwise, revenue is presented on a net basis.

The Group principally obtains revenue from providing telecommunication services comprising access charges, airtime usage, messaging, interconnect fee, data services and infrastructure provision, connection fees, equipment sales and other related services. The specific revenue recognition criteria applied to significant elements of revenue are set out below:

Revenue from rendering of services

Revenue for access charges, airtime usage and messaging by contract customers is recognised as revenue as services are performed with unbilled revenue resulting from services already provided accrued at the end of each period and unearned revenue from services to be provided in future periods deferred.

Interconnection revenue

Revenues from network interconnection with other domestic and international telecommunications carriers are recognised based on the actual recorded traffic minutes in the period of occurrence.

Sales of prepaid cards

Sale of prepaid cards is recognised as revenue based on the actual utilisation of the prepaid cards sold. Sales relating to unutilised prepaid cards are accounted as deferred income. Deferred income related to unused prepaid cards is recognised as revenue when utilised by the customer or upon termination of the customer relationship or upon expiration of the prepaid cards.

Multiple element deliverables

In revenue arrangements including more than one deliverable that have value to a customer on standalone basis, the arrangement consideration is allocated to each deliverable based on their relative fair value to reflect the substance of the transaction. Where fair value is not directly observable, the total consideration is allocated using an appropriate allocation method. The cost of elements is immediately recognised in consolidated statement of profit or loss.

Third party projects

Network infrastructure projects undertaken on behalf of third parties is measured on the percentage of completion method based on the costs incurred plus profits recognized to date less progress billings and recognized losses.

In the consolidated statement of financial position, projects in progress for which costs incurred plus recognized profits exceed progress billings and recognized losses are presented as trade and other receivables. Advances received from customers are presented as deferred income/revenue.

Sales of equipment

Revenue from sales of peripheral and other equipment is recognised when the significant risks and rewards of ownership are transferred to the buyer which is normally when the equipment is delivered and accepted by the customer.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****Revenue (continued)***Investment property rental income*

Rental income from investment property is recognised as revenue on a straight-line basis over the term of the lease. Rental income from other property is recognised as other income. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

Loyalty program

The Group has a customer loyalty programme whereby customers are awarded credits (“points”) based on the usage of products and services, entitling customers to the right to redeem the accumulated points via specified means. The fair value of the consideration received or receivable in respect of the initial sale is allocated between the points and the other components of sale. The amount allocated to the points is estimated by reference to the fair value of the right to redeem it at a discount for the products of the Group or for products or services provided by third parties. The fair value of the right to redeem is estimated based on the amount of discount, adjusted to take into account the expected forfeiture rate.

The amount allocated to the points is deferred and included in deferred revenue. Revenue is recognised when these points are redeemed and the Group has fulfilled its obligations to the customer. The amount of revenue recognised in those circumstances is based on the number of the points that have been redeemed, relative to the total number of points that is expected to be redeemed. Deferred revenue is also released to revenue when it is no longer considered probable that the points will be redeemed.

Licence and spectrum fees

Amortisation periods for licence and spectrum fees are determined primarily by reference to the unexpired licence period, the conditions for licence renewal and whether licences are dependent on specific technologies.

Amortisation is charged to the consolidated statement of profit or loss on a straight-line basis over the estimated useful lives from the commencement of service of the network.

The Group is dependent on the licenses that each operating company holds to provide their telecommunications services.

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date.

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

The Group as lessor

Leases where we retain substantially all the risks and benefits of ownership of the asset are classified as operating leases. Any initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same bases as rental income. Rental income is recognized in our consolidated income statement on a straight-line basis over the lease term.

The amounts due from lessees under finance leases are recorded as receivables at the amount of Group’s net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group’s net investment outstanding in respect of leases.

Revenues from the sale of transmission capacity on terrestrial and submarine cables are recognized on a straight-line basis over the life of the contract. Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****Leases (continued)***The Group as lessee*

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

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

All other leases are classified as finance leases. A finance lease gives rise to the recognition of a leased asset and finance lease liability. Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term, if there is no reasonable certainty that we will obtain ownership of the leased asset at the end of the lease term. Interest expense is recognized over the lease term using the effective interest method ("EIR").

Sale and leaseback transactions – where the Group is the lessee

A sale and leaseback transaction involves the sale of an asset by the Group and the leasing of the same asset back to the Group. The lease payments and the sale price are usually interdependent as they are negotiated as a package. The accounting treatment of a sale and leaseback transaction depends upon the type of lease involved and the economic and commercial substance of the whole arrangement.

(a) Finance leases

Sale and leaseback arrangements that result in the Group retaining the majority of the risks and rewards of ownership of assets are accounted for as finance leases. Any excess of sales proceeds over the carrying amount is deferred and amortised over the lease term.

(b) Operating leases

Sale and leaseback arrangements that result in substantially all of the risks and rewards of ownership of assets being transferred to the lessor are accounted for as operating leases. Any excess of sales proceeds over the carrying amount is recognised in the statement of profit or loss as gain on disposal.

Other income

Other income represents income generated by the Group that arises from activities outside of the provision for communication services and equipment sales. Key components of other income are recognised as follows:

Dividend income

Dividend income is recognised when the Group's right to receive the dividend is established.

Commission income

When the Group acts in the capacity of an agent rather than as the principal in the transaction, the revenue recognised is the net amount of commission made by the Group.

Taxation

Some of the subsidiaries and the joint ventures are subject to taxes on income in various foreign jurisdictions. Income tax expense represents the sum of current and deferred tax.

Current income tax

Current income tax assets and liabilities for the current year and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities.

The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the financial reporting year and any adjustment to tax payable in respect of previous years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation (continued)

Deferred income tax

Deferred income tax is provided based on temporary differences at the end of the financial reporting year between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit or loss nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- Where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit or loss nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of the financial reporting year.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Current and deferred tax for the year

Current and deferred income tax are recognized in profit or loss, except when they related to items that are recognized in other comprehensive income or directly in equity, in which case, the current deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred income tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Tax exposure

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Group to change its judgments regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Discontinued operations

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

- represents a separate major line of business or geographical area of operations;
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to re-sale.

Classification as a discontinued operation occurs on disposal or when the operation meets the criteria to be classified as held-for-sale, if earlier. When an operation is classified as a discontinued operation, the comparative consolidated statement of profit or loss or other comprehensive income is represented as if the operation had been discontinued from the start of the comparative year.

Finance income and finance cost

Finance income comprises interest income on funds invested that is recognised in profit or loss and reclassifications of net gains previously recognised in other comprehensive income. Interest income is recognised as it accrues in profit or loss, using effective interest method.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions recognised in consolidated statement of other comprehensive income.

Other income /(expenses) - net

Other income comprises of fair value gains on financial assets at fair value through profit or loss, gains on the remeasurement to fair value of any pre-existing interest in an acquire in a business combination, gains on hedging instruments that are recognised in profit or loss and reclassifications of net gains previously recognised in other comprehensive income.

Other expenses comprise of fair value losses on financial assets at fair value through profit or loss, losses on hedging instruments that are recognised in consolidated statement of profit or loss and reclassifications of net losses previously recognised in consolidated statement of other comprehensive income.

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in consolidated statement of profit or loss using the effective interest method.

Foreign currency gains and losses on financial assets and financial liabilities are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position.

Property, plant and equipment

Recognition and measurement

Property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Assets in the course of construction are carried at cost, less any impairment.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The costs of self constructed assets include the following:

- The cost of materials and direct labour;
- Any other costs directly attributable to bringing the assets to a working condition for their intended use;
- When the Group has an obligation to remove the asset or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located; and
- Capitalized borrowing costs

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment (continued)

Cost also includes transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in consolidated statement of profit or loss.

Construction-in-progress is transferred to the related property, plant and equipment when the construction or installation and related activities necessary to prepare the property and equipment for their intended use have been completed, and the property and equipment are ready for operational use.

Transfer to investment property

When the use of property changes from owner-occupied to investment property, the property is reclassified accordingly at the carrying amount on the date of transfer in accordance with cost model specified under IAS 40.

Expenditure

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

Depreciation

Items of property, plant and equipment are depreciated on a straight line basis in the consolidated statement of profit or loss over the estimated useful lives of each component. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

Depreciation of these assets commences from the date that they are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use. The estimated useful lives of the property, plant and equipment are as follows:

Land lease rights under finance lease	50 years
Buildings	5 – 40 years
Exchange and networks assets	5 – 25 years
Subscriber apparatus and other equipment	2 – 10 years

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

Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the consolidated statement of profit or loss in the year the asset is derecognised. The asset's residual values, useful lives and method of depreciation are reviewed, and adjusted if appropriate, at each financial year end.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****Borrowing costs**

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

Intangible assets and goodwill

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the consolidated statement of profit or loss in the year in which the expenditure is incurred.

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

Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss as incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalised includes the cost of materials, direct labour, overhead costs that are directly attributable to preparing the asset for its intended use, and capitalised borrowing costs. Other development expenditure is recognized in profit or loss as incurred. Capitalised development expenditure is measured at cost less accumulated amortisation and any accumulated impairment losses.

Indefeasible rights of use ("IRU")

IRUs correspond to the right to use a portion of the capacity of a terrestrial or submarine transmission cable granted for a fixed period. IRUs are recognised at cost as an asset when the Group has the specific indefeasible right to use an identified portion of the underlying asset, generally optical fibres or dedicated wavelength bandwidth, and the duration of the right is for the major part of the underlying asset's economic life. They are amortised on a straight line basis over the shorter of the expected period of use and the life of the contract which ranges between 10 to 15 years.

Construction-in-progress related to IRU is initially presented as part of property, plant and equipment. When the construction or installation and related activities necessary to prepare the IRU for their intended use and operations have been completed, the related IRU will be transferred from property, plant and equipment to intangible assets.

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

Goodwill

Goodwill represents the excess of the cost of the acquisition over the fair value of identifiable net assets of the investee at the date of acquisition which is not identifiable to specific assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****Intangible assets and goodwill (continued)***Goodwill (continued)*

Goodwill acquired in a business combination from the acquisition date is allocated to each of the Group's cash-generating units, or groups of cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Each unit or group of units to which the goodwill is allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- is not larger than a segment based on the Group's operating segments as determined in accordance with IFRS 8, Operating Segments.

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

	<i>License costs</i>	<i>Customer contracts and related customer relationship</i>	<i>Brand / Trade names</i>	<i>IRU, software and other intangibles</i>
Useful lives :	Finite (10 – 50 years)	Finite (2 – 8 years)	Finite (6 – 25 years)	Finite (3 – 15 years)
Amortisation method used :	Amortised on a straight line basis over the periods of availability	Amortised on a straight line basis over the periods of availability.	Amortised on a straight line basis over the periods of availability	Amortised on a straight line basis over the periods of availability
Internally generated or acquired :	Acquired	Acquired	Acquired	Acquired

Investment property

Investment properties are properties held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purpose. Investment properties are initially measured at cost. Cost includes expenditure that is directly attributable to the acquisition of the investment property. Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and amortization. Depreciation and amortization of investment properties are computed using the straight line method over the estimated useful lives (EUL) of assets of twenty (20) years.

When the use of a property changes such that it is reclassified as property and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

Investment properties are depreciated on straight line basis using estimated useful life of 20 years.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the consolidated statement of profit or loss in the year of retirement or disposal.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****Fair value measurement**

For measurement and disclosure purposes, the Group determines the fair value of an asset or liability at initial measurement or at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2; leasing transactions that are within the scope of IAS 17 and measurements that have some similarities to fair value, but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

All assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting date.

Financial instruments***(i) Non-derivative financial assets***

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****Financial instruments (continued)***(i) Non-derivative financial assets (continued)*

Financial assets and liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, loans and receivables and available-for-sale investments.

Financial assets at fair value through profit or loss

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's documented risk management or investment strategy. Attributable transaction costs are recognised in the consolidated statement of profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognised in the consolidated statement of profit or loss.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. Loans and receivables comprise bank balances and cash and trade receivables.

Bank balances and cash

Bank balances and cash comprise cash on hand, call deposits and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash on hand, call deposits and demand deposits with original maturity of less than three months.

Trade and other receivable

Trade receivables and prepayments that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are recognized initially at fair value and subsequently measured at amortised cost using the effective interest method less impairment.

Appropriate allowances for estimated irrecoverable amounts are recognized in the consolidated statement of profit or loss where there is objective evidence that the asset is impaired. The allowance recognized is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****Financial instruments (continued)***(i) Non-derivative financial assets (continued)**Available-for-sale investments*

Available-for-sale investments are non-derivative financial assets that are designated as available for sale or are not classified in any of the above categories of financial assets. Available-for-sale investments are recognised initially at fair value plus directly attributable transaction costs. After initial recognition, available for sale investments are subsequently remeasured at fair value, with any resultant gain or loss directly recognised as a separate component of equity as fair value reserve under other comprehensive income until the investment is sold, collected, or the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the consolidated statement of profit or loss for the year. Interest earned on the investments is reported as interest income using the effective interest rate. Dividend earned on investments are recognised in the consolidated statement of profit or loss as “Dividend income” when the right to receive dividend has been established. All regular way purchases and sales of investment are recognised on the trade date when the Group becomes or cease to be a party to contractual provisions of the instrument.

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business at the end of the financial reporting year. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm’s length market transactions, reference to current market value of another instrument which is substantially the same, discounted cash flow analysis or other valuation models. For investment in funds, fair value is determined by reference to net asset values provided by the fund administrators.

Due to the uncertain nature of cash flows arising from certain unquoted equity investments of the Group, the fair value of these investments cannot be reliably measured. Consequently, these investments are carried at cost, less any impairment losses.

If an available-for-sale investment is impaired, an amount comprising the difference between its cost and its current fair value, less any impairment loss previously recognised in the consolidated statement of profit or loss, is transferred from equity to the consolidated statement of profit or loss. Impairment losses on equity instruments recognised in the consolidated statement of profit or loss are not subsequently reversed. Reversals of impairment losses on debt instruments are reversed through the consolidated statement of profit or loss; if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognised in the consolidated statement of profit or loss.

When the investment is disposed of, the cumulative gain or loss previously recorded in equity is recognised in the consolidated statement of profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the contractual rights to receive cash flows from the asset have expired;
- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a ‘pass-through’ arrangement; or
- the Group has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments (continued)

(i) Non-derivative financial assets (continued)

Impairment and uncollectibility of financial assets

An assessment is made at each end of the reporting period to determine whether there is objective evidence that a specific financial asset may be impaired. If any such evidence exists, impairment loss is recognised in the consolidated statement of profit or loss. Impairment is determined as follows:

- (a) For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognised in the consolidated statement of profit or loss;
- (b) For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset;
- (c) For assets carried at amortised cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate.

(ii) Non-derivative financial liabilities

The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

Non derivative financial liabilities include loans and borrowings and trade payables and accruals.

Loans and borrowings

Loans and borrowings are recognised initially at fair value of the consideration received, less directly attributable transaction costs. Subsequent to initial recognition, loans and borrowings are measured at amortised cost using the effective interest method. Instalments due within one year at amortised cost are shown as a current liability.

Gains or losses are recognised in the consolidated statement of profit or loss when the liabilities are derecognised as well as through the amortisation process. Interest costs are recognised as an expense when incurred except those eligible for capitalisation.

Trade and other payables

Liabilities are recognised for amounts to be paid in the future for services received or when the risks and rewards associated with goods are transferred to the Group, whether billed by the supplier or not.

Derecognition of financial liabilities

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

(iii) Share capital

Ordinary shares

Ordinary shares are classified as equity. The bonus shares and rights issued during the year are shown as an addition to the share capital. Issue of bonus shares are deducted from the accumulated retained earnings of the Group. Any share premium on rights issue are accounted in compliance with local statutory requirements.

Dividend on ordinary share capital

Dividend distributions to the Group's shareholders are recognized as a liability in the consolidated financial statements in the period in which the dividend are approved by the shareholders. Dividend for the year that are approved after the reporting date of the consolidated financial statements are considered as an event after the reporting date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****Financial instruments (continued)***(iv) Derivative financial instruments and hedge accounting*

Derivative financial instruments are recognised initially at fair value; attributable transaction costs are recognised in the consolidated statement of profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized in described below for those derivative instruments designated for hedging cash flows, while changes in the fair value of derivative instruments not designated for cash flow hedges are charged directly to the consolidated statement of profit or loss.

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or unrecognised firm commitment (except for foreign currency risk); or
- cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting change in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods of which they were designated.

Hedges which meet the criteria for hedge accounting are accounted for as follows:

Fair value hedges

The change in the fair value of a hedging derivative is recognised in the consolidated statement of profit or loss. The change in the fair value of the hedged item attributable to the risk hedged is recorded as a part of the carrying value of the hedged item and is also recognised in consolidated statement of profit or loss.

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised as other comprehensive income and is taken directly to equity, while any ineffective portion is recognised immediately in the consolidated statement of profit or loss.

The Group uses interest rate swap contracts to hedge its risk associated primarily with interest rate fluctuations relating to the interest charged on its loans and borrowings. These are included in the consolidated statement of financial position at fair value and any resultant gain or loss on interest rate swaps contracts that qualify for hedge accounting is recognised as other comprehensive income and subsequently recognised in the consolidated statement of profit or loss when the hedged transaction affects the consolidated statement of profit or loss.

The Group uses cross currency swap contracts and forward currency contracts to hedge its risks associated with foreign exchange rate fluctuations. Further, the Group also have an interest rate swap which is not designated as a hedge. These cross currency swaps, forward currency contracts and the interest rate swaps which is not designated as hedge are included in the consolidated statement of financial position at fair value and any subsequent resultant gain or loss in the fair value is recognised in the consolidated statement of profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****Financial instruments (continued)***(iv) Derivative financial instruments and hedge accounting (continued)*

The fair value of cross currency swaps and forward currency contracts is calculated by reference to respective instrument current exchange rates for contracts with similar maturity profiles. The fair value of interest rate swap contracts is calculated by reference to the market valuation of the swap contracts.

Embedded derivative is presented with the host contract on the consolidated statement of financial position which represents an appropriate presentation of overall future cash flows for the instrument taken as a whole.

Derivative instruments that are not designated as effective hedging instruments are classified as current or non-current or separated into a current and non-current portion based on an assessment of the facts and circumstances (i.e., the underlying contracted cash flows).

- where the Group will hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the reporting date, the derivative is classified as non-current (or separated into current and non-current portions) consistent with the classification of the underlying item.
- embedded derivatives that are not closely related to the host contract are classified consistent with the cash flows of the host contract.
- derivative instruments that are designated as, and are effective hedging instruments, are classified consistent with the classification of the underlying hedged item. The derivative instrument is separated into a current portion and non-current portion only if a reliable allocation can be made.

(vi) Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined with reference to quoted market prices or dealer price quotations, without any deduction for transaction costs. For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models. An analysis of fair values of financial instruments and further details as to how they are measured are provided in note 34.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously

Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the parent by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees, if any.

Where the effect of the assumed conversion of the convertible notes and the exercise of all outstanding options have anti-dilutive effect, basic and diluted EPS are stated at the same amount.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****Inventories**

Inventories are stated at the lower of cost and net realisable value.

The cost of inventories is based on the weighted average principle, and includes expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition

Net realisable value is based on estimated selling price less any further costs expected to be incurred on completion and disposal.

Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured as a best estimate of the expenditure required to settle the obligation at the reporting date, and are discounted to present value where the effect is material.

Decommissioning liability

The Group recognises a decommissioning liability where it has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of obligation can be made.

The Group records full provision for the future costs of decommissioning for network and other assets. When the liability is initially recognised, the present value of the estimated costs is capitalised by increasing the carrying amount of the related network and other assets to the extent that it was incurred by the development/construction.

Changes in the estimated timing or cost of decommissioning are dealt with prospectively by recording an adjustment to the provision and a corresponding adjustment to network and other assets. Any reduction in the decommissioning liability and, therefore, any deduction from the asset to which it relates, may not exceed the carrying amount of that asset. If it does, any excess over the carrying value is taken immediately to the consolidated statement of profit or loss.

If the change in estimate results in an increase in the decommissioning liability and, therefore, an addition to the carrying value of the asset, the Group considers whether this is an indication of impairment of the asset as a whole, and if so, tests for impairment. If, the estimate for the revised value of network and other assets net of decommissioning provision exceeds the recoverable value, that portion of the increase is charged directly to expense.

Over time, the discounted liability is increased for the change in present value based on the discount rate that reflects current market assessments and the risks specific to the liability. The periodic unwinding of the discount is recognised in the consolidated statement of profit or loss as a finance cost.

The Group recognises neither the deferred tax asset in respect of the temporary difference on the decommissioning liability nor the corresponding deferred tax liability in respect of the temporary difference on a decommissioning asset.

End of service benefits

The Group provides end of service benefits to its employees. The entitlement to these benefits is based upon the employees' final salary and length of service, subject to the completion of a minimum service period, calculated under the provisions of the Labour Law and is payable upon resignation or termination of the employee. The expected costs of these benefits are accrued over the period of employment.

Pensions and other post employment benefits

Pension costs under the Group's defined benefit pension plans are determined by periodic actuarial calculation using the projected-unit-credit method and applying the assumptions on discount rate, expected return on plan assets and annual rate of increase in compensation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****Provisions (continued)***Pensions and other post employment benefits (continued)*

The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in other comprehensive income. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in the consolidated statement of profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

With respect to the Qatari nationals, the Company makes contributions to Qatar Retirement and Pension Authority as a percentage of the employees' salaries in accordance with the requirements of respective local laws pertaining to retirement and pensions. The Company's share of contributions to these schemes, which are defined contribution schemes under International Accounting Standard (IAS) – 19 Employee Benefits are charged to the consolidated statement of profit or loss.

Cash settled share-based payment transactions

The Group provides long term incentives in the form of shadow shares ("the benefit") to its employees. The entitlement to these benefits is based on individual performance and overall performance of the Group, subject to fulfilling certain conditions ("vesting conditions") under documented plan and is payable upon end of the vesting period ("the exercise date"). The benefit is linked to the share price of the Group, and the Group proportionately recognise the liability against these benefits over the vesting period through the consolidated statement of profit or loss, until the employees become unconditionally entitled to the benefit.

The fair value of the liability is reassessed on each reporting date and any changes in the fair value of the benefit are recognized through the consolidated statement of profit or loss.

Once the benefit is settled in cash at the exercise date, the liability is derecognised. The amount of cash settlement is determined based on the share price of the Group at the exercise date. On breach of the vesting conditions, the liability is derecognised through the consolidated statement of profit or loss.

Foreign currency transactions

Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded by the Group entities at their respective functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the end of the financial reporting year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****Foreign currency transactions (continued)**

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Foreign currency differences arising on retranslation are recognised in the consolidated statement of profit or loss, except for differences arising on the retranslation of available-for-sale equity investments which are recognised in other comprehensive income.

Translation of foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Qatari riyals at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Qatari Riyals at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve (translation reserve) in equity. However, if the operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control or significant influence is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to the consolidated statement of profit or loss as part of the gain or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to consolidated statement of profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and presented in the translation reserve in equity.

Impairment of Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in the consolidated statement of profit or loss.

Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis. Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**3.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****Segment reporting**

Segment results that are reported to the Group's Chief Operating Decision Maker ("CODM") include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Financial information on operating segments is presented in Note 39 to the consolidated financial statements.

Events after the reporting date

The consolidated financial statements are adjusted to reflect events that occurred between the reporting date and the date when the consolidated financial statements are authorised for issue, provided they give evidence of conditions that existed at the reporting date. Any post year-end events that are non-adjusting events are discussed on the consolidated financial statements when material.

4 REVENUE

	<u>2017</u> <i>QR'000</i>	<u>2016</u> <i>QR'000</i>
Revenue from rendering of telecommunication services	30,782,192	30,808,107
Sale of telecommunications equipment	1,636,762	1,422,772
Revenue from use of assets by others	316,078	272,380
	<u>32,735,032</u>	<u>32,503,259</u>

5 OPERATING EXPENSES

	<u>2017</u> <i>QR'000</i>	<u>2016</u> <i>QR'000</i>
Outpayments and interconnect charges	2,269,579	2,515,274
Regulatory and related fees	2,514,785	2,184,928
Rentals and utilities – network	1,710,222	1,654,613
Network operation and maintenance	2,221,699	2,217,395
Cost of equipment sold and other services	3,293,203	3,217,385
Provision for obsolete and slow moving inventories	8,794	57,437
	<u>12,018,282</u>	<u>11,847,032</u>

6 SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

	<u>2017</u> <i>QR'000</i>	<u>2016</u> <i>QR'000</i>
Employee salaries and associated costs	3,271,585	3,493,305
Marketing costs and sponsorship	1,060,676	1,192,582
Commission on cards	958,667	996,251
Legal and professional fees	259,261	291,473
Rental and utilities	262,707	287,418
Allowance for impairment of trade receivables	296,346	212,251
Repairs and maintenance	76,754	77,685
Other expenses	702,612	740,299
	<u>6,888,608</u>	<u>7,291,264</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

7 DEPRECIATION AND AMORTISATION

	<u>2017</u>	<u>2016</u>
	<i>QR'000</i>	<i>QR'000</i>
Depreciation of property, plant and equipment and investment property	6,472,944	6,465,166
Amortisation of intangible assets	1,946,690	1,898,900
	<u>8,419,634</u>	<u>8,364,066</u>

8 NET FINANCE COSTS

	<u>2017</u>	<u>2016</u>
	<i>QR'000</i>	<i>QR'000</i>
<i>Finance cost</i>		
Interest expenses	1,841,015	1,877,277
Profit on Islamic financing obligation	175,024	171,782
Amortisation of deferred financing costs (note 26)	70,888	79,286
Other finance charges	4,997	11,341
	<u>2,091,924</u>	<u>2,139,686</u>
<i>Finance income</i>		
Interest income	(351,144)	(331,143)
Net finance costs	<u>1,740,780</u>	<u>1,808,543</u>

9 OTHER INCOME – NET

	<u>2017</u>	<u>2016</u>
	<i>QR'000</i>	<i>QR'000</i>
Foreign currency gain/(loss) – net	81,166	(124,000)
Dividend income	28,424	13,608
Rental income	30,413	31,429
Change in fair value of derivatives – net	(10,539)	(74,156)
Miscellaneous income – net (i)	14,644	709,063
	<u>144,108</u>	<u>555,944</u>

- i. In 2016, miscellaneous income includes an amount of QR 532,500 thousand related to reversal of a liability, which management considers as relinquished.

10 ROYALTIES AND FEES

	<i>Note</i>	<u>2017</u>	<u>2016</u>
		<i>QR'000</i>	<i>QR'000</i>
Royalty	(i)	307,810	176,535
Industry fees	(ii)	234,679	237,307
Other statutory fees	(iii)	22,235	29,343
		<u>564,724</u>	<u>443,185</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

 For the year ended 31 December 2017

10 ROYALTIES AND FEES (CONTINUED)

- i. Royalty is payable to the Government of the Sultanate of Oman based on 12% (2016: 7%) of the net of predefined sources of revenue and operating expenses. Effective 1 January 2017, royalty rate increased from 7% to 12%.
- ii. In accordance with its operating licenses for Public Telecommunications Networks and Services granted in Qatar by ictQATAR, now referred to as the Communications Regulatory Authority (CRA), the Company is liable to pay to the CRA an annual industry fee which is calculated at 12.5% of adjusted net profit on regulated activities undertaken in Qatar pursuant to the licenses.
- iii. Contributions by National Mobile Telecommunications Company K.S.C.P to Kuwait Foundation for the Advancement of Sciences (“KFAS”), National Labour Support Tax (“NLST”) and Zakat are included under other statutory fees.

11 BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit for the year attributable to shareholders of the Parent by the weighted average number of shares outstanding during the year.

There were no potentially dilutive shares outstanding at any time during the year and therefore, the diluted earnings per share is equal to the basic earnings per share.

	<u>2017</u>	<u>2016</u>
Profit for the year attributable to shareholders of the parent (QR'000)	<u>1,966,515</u>	<u>2,192,554</u>
Weighted average number of shares (in '000)	<u>320,320</u>	<u>320,320</u>
Basic and diluted earnings per share (QR)	<u>6.14</u>	<u>6.84</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

12 PROPERTY, PLANT AND EQUIPMENT

	<i>Land and buildings QR'000</i>	<i>Exchange and networks assets QR'000</i>	<i>Subscriber apparatus and other equipment QR'000</i>	<i>Capital work in progress QR'000</i>	<i>Total QR'000</i>
Cost					
At 1 January 2016 – (note 44)	8,200,190	53,328,578	6,469,854	3,411,871	71,410,493
Acquisition of a subsidiary	-	180,920	32,869	-	213,789
Disposal of a subsidiary	(6,013)	(268,936)	(129,156)	(17)	(404,122)
Additions	151,585	1,844,757	442,639	3,266,984	5,705,965
Transfers	190,054	2,719,645	451,213	(3,360,912)	-
Disposals	(400,632)	(543,109)	(93,093)	(34,676)	(1,071,510)
Reclassification	(45,401)	176,346	17,576	(216,796)	(68,275)
Exchange adjustment	47,375	69,543	(96,258)	(20,340)	320
At 31 December 2016	8,137,158	57,507,744	7,095,644	3,046,114	75,786,660
Additions (ii)	82,033	1,032,645	237,744	2,905,570	4,257,992
Transfers	231,099	2,840,113	672,620	(3,743,832)	-
Disposals (ii)	(30,852)	(4,428,819)	(271,294)	(2,107)	(4,733,072)
Reclassification	(3,064)	(17,540)	(21,989)	(5,643)	(48,236)
Exchange adjustment	(145,988)	(466,578)	89,680	(33,136)	(556,022)
At 31 December 2017	8,270,386	56,467,565	7,802,405	2,166,966	74,707,322
Accumulated depreciation					
At 1 January 2016 – (note 44)	3,462,051	29,837,166	4,394,774	-	37,693,991
Acquisition of a subsidiary	-	150,487	26,623	-	177,110
Disposal of a subsidiary	(6,117)	(268,723)	(129,439)	-	(404,279)
Provided during the year	503,213	5,223,050	733,190	-	6,459,453
Disposals	(19,951)	(496,378)	(80,594)	-	(596,923)
Reclassification	(21,270)	(2,654)	2,459	-	(21,465)
Exchange adjustment	32,835	39,247	(43,314)	-	28,768
At 31 December 2016	3,950,761	34,482,195	4,903,699	-	43,336,655
Provided during the year	506,301	5,133,814	824,701	-	6,464,816
Disposals (ii)	(25,919)	(3,960,785)	(236,283)	-	(4,222,987)
Reclassification	523	(1,670)	(11,482)	-	(12,629)
Exchange adjustment	(25,070)	(331,447)	(31,889)	-	(388,406)
At 31 December 2017	4,406,596	35,322,107	5,448,746	-	45,177,449
Carrying value					
At 31 December 2017	3,863,790	21,145,458	2,353,659	2,166,966	29,529,873
At 31 December 2016	4,186,397	23,025,549	2,191,945	3,046,114	32,450,005

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTSFor the year ended 31 December 2017

12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

- i) Exchange and network assets include finance lease assets recognized on account of sale and lease back transaction of one of the Group's subsidiaries, Indosat Ooredoo.
- ii) During the year, the Group has entered into a non-cash transaction for exchange of certain property, plant and equipment.
- iii) Due to the current security situation of certain locations in Iraq, Asiacell, one of the Group's subsidiaries, may be unable to effectively exercise control of some of its property and equipment. Based on an assessment performed by Asiacell, an insignificant amount of damage has occurred which has been provided for.
- iv) Asiacell reached an agreement with a local bank wherein it received properties in exchange for the equivalent value of the bank deposits. As at 31 December 2017, Asiacell had received parcels of lands and buildings located in Baghdad and Sulaymaniah amounting to QR 440,440 thousand. Currently, the legal title is transferred to a related party of Asiacell and it will be transferred in the name of Asiacell upon completing legal formalities. However, the Group has obtained an indemnity letter from the related party that these assets are under the Group's control and the ownership will be transferred upon completing the legal formalities.
- v) In 2014, the Group entered into an agreement to acquire land under a master development plan for which an amount of QR 378,619 thousand was paid to the master developer. During 2016, the agreement was cancelled and the Group disposed the land after getting refunded for the amount paid.
- vi) Certain property, plant and equipment amounting to QR 318,691 thousand (2016: QR 168,795 thousand) are used as collaterals to secure the Group's borrowings.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

13 INTANGIBLE ASSETS AND GOODWILL

	<i>Goodwill</i> <i>QR'000</i>	<i>License</i> <i>costs</i> <i>QR'000</i>	<i>Customer</i> <i>contracts and</i> <i>related customer</i> <i>relationship</i> <i>QR'000</i>	<i>Brand/</i> <i>Trade names</i> <i>QR'000</i>	<i>IRU, software and</i> <i>other intangibles</i> <i>QR'000</i>	<i>Total</i> <i>QR'000</i>
Cost						
At 1 January 2016 – (note 44)	10,081,223	27,340,126	658,023	2,652,687	2,707,471	43,439,530
Acquisition of a subsidiary	23,233	122,253	3,073	-	-	148,559
Disposal of a subsidiary	(12,175)	(32,256)	-	-	(9,978)	(54,409)
Additions	-	1,453,517	-	-	276,304	1,729,821
Disposals	-	-	-	-	(5,026)	(5,026)
Reclassification	-	-	-	-	22,206	22,206
Exchange adjustment	(268,865)	(421,650)	(527)	18,657	(28,365)	(700,750)
At 31 December 2016	<u>9,823,416</u>	<u>28,461,990</u>	<u>660,569</u>	<u>2,671,344</u>	<u>2,962,612</u>	<u>44,579,931</u>
Additions	-	522,531	-	-	740,032	1,262,563
Disposals	-	-	-	-	(779)	(779)
Reclassification	-	-	-	-	48,236	48,236
Exchange adjustment	(147,340)	(45,058)	(8,542)	(8,093)	(29,396)	(238,429)
At 31 December 2017	<u>9,676,076</u>	<u>28,939,463</u>	<u>652,027</u>	<u>2,663,251</u>	<u>3,720,705</u>	<u>45,651,522</u>



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

13 INTANGIBLE ASSETS AND GOODWILL (CONTINUED)

	<i>Goodwill</i> <i>QR'000</i>	<i>License</i> <i>costs</i> <i>QR'000</i>	<i>Customer</i> <i>contracts and</i> <i>related customer</i> <i>relationship</i> <i>QR'000</i>	<i>Brand/</i> <i>Trade names</i> <i>QR'000</i>	<i>IRU, software</i> <i>and other</i> <i>intangibles</i> <i>QR'000</i>	<i>Total</i> <i>QR'000</i>
Accumulated amortization and impairment losses						
At 1 January 2016 – (note 44)	620,804	8,855,608	658,023	1,364,586	1,771,697	13,270,718
Disposal of a subsidiary	(12,175)	(30,198)	-	-	(9,805)	(52,178)
Amortisation during the year	-	1,532,931	682	88,402	276,885	1,898,900
Disposals	-	-	-	-	(5,027)	(5,027)
Reclassification	-	-	-	-	306	306
Exchange adjustment	(17,145)	(100,787)	(498)	(9,700)	(21,812)	(149,942)
At 31 December 2016	<u>591,484</u>	<u>10,257,554</u>	<u>658,207</u>	<u>1,443,288</u>	<u>2,012,244</u>	<u>14,962,777</u>
Amortisation during the year	-	1,551,250	1,019	87,974	306,447	1,946,690
Reversal of impairment	-	-	-	-	(8,265)	(8,265)
Disposals	-	-	-	-	(779)	(779)
Reclassification	-	-	-	-	12,629	12,629
Exchange adjustment	(12,638)	(30,837)	(8,565)	(5,227)	(25,276)	(82,543)
At 31 December 2017	<u>578,846</u>	<u>11,777,967</u>	<u>650,661</u>	<u>1,526,035</u>	<u>2,297,000</u>	<u>16,830,509</u>
Carrying value						
At 31 December 2017	<u>9,097,230</u>	<u>17,161,496</u>	<u>1,366</u>	<u>1,137,216</u>	<u>1,423,705</u>	<u>28,821,013</u>
At 31 December 2016	<u>9,231,932</u>	<u>18,204,436</u>	<u>2,362</u>	<u>1,228,056</u>	<u>950,368</u>	<u>29,617,154</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

13. INTANGIBLE ASSETS AND GOODWILL (CONTINUED)**i. Impairment testing of goodwill**

Goodwill acquired through business combinations has been allocated to individual cash generating units (CGUs) for impairment testing as follows:

Cash generating units	Carrying value 2017	Carrying value 2016
	<u>QR'000</u>	<u>QR'000</u>
Ooredoo Kuwait	566,349	559,621
Ooredoo Algeria	2,132,565	2,107,232
Ooredoo Tunisie	2,747,512	2,903,600
Indosat Ooredoo	3,222,548	3,233,853
Asiacell, Iraq	353,408	353,408
Others	74,848	74,218
	<u>9,097,230</u>	<u>9,231,932</u>

Goodwill was tested for impairment as at 31 December 2017. The recoverable amount of the CGUs was determined based on value in use calculated using cash flows projections by management covering a period of ten years.

Key Assumptions used in value in use calculations*Key Assumptions*

The principal assumptions used in the projections relate to the number of subscribers, roaming revenue, average revenue per user, operating costs, capital expenditure, taxes and EBITDA. The assumptions are constructed based upon historic experience and management's best estimate of future trends and performance and take into account anticipated efficiency improvements over the forecasted period.

Discount rates

Discount rates reflect management's estimate of the risks specific to each unit. Discount rates are based on a weighted average cost of capital for each CGU. In determining the appropriate discount rates for each unit, the yield local market ten-year government bond is used, where available. If unavailable, yield on a ten-year US Treasury bond and specific risk factors for each country has been taken into consideration.

Terminal value growth rate estimates

For the periods beyond that covered by the projections, long-term growth rates are based on management's best estimates of the growth rates relevant to telecommunications industry in the particular country.

Budgeted EBITDA growth rate

Budgeted EBITDA was based on expectations of future outcomes taking into account past experience, adjusted for the anticipated revenue growth. Revenue growth was projected taking into account the average growth levels experienced over the past years and the estimated subscribers and price growth for the forecasted period.

Budgeted Capex

The cash flow forecasts for budgeted capital expenditure are based on past experience and include the ongoing capital expenditure required to continue rolling out networks in emerging markets, providing enhanced voice and data products and services, and meeting the population coverage requirements of certain licenses of the Group. Capital expenditure includes cash outflows for the purchase of property, plant and equipment and other intangible assets

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

13. INTANGIBLE ASSETS AND GOODWILL (CONTINUED)**i. Impairment testing of goodwill (continued)****Key Assumptions used in value in use calculations (continued)**

Cash generating units	(Expressed in percentage)			
	Discount rate		Terminal value growth rate	
	2017	2016	2017	2016
Ooredoo Kuwait	8.8%	9.2%	2.75%	2.75%
Ooredoo Algeria	10.7%	10.6%	2.75%	2.75%
Ooredoo Tunisie	10.0%	10.5%	2.75%	2.75%
Indosat Ooredoo	10.5%	11.7%	2.75%	2.75%
Asiacell, Iraq	14.3%	15.8%	2.75%	2.75%
Ooredoo Myanmar	16.1%	16.7%	4.00%	4.00%

Management considers that changes to the discount rate could cause the carrying value of the following CGUs to exceed their recoverable amount. If the discount rate is increased by the percentages as mentioned below, the recoverable amount equals the carrying value:

	2017	2016
Ooredoo Kuwait	2.3%	2.2%
Ooredoo Algeria	5.7%	9.5%
Ooredoo Tunisie	1.1%	0.5%
Indosat Ooredoo	6.4%	3.7%
Asiacell, Iraq	3.0%	7.3%
Ooredoo Myanmar	4.9%	1.3%

14 INVESTMENT PROPERTY

	2017	2016
	QR'000	QR'000
Cost		
At 1 January	151,087	105,018
Transfer from property, plant and equipment	-	46,069
At 31 December	151,087	151,087
Accumulated depreciation		
At 1 January	82,029	55,157
Transfer from property, plant and equipment	-	21,159
Provided during the year	8,128	5,713
At 31 December	90,157	82,029
Carrying value		
At 31 December	60,930	69,058

Investment property comprises of the portion of the Group's head quarter building rented to a related party. During 2016, the Group leased 2 additional floors to the related party, which increased the cost of the investment property to QR. 151,087 thousand.

There was a valuation exercise performed by an external valuer, and management believe that the fair value has not significantly changed since the latest valuation. The fair value of Investment property is approximately QR 77,000 thousand (2016: QR 77,000 thousand), which is higher than the carrying value at reporting dates. The fair value was determined based on the market comparable approach that reflects recent transaction prices for similar properties/other methods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

15 INVESTMENT IN ASSOCIATES AND JOINT VENTURES

The Group has the following investment in associates and joint ventures:

<i>Associate / Joint Venture companies</i>	<i>Principal activity</i>	<i>Classification</i>	<i>Country of incorporation</i>	<i>Effective ownership</i>	
				<i>2017</i>	<i>2016</i>
Navlink, Inc., a Delaware Corporation	<i>Managed Service Provider delivering technology solutions in the enterprise data market</i>	<i>Associate</i>	<i>United States of America</i>	38%	38%
Asia Mobile Holdings Pte Ltd ("AMH")	<i>Holding company</i>	<i>Associate</i>	<i>Singapore</i>	25%	25%
PT Multi Media Asia Indonesia	<i>Satellite based telecommunication services</i>	<i>Associate</i>	<i>Indonesia</i>	17%	17%
MEEZA QSTP LLC	<i>Information technology services</i>	<i>Associate</i>	<i>Qatar</i>	20%	20%
PT Citra Bakti, Indonesia	<i>Product certification and testing</i>	<i>Associate</i>	<i>Indonesia</i>	9%	9%
Titan Bull Holdings Limited	<i>Holding Company</i>	<i>Associate</i>	<i>Cayman Islands</i>	20%	20%
Monetix SPA	<i>Electronic Banking</i>	<i>Associate</i>	<i>Algeria</i>	19%	19%
SB ISAT Fund, L.P.	<i>Investment Management</i>	<i>Associate</i>	<i>Cayman Islands</i>	28%	28%
PT Palapa Satelit Nusa Sejahtera	<i>Satellite Telecommunication Operator and Services</i>	<i>Associate</i>	<i>Indonesia</i>	23%	-
Mountain Indosat Company Ltd ("MCL")	<i>Business Incubation and Digital Services</i>	<i>Associate</i>	<i>Hong Kong</i>	29%	-
PT Satera Manajemen Persada Indonesia	<i>Telecommunication Services and Equipment Provider</i>	<i>Associate</i>	<i>Indonesia</i>	32%	-
Sadeem Telecom	<i>Telecommunication Services and Investment</i>	<i>Joint venture</i>	<i>Qatar</i>	50%	50%
Asia Internet Holding S.a r.l.,	<i>Holding Company</i>	<i>Joint venture</i>	<i>Luxembourg</i>	50%	50%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

15 INVESTMENT IN ASSOCIATES AND JOINT VENTURES (CONTINUED)

The following table is the summarised financial information of the Group's investments in the associates and joint ventures:

	Associates	Joint ventures	Total	Associates	Joint ventures	Total
	2017	2017	2017	2016	2016	2016
	QR'000	QR'000	QR'000	QR'000	QR'000	QR'000
Group's share of associates and joint ventures statement of financial position:						
Current assets	913,629	96,779	1,010,408	686,735	169,667	856,402
Non-current assets	2,488,867	251,456	2,740,323	2,276,679	277,931	2,554,610
Current liabilities	(749,183)	(43,759)	(792,942)	(637,188)	(25,558)	(662,746)
Non-current liabilities	(1,995,992)	(30,098)	(2,026,090)	(1,752,185)	(48,775)	(1,800,960)
Net assets	657,321	274,378	931,699	574,041	373,265	947,306
Goodwill	985,047	203,190	1,188,237	918,053	177,863	1,095,916
Carrying amount of the investments	1,642,368	477,568	2,119,936	1,492,094	551,128	2,043,222
Group's share of associates' and joint ventures' revenues and results:						
Revenues	1,665,856	45,766	1,711,622	1,704,262	26,913	1,731,175
Share of results – net of tax	105,197	(150,838)	(45,641)	111,141	(96,989)	14,152

15.1. The significant balance of investment in associates relates to Asia Mobile Holdings Pte Ltd. During the year, management has performed impairment test and based on the currently available information, there are no indicators of impairment in the value of investment in associates. The Group recorded an impairment loss amounting to QR Nil (2016: QR. 154,780 thousand). Management has incorporated estimated financial information of Asia Mobile Holdings Pte Ltd. in the Group's consolidated financial statements. These balances are unaudited. The significant balance of investment in joint ventures relates to Asia Internet Holding S.a.r.l. The Group has applied market approach to determine the fair market value by using average share price.

15.2. During the year, the Group further funded a sum of QR 79,838 thousand (2016: QR 38,596 thousand) in Asia Internet Holding (AIH), a joint venture with Rocket Internet to fund new ventures in the e-commerce sector. The Group is also committed to invest further QR 108,180 thousand in the future and the same is considered as contingent consideration and recorded as part of investment costs. The share of net assets from the joint venture after this investment have been included in the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

16 AVAILABLE-FOR-SALE INVESTMENTS

	<u>2017</u> <i>QR'000</i>	<u>2016</u> <i>QR'000</i>
Quoted equity investments	5,116	10,648
Unquoted equity investments	806,812	718,457
Investments in funds	<u>1,005</u>	<u>3,637</u>
	<u>812,933</u>	<u>732,742</u>

At 31 December 2017, certain unquoted equity investments amounting to QR 33,847 thousand (2016: QR 35,152 thousand) are carried at cost less impairment due to non-availability of quoted market prices or other reliable measures of their fair value.

During the year, the Group has recorded an impairment loss of QR 4,772 thousand (2016: QR 37,726 thousand) on certain available-for-sale investments. In the opinion of management, based on the currently available information, there is no evidence of further impairment in the value of available-for-sale investments.

17 OTHER NON-CURRENT ASSETS

	<u>2017</u> <i>QR'000</i>	<u>2016</u> <i>QR'000</i>
Prepaid rentals	321,266	280,826
Other long term receivables	266,349	195,458
Others	<u>97,693</u>	<u>109,792</u>
	<u>685,308</u>	<u>586,076</u>

18 INCOME TAX

Income tax represents amounts recognised by subsidiary companies. The major components of income tax expense for the years 2017 and 2016 are:

	<u>2017</u> <i>QR'000</i>	<u>2016</u> <i>QR'000</i>
Current income tax		
Current income tax charge	705,981	392,050
Adjustments in respect of previous years' income tax	177,953	241,233
Deferred income tax		
Relating to origination and reversal of temporary differences	<u>(82,364)</u>	<u>(253,887)</u>
Income tax included in the consolidated statement of profit or loss	<u>801,570</u>	<u>379,396</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

18 INCOME TAX (CONTINUED)

The Parent company is not subject to income tax in the State of Qatar. The tax rate applicable to the taxable subsidiaries is in the range of 10% to 35% (2016 10% to 35%). For the purpose of determining the taxable results for the year, the accounting profit of the companies were adjusted for tax purposes. Adjustments for tax purposes include items relating to both income and expense allowed in accordance with respective tax laws of subsidiaries.

The adjustments are based on the current understanding of the existing laws, regulations and practices of each subsidiaries' jurisdiction. In view of the operations of the Group being subject to various tax jurisdictions and regulations, it is not practical to provide a detailed reconciliation between accounting and taxable profits together with the details of the effective tax rates. As a result, the reconciliation includes only the identifiable major reconciling items. The Group tax reconciliation is presented as follows:

	2017 <i>QR'000</i>	2016 <i>QR'000</i>
Profit before tax	3,196,699	3,126,759
Profit of parent and subsidiaries not subject to corporate income tax	<u>(1,057,687)</u>	<u>(1,419,234)</u>
Profit of parent and subsidiaries subject to corporate income tax	2,139,012	1,707,525
Add / (Less):		
Allowances, accruals and other temporary differences	303,701	88,025
Expenses and income that are not subject to corporate tax	994,912	445,134
Depreciation – net of accounting and tax	204,096	301,789
Unutilised tax losses brought forward	<u>-</u>	<u>(137,639)</u>
Taxable profit of subsidiaries and associates that are subject to corporate income tax	<u>3,641,721</u>	<u>2,404,834</u>
Income tax charge at the effective income tax rate of 19% (2016: 16%)	<u>705,981</u>	<u>392,050</u>

	<i>Consolidated statement of financial position</i>		<i>Consolidated statement of profit or loss</i>	
	2017 <i>QR'000</i>	2016 <i>QR'000</i>	2017 <i>QR'000</i>	2016 <i>QR'000</i>
Accelerated depreciation for tax purposes	(25,394)	(62,796)	9,556	45,798
Losses available to offset against future taxable income	(92)	4,273	(139)	(47,052)
Allowances, accruals and other temporary differences	328,582	306,610	47,907	229,945
Deferred tax origination on purchase price allocation	<u>(374,282)</u>	<u>(400,340)</u>	<u>25,040</u>	<u>25,196</u>
Deferred tax (liability) / deferred tax income – net	<u>(71,186)</u>	<u>(152,253)</u>	<u>82,364</u>	<u>253,887</u>

Reflected in the consolidated statement of financial position as follows:

	2017 <i>QR'000</i>	2016 <i>QR'000</i>
Deferred tax asset	305,711	269,987
Deferred tax liability	<u>(376,897)</u>	<u>(422,240)</u>
	<u>(71,186)</u>	<u>(152,253)</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

18 INCOME TAX (CONTINUED)

Movement of deferred tax liability – net

	<u>2017</u>	<u>2016</u>
	<u>QR'000</u>	<u>QR'000</u>
At 1 January	152,253	412,392
Tax income during the year	(82,364)	(253,887)
Tax on other comprehensive income	(7,635)	(19,299)
Exchange adjustment	8,932	13,047
	<u>71,186</u>	<u>152,253</u>

19 INVENTORIES

	<u>2017</u>	<u>2016</u>
	<u>QR'000</u>	<u>QR'000</u>
Subscribers' equipment	436,209	309,364
Other equipment	266,950	305,399
Cables and transmission equipment	84,657	95,502
	<u>787,816</u>	<u>710,265</u>
<i>Less: Provision for obsolete and slow moving inventories</i>	<u>(108,193)</u>	<u>(129,121)</u>
	<u>679,623</u>	<u>581,144</u>

Inventories consumed are recognised as expense and included under operating expenses. These amounted to QR 2,593,412 thousand (2016: QR 2,613,916 thousand).

Movement in the provision for obsolete and slow moving inventories is as follows:

	<u>2017</u>	<u>2016</u>
	<u>QR'000</u>	<u>QR'000</u>
At 1 January	129,121	45,142
Acquisition of a subsidiary	-	4,073
Provided during the year	8,794	57,437
Amounts reversed (written off)	(28,699)	3,813
Exchange adjustment	(1,023)	18,656
	<u>108,193</u>	<u>129,121</u>



OOREDOO Q.P.S.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2017

20 TRADE AND OTHER RECEIVABLES

	<u>2017</u> <i>QR'000</i>	<u>2016</u> <i>QR'000</i>
Trade receivables – net of impairment allowances	3,663,219	3,010,126
Other receivables and prepayments	3,466,534	3,502,133
Unbilled subscribers revenue	612,494	768,857
Amounts due from international carriers – net	362,550	378,800
Positive fair value of derivatives contracts	241	4,152
Net prepaid pension costs	226	141
	<u>8,105,264</u>	<u>7,664,209</u>

At 31 December, trade receivables amounting to QR 1,447,631 thousand (2016 QR 1,199,188 thousand) were impaired and fully provided for.

Movement in the allowance for impairment of trade receivables is as follows:

	<u>2017</u> <i>QR'000</i>	<u>2016</u> <i>QR'000</i>
At 1 January	1,199,188	1,068,765
Disposal of a subsidiary	-	(33,357)
Acquisition of a subsidiary	-	27,409
Charge for the year	296,346	212,251
Amounts written off	(41,202)	(75,314)
Amounts recovered	-	(2,290)
Exchange adjustment	(6,701)	1,724
At 31 December	<u>1,447,631</u>	<u>1,199,188</u>

At 31 December 2017, the ageing of unimpaired trade receivables is as follows:

	<i>Neither past due nor impaired</i>	<i>Past due, not impaired</i>				
		<i>30-60 Days</i>	<i>60-90 Days</i>	<i>90-360 Days</i>	<i>> 360 Days</i>	
<i>Total QR '000</i>	<i>QR '000</i>	<i>QR '000</i>	<i>QR '000</i>	<i>QR '000</i>	<i>QR '000</i>	
2017	<u>3,663,219</u>	<u>1,294,945</u>	<u>437,803</u>	<u>314,938</u>	<u>1,104,814</u>	<u>510,719</u>
2016	<u>3,010,126</u>	<u>974,190</u>	<u>550,973</u>	<u>272,547</u>	<u>925,869</u>	<u>286,547</u>

Unimpaired receivables are expected on the basis of past experience to be fully recoverable. It is not the practice of the Group to obtain collateral over receivables and the vast majorities are therefore, unsecured.



OOREDOO Q.P.S.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2017

21 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the consolidated statement of cash flows comprise the following items:

	Note	<u>2017</u> <u>QR'000</u>	<u>2016</u> <u>QR'000</u>
Bank balances and cash	(i),(ii)	18,459,188	16,501,877
<i>Less:</i>			
Deposits with maturity of more than three months	(iii)	(519,256)	(201,027)
Restricted deposits	(iv)	(844,330)	(738,120)
Cash and cash equivalents as per consolidated statement of cash flows at 31 December		<u>17,095,602</u>	<u>15,562,730</u>

(i) Bank balances and cash equivalents include deposits maturing after three months amounting to QR 7,513,000 thousand (2016: QR 6,970,000 thousand). The Group is of the opinion that these deposits are readily convertible to cash and are held to meet short-term commitments.

(ii) Deposits are made for varying periods depending on the immediate cash requirements of the Group and earn interest on the respective deposit rates ranging from 0.50% to 9.50% (2016: 0.30% to 9.75%).

(iii) Deposits with maturity of more than three months were reclassified from bank balances and cash in the previous year (Refer to note 44).

(iv) On 29 June 2016, Asiacell received a letter from one of its banks notifying that cash in the amount of QR. 173,971 thousand was transferred from current account to restricted cash. This is based on the Communications and Media Commission of Iraq letter dated 4 February 2016.

Also in 2016, Asiacell has transferred its cash from its current bank account to restricted account amounting QR. 104,345 thousand. Asiacell is in the process of reaching a settlement agreement with the bank.

The remaining balance pertains to certain restricted bank deposits maintained for dividend payments and the restricted cash related to the derivative financial instruments between the Group and a local bank.

(v) Certain cash and cash equivalents are used as collaterals to secure the Group's obligations.

22 SHARE CAPITAL

	<i>2017</i>		<i>2016</i>	
	<i>No of shares (000)</i>	<i>QR'000</i>	<i>No of shares (000)</i>	<i>QR'000</i>
Authorised				
<i>Ordinary shares of QR 10 each</i>				
At 1 January / 31 December	<u>500,000</u>	<u>5,000,000</u>	<u>500,000</u>	<u>5,000,000</u>
Issued and fully paid up				
<i>Ordinary shares of QR 10 each</i>				
At 1 January / 31 December	<u>320,320</u>	<u>3,203,200</u>	<u>320,320</u>	<u>3,203,200</u>



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

23 RESERVES**a) Legal reserve**

In accordance with Qatar Commercial Companies Law No. 11 of 2015 and the Company's Articles of Association, 10% of the profit of the Company for the year should be transferred to the legal reserve until such reserves reach 50% of the issued share capital. During 2008, an amount of QR 5,494,137 thousand, being the net share premium amount arising out of the rights issue was transferred to legal reserve. During 2012, an amount of QR 5,940,145 thousand, being the net share premium amount arising out of the rights issue was transferred to legal reserve.

a) Legal reserve (continued)

The reserve is not available for distribution except in the circumstances stipulated in the Qatar Commercial Companies Law and the Company's Articles of Association.

b) Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale investments and effective portion of qualifying cash flow hedges.

	<u>2017</u>	<u>2016</u>
	<u>QR'000</u>	<u>QR'000</u>
Fair value reserve of available for sale investments	514,323	447,496
Cash flow hedge reserve	<u>8,550</u>	<u>15,104</u>
	<u>522,873</u>	<u>462,600</u>

c) Employees' benefit reserve

Employment benefit reserve is created on account of adoption of revised IAS – 19 "Employee benefits". Employee benefit reserve comprises actuarial gains / (losses) pertaining to defined benefit plans.

d) Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

e) Other statutory reserves

In accordance with the statutory regulations of the various subsidiaries, a share of their respective annual profits should be transferred to a non-distributable statutory reserve.



OOREDOO Q.P.S.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

24 COMPONENTS OF OTHER COMPREHENSIVE INCOME

	<u>2017</u>	<u>2016</u>
	<i>QR'000</i>	<i>QR'000</i>
<i>Available-for-sale investments</i>		
Gain/(loss) arising during the year	62,642	(23,380)
Reclassification to profit or loss	(1,295)	(2,975)
Transfer to profit or loss on impairment	4,772	37,726
	<u>66,119</u>	<u>11,371</u>
<i>Cash flow hedges</i>		
Gain/(loss) arising during the year	117	(314)
Deferred tax effect	(36)	5
	<u>81</u>	<u>(309)</u>
<i>Employees' benefit reserve</i>		
Net movement in employee benefit reserve	(30,717)	(75,632)
Deferred tax effect	7,671	19,294
	<u>(23,046)</u>	<u>(56,338)</u>
<i>Associates and joint ventures</i>		
Share of changes in fair value	(6,585)	2,011
	<u>(6,585)</u>	<u>2,011</u>
<i>Translation reserves</i>		
Foreign currency translation differences - foreign operations	(39,599)	(803,058)
Exchange differences transferred to profit or loss	-	3,885
	<u>(39,599)</u>	<u>(799,173)</u>
Other comprehensive loss for the year – net of tax	<u>(3,030)</u>	<u>(842,438)</u>

25. DEFERRED INCOME

Deferred income pertains to unearned revenue from services that will be provided in future periods. It primarily includes revenue from the unused and unutilized portion of prepaid cards sold, value of loyalty points not yet redeemed and advance billing to customers. The sale of prepaid cards is deferred until such time as the customer uses the airtime, or the credit expires.



OOREDOO Q.P.S.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2017

26. LOANS AND BORROWINGS

Presented in the consolidated statement of financial position as:

	<u>2017</u>	<u>2016</u>
	<i>QR'000</i>	<i>QR'000</i>
Non-current liabilities		
Secured loan	459,218	935,455
Unsecured loan	11,150,383	11,871,923
Islamic Finance	456,946	4,827,746
Bonds	<u>20,785,401</u>	<u>20,103,562</u>
Less: Deferred financing cost	<u>(240,298)</u>	<u>(303,672)</u>
	<u>32,611,650</u>	<u>37,435,014</u>
Current liabilities		
Secured loan	297,725	346,686
Unsecured loan	1,594,315	2,036,676
Islamic Finance	4,637,872	64,625
Bonds	<u>762,202</u>	<u>913,064</u>
Less: Deferred financing cost	<u>(48,420)</u>	<u>(47,972)</u>
	<u>7,243,694</u>	<u>3,313,079</u>
	<u><u>39,855,344</u></u>	<u><u>40,748,093</u></u>

The deferred financing costs consist of arrangement and other related fees. Movement in deferred financing costs was as follows:

	<u>2017</u>	<u>2016</u>
	<i>QR'000</i>	<i>QR'000</i>
At 1 January	351,644	328,800
Additions during the year	8,076	100,283
Amortised during the year (note 8)	(70,888)	(79,286)
Exchange adjustment	<u>(114)</u>	<u>1,847</u>
At 31 December	<u>288,718</u>	<u>351,644</u>



OOREDOO Q.P.S.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2017

26. LOANS AND BORROWINGS (CONTINUED)

The loans and borrowings presented in the consolidated statement of financial position consist of the following:

<i>Type</i>	<i>Currency</i>	<i>Nominal Interest / Profit rate</i>	<i>Year of maturity</i>	<i>2017 QR'000</i>	<i>2016 QR'000</i>
Unsecured loan	USD	0% - 5.85%	On demand - Jan 21	11,211,974	11,733,715
Unsecured loan	TND	TMM Rate + 1.10% - 1.75%	Jun 18 - Mar 21	489,283	753,434
Unsecured loan	KWD	2.65% - 3.20%	Oct-19	-	162,040
Unsecured loan	IDR	2.00% - 8.95%	Apr 18 – Feb 24	482,407	1,041,095
Secured loan	USD	5.69% to LIBOR +5.25% -	Sep 18 - Sep 24	476,139	486,199
Secured loan	DZD	5.50%	Sep-20	427,046	1,014,257
Secured Loan	KWD	3.14% to 3.15%	Jan 18 - Apr 18	414,792	-
Islamic Finance loan	IDR	7.00% - 11.20%	Jun 18 - Jun 25	540,832	334,835
Islamic Finance loan	USD	3.04%	Dec-18	4,551,877	4,551,877
Islamic Finance loan	KWD	7.00%	Jul-18	2,109	5,659
Bonds	USD	3.25% - 7.88%	Jun 19 - Jan 43	17,661,282	17,661,282
Bonds	IDR	6.15% - 11.20%	Jun 18 – Sept 26	3,886,321	3,355,344
				40,144,062	41,099,737
Less: Deferred financing costs				(288,718)	(351,644)
Total				39,855,344	40,748,093

- (i) Loans and borrowings are availed for general corporate purposes or specific purposes which include purchase of telecommunication and related equipment, financing working capital requirements and repayment or refinancing of existing borrowing facilities.
- (ii) Secured loans and borrowings are secured against bank balances, property plant and equipment amounting to QR 318,691 thousand (2016: QR 168,795 thousand) and cash collateral.
- (iii) Bonds are listed on London, Irish and Indonesia Stock Exchanges. Certain bonds are unconditionally and irrevocably guaranteed by Ooredoo Q.P.S.C.
- (iv) Islamic Finance includes notes issued under Sukuk Trust Programme on the Irish and Indonesia Stock Exchange.

27 EMPLOYEES' BENEFITS

	<i>2017 QR'000</i>	<i>2016 QR'000</i>
Employees' end of service benefits	458,035	431,114
Post-retirement health care plan	196,898	222,554
Cash settled share based payments	232,118	332,919
Defined benefit pension plan/Labour Law No. 13/2003	120,147	99,546
Other employee benefits	14,863	12,962
Total employee benefits	1,022,061	1,099,095
Current portion of cash settled share based payments (note 29)	(133,473)	(174,318)
Employee benefits – non current	888,588	924,777



OOREDOO Q.P.S.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2017

27 EMPLOYEES' BENEFITS (CONTINUED)

Movement in the provision for employee benefits are as follows:

	2017	2016
	<i>QR'000</i>	<i>QR'000</i>
At 1 January	1,099,095	894,515
Acquisition of a subsidiary	-	10,257
Disposal of a subsidiary	-	(4,088)
Provided during the year	162,785	304,205
Paid during the year	(272,110)	(179,856)
Other comprehensive income	30,717	71,773
Exchange adjustment	1,574	2,289
	<u>1,022,061</u>	<u>1,099,095</u>
At 31 December	1,022,061	1,099,095

The details of the benefit plans operated by one of the Group's subsidiaries are as follows:

Plan A - Post-retirement healthcare plan

One of the subsidiaries, Indosat provides post-retirement healthcare benefits to its employees who leave after the employees fulfill the early retirement requirement. The immediate family of employees who have been officially registered in the records of the company are also eligible to receive benefits.

Plan B - Defined Benefit Pension Plan - Labour Law No. 13/2003

Indosat Ooredoo, Lintasarta and IMM also accrue benefits under Indonesian Labor Law No. 13/2003 ("Labor Law") dated 25 March 2003. Their employees will receive the benefits under this law or the defined benefit pension plan, whichever amount is higher.

Plan C - Defined Benefit Pension Plan

The subsidiaries, Indosat Ooredoo, Satelindo and Lintasarta provide defined benefit pension plans to their respective employees under which pension benefits to be paid upon retirement. A state-owned life insurance company, PT Asuransi Jiwasraya ("Jiwasraya") manages the plans. Pension contributions are determined by periodic actuarial calculations performed by Jiwasraya.

Based on the agreement, a participating employee will receive:

- Expiration benefit equivalent to the cash value at the normal retirement age, or
- Death benefit not due to accident equivalent to 100% of insurance money plus cash value when the employee dies not due to accident, or

Death benefit due to accident equivalent to 200% of insurance money plus cash value when the employee dies due to accident.

Actuarial assumptions

The actuarial valuations were prepared by an independent actuary, using the projected-unit-credit method, the following were the principal actuarial assumptions at the reporting date.

	2017			2016		
	Plan A	Plan B	Plan C	Plan A	Plan B	Plan C
Annual discount rate	7.5%	7.0% - 7.25%	8.0% - 8.5%	8.8%	8.5%	8.0%-8.5%
Ultimate cost trend rate	6.0%	-	-	6.0%	-	-
Next year trend rate	10.0%	-	-	10.0%	-	-
Period to reach ultimate cost trend rate	8 Years	-	-	8 years	-	-
Increase in compensation	-	6.5%	3.0% - 9.0%	-	7.0%	3.0% - 9.0%
Mortality rate	-	-	TMI 2011	-	-	TMI 2011



OOREDOO Q.P.S.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

27 EMPLOYEES' BENEFITS (CONTINUED)

Movement in net defined benefit (asset) / liability

The following table shows the reconciliation from the opening balances to the closing balances for net defined benefit liability (asset) and its components.

	2017			2016		
	Plan A QR'000	Plan B QR'000	Plan C QR'000	Plan A QR'000	Plan B QR'000	Plan C QR'000
At 1 January	226,948	101,682	(15,457)	141,545	90,486	(25,122)
<i>Included in profit or loss</i>						
Interest cost	19,036	8,281	(5,536)	13,824	8,302	(2,339)
Service cost	7,508	11,229	6,285	5,355	9,865	6,914
Curtailement gain	(68,733)	-	-	(2,990)	2,957	-
Immediate recognition of past service cost – vested benefit	-	(2,251)	450	-	(2,372)	283
	(42,189)	17,259	1,199	16,189	18,752	4,858
<i>Included in other comprehensive income</i>						
Other comprehensive income	24,363	6,044	310	70,094	1,679	3,859
<i>Other movements</i>						
Contribution	-	-	(330)	-	-	(252)
Benefit payment	(5,475)	(2,534)	-	(3,891)	(11,011)	-
Refund	-	-	189	-	-	703
Exchange adjustment	(1,933)	111	19	3,011	1,776	497
	(7,408)	(2,423)	(122)	(880)	(9,235)	948
At 31 December	201,714	122,562	(14,070)	226,948	101,682	(15,457)
Current portion	4,816	2,415	(226)	4,394	2,136	(141)
Non-current portion	196,898	120,147	(13,844)	222,554	99,546	(15,316)

Plan assets comprises of time deposits, debt securities, long-term investment in shares of stock and property as follows:

	2017	2016
Investments in:		
- Shares of stocks and properties	29.53%	35.67%
- Mutual fund	46.94%	40.18%
- Time deposits	10.38%	13.69%
- Debt securities	11.87%	10.36%
- Others	1.28%	0.10%



OOREDOO Q.P.S.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

27 EMPLOYEES' BENEFITS (CONTINUED)

Sensitivity analysis on defined benefit obligation

Quantitative sensitivity analysis for each 1% change in the following significant assumptions as of 31 December 2017 are as follows:

	Impact of change in assumptions to defined benefit obligation	
	Increase	Decrease
Pension benefit cost		
- Discount rate	Decrease by 5.49% - 9.82%	Increase by 6.00% - 11.39%
Obligation under Labor Law		
- Discount rate	Decrease by 8.99% - 11.58%	Increase by 10.34% - 13.65%
Post-retirement healthcare benefit		
- Discount rate	Decrease by 13.92%	Increase by 17.73%
- Medical cost trend	Increase by 5.18%	Decrease by 5.63%

28 OTHER NON-CURRENT LIABILITIES

	<i>Note</i>	2017	2016
		QR'000	QR'000
License cost payables	(i)	686,961	794,805
Site restoration provision		79,575	78,068
Finance lease liabilities (note 32)		686,046	796,342
Deferred gain on finance leases		135,457	173,867
Others		374,989	441,952
		<u>1,963,028</u>	<u>2,285,034</u>

(i) This represents amounts payable to Telecom regulators in Indonesia, Palestine and Myanmar for license charges.

29 TRADE AND OTHER PAYABLES

	2017	2016
	QR'000	QR'000
Trade payables	4,534,037	4,722,161
Accrued expenses	5,094,968	5,335,801
Interest payable	371,157	362,739
Profit payable on islamic financing obligation	14,651	12,511
License costs payable	336,605	321,797
Amounts due to international carriers -net	471,510	696,270
Negative fair value of derivatives	45,338	9,451
Finance lease liabilities (note 32)	154,462	149,674
Cash settled share based payments (note 27)	133,473	174,318
Other payables	2,442,226	2,522,412
	<u>13,598,427</u>	<u>14,307,134</u>



OOREDOO Q.P.S.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2017

30 DIVIDEND

Dividend paid and proposed

	<u>2017</u> <i>QR'000</i>	<u>2016</u> <i>QR'000</i>
Declared, accrued and paid during the year Final dividend for 2016, QR 3.5 per share (2015 : QR 3 per share)	<u>1,121,120</u>	<u>960,960</u>
Proposed for approval at Annual General Meeting (not recognised as a liability as at 31 December) Final dividend for 2017, QR 3.5 per share (2016 : QR 3.5 per share)	<u>1,121,120</u>	<u>1,121,120</u>

The proposed final dividend will be submitted for formal approval at the Annual General Meeting.

31 DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives not designated as hedging instruments

The Group uses cross currency swap contracts, currency forward contracts and interest rate swaps to manage some of the currency transaction exposure and interest rate exposure. These contracts are not designated as cash flow, fair value or net investment hedges and are accounted for as derivative financial instruments:

	<i>Notional amounts</i>	
	<u>2017</u> <i>QR'000</i>	<u>2016</u> <i>QR'000</i>
Cross currency swaps	69,189	-
Currency forward contracts	70,099	433,339
Interest rate swaps	32,191	48,286
Fair value derivatives	<u>304,567</u>	<u>304,567</u>
	<u>476,046</u>	<u>786,192</u>

	<i>Fair values</i>			
	<u>2017</u>		<u>2016</u>	
	<i>Positive</i> <i>QR'000</i>	<i>Negative</i> <i>QR'000</i>	<i>Positive</i> <i>QR'000</i>	<i>Negative</i> <i>QR'000</i>
Cross currency swaps	2	134	-	-
Currency forward contracts	-	312	4,151	3,123
Interest rate swaps	-	1,049	-	2,475
Fair value derivatives	-	<u>43,722</u>	-	<u>3,853</u>
	<u>2</u>	<u>45,217</u>	<u>4,151</u>	<u>9,451</u>

Cash flow hedges

At 31 December 2017, the Group has several interest rates swap and currency forward contracts entered into with a view to limit its floating interest rate term loans. Under the interest rate swap arrangements, the Group will pay an agreed fixed interest rate and receive floating interest rates based on USD LIBOR.

The swap arrangements qualify for hedge accounting under IAS 39, the hedging relationship and objective, including details of the hedged items and hedging instruments are formally documented as the transactions are accounted as cash flow hedges.



OOREDOO Q.P.S.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

31 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Cash flow hedges (continued)

The table below shows the positive and negative fair values of derivative financial instruments held as cash flow hedges together with the notional amounts:

	<i>Negative fair value QR'000</i>	<i>Positive fair value QR'000</i>	<i>Notional Amounts QR'000</i>
31 December 2017			
Currency forward contracts	121	-	182,075
Interest rate swaps	-	239	104,180
	<u>121</u>	<u>239</u>	<u>286,255</u>
31 December 2016			
Interest rate swaps	-	1	528,216
	<u>-</u>	<u>1</u>	<u>528,216</u>



OOREDOO Q.P.S.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2017

32 COMMITMENTS

Capital expenditure commitments

	<u>2017</u> <i>QR'000</i>	<u>2016</u> <i>QR'000</i>
Estimated capital expenditure contracted for at the end of the financial reporting year but not provided for:	<u>2,610,737</u>	<u>2,529,101</u>

Operating lease commitments

	<u>2017</u> <i>QR'000</i>	<u>2016</u> <i>QR'000</i>
Future minimum lease payments:		
Not later than one year	481,206	559,346
Later than one year and not later than five years	1,844,125	2,142,209
Later than five years	2,146,811	3,030,564
Total operating lease expenditure contracted for at 31 December	<u>4,472,142</u>	<u>5,732,119</u>

Finance lease commitments

	<u>2017</u> <i>QR'000</i>	<u>2016</u> <i>QR'000</i>
<i>Amounts under finance leases</i>		
<i>Minimum lease payments</i>		
Not later than one year	229,308	239,881
Later than one year and not later than five years	770,458	851,483
Later than five years	54,030	144,988
	1,053,796	1,236,352
Less: unearned finance income	(213,288)	(290,336)
Present value of minimum lease payments	<u>840,508</u>	<u>946,016</u>

	<i>Note</i>	<u>2017</u> <i>QR'000</i>	<u>2016</u> <i>QR'000</i>
Present value of minimum lease payments			
Current portion	29	154,462	149,674
Non-current portion	28	686,046	796,342
		<u>840,508</u>	<u>946,016</u>

Letters of credit		<u>253,428</u>	<u>109,831</u>
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OOREDOO Q.P.S.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

33 CONTINGENT LIABILITIES

	<u>2017</u> <i>QR'000</i>	<u>2016</u> <i>QR'000</i>
Letters of guarantees	<u>654,258</u>	<u>744,358</u>
Claims against the Group not acknowledged as debts	<u>2,208</u>	<u>15,521</u>

Litigation and claims

The Group is from time to time a party to various legal actions and claims arising in the ordinary course of its business. The Group does not believe that the resolution of these legal actions and claims will, individually or in the aggregate, have a material adverse effect on its financial condition or results of operations, except as noted below.

(a) Proceedings against PT Indosat Mega Media relating to misuse of radio frequencies

In early 2012, the Attorney General's Office in Jakarta (the "AGO") initiated corruption proceedings against PT Indosat Mega Media ("IM2"), a 99 per cent owned subsidiary of PT Indosat Tbk., a subsidiary of the Group, for unlawful use of a radio frequency band allocation that had been granted to Indosat.

On 8 July 2013, the Indonesia Corruption Court imposed a fine against IM2 in a related case against the former President Director of IM2. Both the former President Director of IM2 and the AGO lodged appeals to the Jakarta High Court. A written decision of the Supreme Court was received in January 2015 which confirmed that the Supreme Court had upheld the former President Director's of IM2 prison sentence of eight years and that the fine against IM2 of approximately USD 130 million had been reinstated.

On 16 March 2015, the former President Director's of IM2 submission of judicial review was officially registered at the Corruption Court. Since the Criminal Case Verdict and the Administrative Case Verdict were contradictory, BPKP (State Audit Bureau) filed on 16 March, 2015 a Judicial Review on the Administrative Case in order to annul the previous Administrative Case Verdict. Due to the BPKP's Judicial Review, on 13 October, 2015 the Supreme Court has issued a verdict (on Administrative Case) which stated that the BPKP audit report held by BPKP is valid.

On the Supreme Court's official website, the Supreme Court on 4 November, 2015 issued a verdict (on Criminal Case) that rejected the Judicial Review submitted by the former President Director of IM2. To date PT Indosat Tbk. has not yet received the official copy of the verdict. PT Indosat Tbk. is preparing a second judicial review for the Criminal Case.

On 28 March 2016, the former President Director of IM2 and IM2 filed a tort lawsuit of unlawful act against Ministry of Communication and IT (MOCIT) and BPKP at the Central Jakarta District Court. On 22 November 2016, the Central Jakarta District Court dismissed the lawsuit. On 15 August 2017, an appeal was lodged with the Jakarta High Court on which gave a ruling against MOCIT and BPKP, as stated on its official website. Further, MOCIT and BPKP filed an appeal to the Supreme Court against the ruling.

The Group has provided adequate provision for this case.

(b) Tax demand notices against Asiacell

As at the reporting date, one of the Group's subsidiaries, Asiacell Communication PJSC ("ACL") was subject to tax demand notice by the General Commission for Taxes, Iraq (the "GCT") for the years from 2004 to 2007 for an amount of QR 241.0 million and a further tax demand notice by the GCT for the years 2008, 2009-2010 and 2011-2012 for an amount of QR 138.0 million, QR 240.0 million and QR 212 million, respectively relating to corporate income tax.

Asiacell raised an objection against each of these claims and has paid all the above amounts under protest for 2004-2010 tax assessments and advance payment of QR 146 million relating to 2011-2012 tax assessment to comply with the requirements of tax laws in Iraq.

The Group has set up adequate provision against these claims and management is of the view that Asiacell has strong grounds to challenge each of these claims.



OOREDOO Q.P.S.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

33 CONTINGENT LIABILITIES (CONTINUED)

(c) Proceedings against Asiacell relating to regulatory fee

On 10 June 2014, the Communications and Media Commission (CMC) issued a letter notifying the Company that the structure of the Company in relation to ownership of the shares in its capital does not fulfill the License requirements as an Iraqi Company to pay 15% of its gross revenue as a regulatory fee, as per license agreement.

Consequently the CMC requested the Company to pay a regulatory fee of 18% of gross revenues instead of 15%. The amount requested by CMC was QR 276 million (USD 76 million) from the period that the CMC is claiming that the Iraqi ownership had changed until the end of first half of 2013. The Company has made an appeal against this claim. On 11 November 2014, the CMC issued a letter notifying the Company that they revised the claim relating to the additional 3% and that the total new amount from June 2012 to 30 June 2014 should be equal to QR 370.7 million (USD 101.8 million). The Company has a full provision against this claim amounting to QR 675.9 million (USD 185.6 million). In January 2016, the Erbil Court of Cassation has issued a final decision in favor of the company.

On 4 February 2016, the CMC sent a letter for restricted use of certain bank accounts of Asiacell, for CMC's benefit. This is against a disputed amount for which the company already has a court decision in their favor.

In July 2014, Asiacell disputed the CMC's decision and appealed it to the CMC Appeal Board and subsequently to the Iraqi courts on the basis that Asiacell is entitled to benefit from the 3% discount in the regulatory fee as it's an Iraqi Company with a majority Iraqi Shareholder. The dispute progressed from the Court of First Instance to the Kurdistan Court of Cassation, which, on 27 January 2016, ruled in favor of Asiacell and concluded that the CMC is not entitled to apply the 18% license fee to Asiacell as it is an Iraqi company with Iraqis owning more than 84% of its shares. Asiacell implemented the court decision at the Karadda Execution Office in Baghdad.

In June 2017, the Iraqi Ministry of Finance raised a "third party objection" case at Erbil Court against its own decision. On 9 August 2017, the Court dismissed the objection and confirmed its past decision. After an appeal, the Cassation Court, on 17 October 2017, ruled against the Ministry of Finance and confirmed the decision in favor of Asiacell.

The Company has a full provision, as of 31st December 2017, against this claim.

(d) Proceedings against Asiacell relating to frequency spectrum fee

On 10 September 2014, the Communication and Media Commission (CMC) issued a letter notifying the Company to pay frequency spectrum usage fees of QR 224.1 million (USD 61.7 million) for the period from the date frequencies were allocated to the Company to 31 December 2013. The Company has made an appeal against this claim. The CMC has not provided the method of calculation and the Company is disputing the basis for its calculation.

In January 2015, Asiacell appealed the CMC 2014 decision to the CMC's Appeal Board, which dismissed the CMC 2014 decision and instructed to determine the spectrum fees in coordination with Asiacell and best international practices.

On 29 June 2016, CMC sent a new letter to Asiacell asking it to pay the total amount of QR 167.5 million (USD 45.7 million) and in response to the CMC letter, Asiacell committed itself to pay an adjusted amount and in December 2016 paid an amount QR 163 million (USD 44.8 million) to CMC. This proceeding is considered closed from a legal perspective.

(e) Deduction disallowed in corporate income tax assessment

On 20 November 2014, Indosat received an assessment letter of tax overpayment ("SKPLB") from the DGT where, the DGT made a correction totaling QR 88 million (having a Corporate Tax impact of QR 22 million), which decreased the tax loss carried forward as of 31 December 2012. On 18 February 2015, Indosat submitted an objection letter to the Tax Office regarding the above correction. The tax objection was declined by the Tax Authority, and Indosat has filed an appeal with the Tax Court.



OOREDOO Q.P.S.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

33 CONTINGENT LIABILITIES (CONTINUED)

(e) Deduction disallowed in corporate income tax assessment (continued)

On 27 December 2013, Indosat received the assessment letter on tax underpayment (“SKPKB”) from the DGT for Indosat’s 2007 and 2008 corporate income tax amounting to QR 30 million and QR 26 million, respectively, which was paid on 24 January 2014. On 20 March 2014, Indosat submitted objection letters to the Tax Office regarding this correction on Indosat’s 2007 and 2008 corporate income tax, respectively. The tax objection was declined by the Tax Office and Indosat has filed an appeal with the Tax Court.

(f) Withholding tax deducted by Indosat at lower rate

On 20 November 2014, Indosat received SKPLBs from the DGT for Indosat’s 2012 income tax article 26 amounting to QR 168 million (including potential penalties). On 18 February 2015, Indosat submitted objection letters to the Tax Office regarding the correction that was declined by the Tax Authorities and Indosat has filed an appeal with the Tax Court.

(g) Preliminary tax notification issued on Wataniya Telecom Algeria

In July 2017, the tax authorities started a tax audit covering the period from 2013 to 2016. A preliminary notification was issued on 26 December 2017 for a total amount of QR 122 million for the year 2013. Wataniya Telecom Algeria will file objection letter on this notification letter.

(h) Tax notification issued to Ooredoo Tunisie

In October 2017, Ooredoo Tunisie received a preliminary tax notification covering the period from 2013-2015. The total amount claimed by Tax Authority is QR 144 million. In November 2017, the management has submitted an objection letter to the Tax Authority.

34 FINANCIAL RISK MANAGEMENT

Objectives and policies

The Group’s principal financial liabilities, other than derivatives, comprise loans and borrowings, finance leases, and trade payables. The main purpose of these financial liabilities is to raise finance for the Group’s operations. The Group has various financial assets such as trade receivables, investments and cash and short-term deposits, which arise directly from its operations.

The Group also enters into derivative transactions, primarily interest rate swaps, cross currency swaps and forward currency contracts. The purpose is to manage the interest rate and currency risks arising from the Group’s operations and its sources of finance.

The main risks arising from the Group’s financial instruments are market risk, credit risk, liquidity risk and operational risk. The Board of Directors reviews and agrees policies for managing each of these risks which are summarized below:

Market risk

Market risk is the risk that changes in market prices, such as interest rates, foreign currency exchange rates and equity prices will affect the Group’s profit, equity or value of its holding of financial instruments. The objective of market risk management is to manage and control the market risk exposure within acceptable parameters, while optimizing return.

Interest rate risk

The Group’s financial assets and liabilities that are subject to interest rate risk comprise bank deposits, loans receivable, available-for-sale debt instruments, loans payables and borrowings. The Group’s exposure to the risk of changes in market interest rates relates primarily to the Group’s financial assets and liabilities with floating interest rates and fixed interest instruments maturing within three months from the end of the financial reporting year.



OOREDOO Q.P.S.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

34 FINANCIAL RISK MANAGEMENT (CONTINUED)

Interest rate risk (continued)

The Group manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings. To manage this, the Group enters into interest rate swaps, in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed upon notional amount. The swaps are designated to hedge underlying debt obligations. At 31 December 2017, after taking into the effect of interest rate swaps, approximately 69% of the Group's borrowings are at a fixed rate of interest (2016: 68%).

The following table demonstrates the sensitivity of the consolidated statement of profit or loss and equity to reasonably possible changes in interest rates by 25 basis points, with all other variables held constant. The sensitivity of the consolidated statement of profit or loss and equity is the effect of the assumed changes in interest rates for one year, based on the floating rate financial assets and financial liabilities held at 31 December. The effect of decreases in interest rates is expected to be equal and opposite to the effect of the increases shown.

	<i>Consolidated statement of profit or loss +25b.p QR'000</i>	<i>Consolidated statement of changes in equity +25 b p QR'000</i>
At 31 December 2017		
USD LIBOR	(28,162)	716
Others	(2,997)	-
At 31 December 2016		
USD LIBOR	(28,597)	1,321
Others	(4,588)	-

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities and the Group's net investment in foreign subsidiaries.

The Group had the following significant net exposure denominated in foreign currencies.

	<u>2017</u> <i>QR'000</i>	<u>2016</u> <i>QR'000</i>
	<i>Assets (Liabilities)</i>	<i>Assets (Liabilities)</i>
Indonesian Rupiah (IDR)	6,042,211	5,979,111
Kuwaiti Dinar (KD)	10,486,471	10,278,082
US Dollars (USD)	(2,909,402)	(3,587,101)
Euro (EUR)	(60,382)	(39,404)
Great British Pounds (GBP)	(1,297)	(2,312)
Tunisian Dinar (TND)	345,398	197,654
Algerian Dinar (DZD)	(599,472)	(1,493,673)
Iraqi Dinar (IQD)	416,425	(454,735)
Myanmar Kyat (MMK)	298,530	308,377
Maldivian Rufiyaa (MVR)	352,706	-
Others	1,711	1,826



OOREDOO Q.P.S.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

34 FINANCIAL RISK MANAGEMENT (CONTINUED)

The following table demonstrates the sensitivity to consolidated statement of profit or loss and equity for a reasonably possible change in the following currencies against Qatari Riyal, with all other variables held constant, of the Group's profit due to changes in the fair value of monetary assets and liabilities and the Group's equity on account of translation of foreign subsidiaries. The effect of decreases in foreign exchange rates is expected to be equal and opposite to the effect of the increases shown:

	<i>Effect on consolidated statement of profit or loss</i>		<i>Effect on equity</i>	
	<i>2017 + 10% QR'000</i>	<i>2016 + 10% QR'000</i>	<i>2017 + 10% QR'000</i>	<i>2016 + 10% QR'000</i>
Indonesian Rupiah (IDR)	-	-	604,221	597,911
Kuwaiti Dinar (KD)	-	-	1,048,647	1,027,808
Tunisian Dinar (TND)	-	-	34,540	19,765
Algerian Dinar (DZD)	-	-	(59,947)	(149,367)
Myanmar Kyat (MMK)	-	-	29,853	30,838
Maldivian Rufiyaa (MVR)	-	-	35,271	-
US Dollars (USD)	(290,940)	(358,710)	-	-
Euro (EUR)	(6,038)	(3,940)	-	-
Great British Pounds (GBP)	(130)	(231)	-	-
Iraqi Dinar (IQD)	41,643	(45,474)	-	-

Equity price risk

The following table demonstrates the sensitivity of the fair value reserve to reasonably possible changes in quoted equity share prices, with all other variables held constant. The effect of decreases in equity prices is expected to be equal and opposite to the effect of the increases shown.

	<i>Changes in equity indices</i>	<i>Effect on equity QR'000</i>
2017		
Abu Dhabi Stock Exchange (ADX)	10%	297
Kuwait Stock Exchange (KSE)	15%	-
Indonesia Stock Exchange (IDX)	10%	215
2016		
Abu Dhabi Stock Exchange (ADX)	10%	282
Kuwait Stock Exchange (KSE)	15%	257
Indonesia Stock Exchange (IDX)	10%	612

The Group also has unquoted investments amounting to QR. 33,847 thousand (2016: 35,152 thousand) carried at cost, where the impact of changes in equity prices will only be reflected when the investment is sold or deemed to be impaired, when the consolidated statement of profit or loss will be impacted.

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group's exposure to credit risk is as indicated by the carrying amount of its assets which consist principally of trade receivables, bank balances, available-for-sale debt instruments and loans receivable and positive fair value of derivatives.



OOREDOO Q.P.S.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

34 FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit risk (continued)

The Group provides telecommunication services to various parties. It is the Group's policy that all customers who wish to obtain on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the purchase of service limits are established for each customer, which are reviewed regularly based on the level of past transactions and settlement. The Group's maximum exposure with regard to the trade receivables net of allowance for impairment as at 31 December is as follows:

	<u>2017</u> <u>QR'000</u>	<u>2016</u> <u>QR'000</u>
Qatar	1,233,654	1,059,608
Other countries	<u>2,429,565</u>	<u>1,950,518</u>
	<u>3,663,219</u>	<u>3,010,126</u>

With respect to credit risk arising from the other financial assets, the Group's exposure arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments are as follows:

	<u>2017</u> <u>QR'000</u>	<u>2016</u> <u>QR'000</u>
Bank balances (excluding cash)	18,237,275	16,381,719
Positive fair value of derivatives	241	4,152
Amounts due from international carriers	362,550	378,800
Unbilled subscriber revenue	<u>612,494</u>	<u>768,857</u>
	<u>19,212,560</u>	<u>17,533,528</u>

The Group reduces the exposure of credit risk arising from bank balances by maintaining bank accounts in reputed banks 60% (2016: 66%) of bank balances represents balances maintained with local banks in Qatar with a rating of at least BBB+. Credit risk arising from derivative financial instruments is at any time, limited to those with positive fair values, as recorded on the consolidated statement of financial position. With gross settled derivatives, the Group is also exposed to settlement risk.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet financial obligations as they fall due. The Group's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of the Group's own reserves and bank facilities. The Group's terms of sales require amounts to be paid within 30 days from the invoiced date. The table below summarizes the maturity profile of the Group's financial liabilities at 31 December based on contractual undiscounted payments:



OOREDOO Q.P.S.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

34 FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity risk (continued)

	<i>Less than 1 year QR'000</i>	<i>1 to 2 years QR'000</i>	<i>2 to 5 years QR'000</i>	<i>> 5 years QR'000</i>	<i>Total QR'000</i>
At 31 December 2017					
Loans and borrowings	9,055,005	9,582,496	14,765,075	15,481,354	48,883,930
Trade payables	4,534,037	-	-	-	4,534,037
License costs payable	351,816	281,146	268,775	399,067	1,300,804
Finance lease liabilities	229,308	215,790	554,668	54,030	1,053,796
Other financial liabilities	650,321	178,220	-	-	828,541
	14,820,487	10,257,652	15,588,518	15,934,451	56,601,108
	<i>Less than 1 year QR'000</i>	<i>1 to 2 years QR'000</i>	<i>2 to 5 years QR'000</i>	<i>> 5 years QR'000</i>	<i>Total QR'000</i>
At 31 December 2016					
Loans and borrowings	5,093,986	7,759,267	17,860,608	19,910,535	50,624,396
Trade payables	4,722,161	-	-	-	4,722,161
License costs payable	386,083	277,881	550,125	105,251	1,319,340
Finance lease liabilities	239,881	239,594	611,889	144,988	1,236,352
Other financial liabilities	880,039	236,669	-	-	1,116,708
	11,322,150	8,513,411	19,022,622	20,160,774	59,018,957

Capital management

The Group manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance. The Group makes adjustments to its capital structure, in light of changes in economic and business conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, or issue new shares. No changes were made in the objectives, policies or processes during the year ended 31 December 2017 and 31 December 2016

Capital includes share capital, legal reserve, other statutory reserves and retained earnings and is measured at QR 28,910,167 thousand at 31 December 2017 (2016: QR 28,038,001 thousand).



OOREDOO Q.P.S.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2017

34 FINANCIAL RISK MANAGEMENT (CONTINUED)

Capital management (continued)

The Group's management reviews the capital structure of the Group on a semi-annual basis. As part of this review, the committee considers the cost of capital and the risks associated with each class of capital. The gearing ratio as at 31 December 2017 is 72% (2016: 84%)

Gearing ratio

The gearing ratio at year end was as follows:

	<u>2017</u> <u>QR'000</u>	<u>2016</u> <u>QR'000</u>
Debt (i)	39,855,344	40,748,093
Cash and bank balances	<u>(18,459,188)</u>	<u>(16,501,877)</u>
Net debt	<u>21,396,156</u>	<u>24,246,216</u>
Equity (ii)	<u>29,691,335</u>	<u>29,001,111</u>
Net debt to equity ratio	<u>72%</u>	<u>84%</u>

- (i) Debt is the long term debt obtained as, as detailed in note 26.
(ii) Equity includes all capital and reserves of the Group that are managed as capital

35 FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair values

Set out below is a comparison by class of the carrying amounts and fair value of the Group's financial instruments that are carried in the consolidated financial statements:

	<u>Carrying amounts</u>		<u>Fair values</u>	
	<u>2017</u> <u>QR'000</u>	2016 <u>QR'000</u>	<u>2017</u> <u>QR'000</u>	2016 <u>QR'000</u>
Financial assets				
Available-for-sale investments	812,933	732,742	812,933	732,742
Trade and other receivables	4,638,504	4,161,935	4,638,504	4,161,935
Bank balances and cash	18,459,188	16,501,877	18,459,188	16,501,877
Financial liabilities				
Loans and borrowings	40,144,062	41,099,737	40,936,370	41,636,677
Other non-current liabilities	686,961	794,805	686,961	794,805
Finance lease liabilities	840,508	946,016	840,508	946,016
Trade and other payables	8,348,997	8,821,659	8,348,997	8,821,659
Income tax payable	1,323,060	999,692	1,323,060	999,692

The following methods and assumptions were used to estimate the fair values.

- Cash and short-term deposits, trade receivables, trade payables, and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.
- Long-term fixed-rate and variable-rate receivables are evaluated by the Group based on parameters such as interest rates, specific country risk factors, and individual creditworthiness of the customer and the risk characteristics of the financed project. Based on this evaluation, allowances are taken to account for the expected losses of these receivables. At the end of the reporting period, the carrying amounts of such receivables, net of allowances, approximate their fair values.



OOREDOO Q.P.S.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

35 FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

- Fair value of quoted investments is based on price quotations at the end of the reporting period. The fair value of loans from banks and other financial debts, as well as other non-current financial liabilities is estimated by discounting future cash flows using rates applicable for similar risks and maturity profiles. Fair values of unquoted financial assets are estimated using appropriate valuation techniques.
- The Group enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings. Derivatives valued using valuation techniques with market observable inputs are mainly interest rate swaps, foreign exchange forward, contracts for differences and currency swaps. The most frequently applied valuation techniques include forward pricing and swap models using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves.

Fair value hierarchy

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

- Level 1: Quoted prices (unadjusted) prices in active markets for identical assets or liabilities that the Group can access at the measurement date
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the assets of liability, either directly or indirectly
- Level 3: Unobservable inputs for the asset or liability

The following table shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

	<i>31 December 2017 QR'000</i>	<i>Level 1 QR'000</i>	<i>Level 2 QR'000</i>	<i>Level 3 QR'000</i>
Assets:				
Financial assets measured at fair value:				
Available-for-sale investments	779,086	5,116	227,876	546,094
Derivative financial instruments	241	-	241	-
	<u>779,327</u>	<u>5,116</u>	<u>228,117</u>	<u>546,094</u>
Liabilities:				
Other financial liability measured at fair Value				
Derivative financial instruments	45,338	-	45,338	-
Other financial liability for which fair value is disclosed				
Loans and borrowings	40,936,370	27,413,054	13,523,316	-
	<u>40,981,708</u>	<u>27,413,054</u>	<u>13,568,654</u>	<u>-</u>



OOREDOO Q.P.S.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

35 FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

	<i>31 December 2016</i> <i>QR'000</i>	<i>Level 1</i> <i>QR'000</i>	<i>Level 2</i> <i>QR'000</i>	<i>Level 3</i> <i>QR'000</i>
Assets				
Financial assets measured at fair value:				
Available-for-sale investments	697,590	10,648	193,001	493,941
Derivative financial instruments	4,152	-	4,152	-
	<u>701,742</u>	<u>10,648</u>	<u>197,153</u>	<u>493,941</u>
Liabilities:				
Other financial liability measured at fair value				
Derivative financial instruments	9,451	-	9,451	-
Other financial liability for which fair value is disclosed				
Loans and borrowings	41,636,677	26,261,685	15,374,992	-
	<u>41,646,128</u>	<u>26,261,685</u>	<u>15,384,443</u>	<u>-</u>

36 RELATED PARTY DISCLOSURES

Related party transactions and balances

Related parties represent associated companies including Government and semi Government agencies, associates, major shareholders, directors and key management personnel of the Group, and companies of which they are principal owners. In the ordinary course of business, the Group enters into transactions with related parties. Pricing policies and terms of transactions are approved by the Group's management. The Group enters into commercial transactions with the Qatar Government related entities in the ordinary course of business in terms of providing telecommunication services, placement of deposits and obtaining credit facilities etc.

a) Transactions with Government and related entities

As stated in Note 1, Qatar Holding L.L.C. is the Parent Company of Ooredoo Q.P.S.C. Group, which is controlled by Qatar Investment Authority.

The Group enters into commercial transactions with the Government and other Government related entities in the ordinary course of business, which includes providing telecommunication services, placement of deposits and obtaining credit facilities. All these transactions are at arm's length and in the normal course of business. Following are the significant balances and transactions between the Company and the Government and other Government related entities.

- Trade receivables – net of impairment include an amount of QR. 285,258 thousand (2016: QR. 366,766 thousand) receivable from Government and Government related entities.
- The most significant amount of revenue from a Government related entity was earned from a contract with the Ministry of Foreign Affairs, amounting to QR. 38,192 thousand (2016: QR. 18,564 thousand).
- Industry fee (Note 10) pertains to the industry fee payable to CRA, a Government related entity.

In accordance with IAS 24 (revised 2009) Related Party Disclosures, the Group has elected not to disclose transactions with the Qatar Government and other entities over which the Qatar Government exerts control, joint control or significant influence. The nature of transactions that the Group has with such related parties relates to provision of telecommunication services.



OOREDOO Q.P.S.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

36 RELATED PARTY DISCLOSURE (CONTINUED)

b) Transactions with Directors and other key management personnel

Key management personnel comprise the Board of Directors and key members of management having authority and responsibility of planning, directing and controlling the activities of the Group.

Directors' remuneration including committee fees of QR 25,700 thousand was proposed for the year ended 31 December 2017 (2016: QR 27,824 thousand). The compensation and benefits related to key management personnel amounted to QR 362,785 thousand (2016: QR 442,604 thousand) and end of service benefits amounted to QR 17,051 thousand (2016: QR 26,237 thousand). The remuneration to the Board of Directors has been included under the caption employee salaries and associated costs" in Selling, general and administration expenses in note 6.

37 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the consolidated financial statements in compliance with IFRS requires the management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses and disclosure of contingent assets and contingent liabilities. Future events may occur which will cause the assumptions used in arriving at the estimates to change. The effects of any change in estimates are reflected in the consolidated financial statements as they become reasonably determinable.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the consolidated financial statements:

Classification of investment securities

On acquisition of an investment security, the Group decides whether it should be classified as "investments at fair value through consolidated statement of profit or loss" or "available-for-sale". The Group follows the guidance of IAS 39 on classifying its investments. All investments are classified as "available-for-sale".

Classification of associates, joint ventures and subsidiaries

The appropriate classification of certain investments as subsidiaries, associates and joint ventures requires significant analysis and management judgement as to whether the Group exercises control, significant influence or joint control over these investments. This may involve consideration of a number of factors, including ownership and voting rights, the extent of Board representation, contractual arrangements and indicators of de fact control.

Presentation: gross versus net

When deciding the most appropriate basis for presenting revenue or costs of revenue, both the legal form and substance of the agreement between the Group and its business partners are reviewed to determine each party's respective role in the transaction.

Where the Group's role in a transaction is that of principal, revenue is recognised on a gross basis. This requires revenue to comprise the gross value of the transaction billed to the customer, after trade discounts, with any related expenditure charged as an operating cost.

Where the Group's role in a transaction is that of an agent, revenue is recognised on a net basis with revenue representing the margin earned.

Changes to these indicators and management's assessment of the power to control or influence may have a material impact on the classification of such investments and the Group's consolidated financial position, revenue and results.



OOREDOO Q.P.S.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

37 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (CONTINUED)

Estimates

The key assumptions concerning the future and other sources of estimation uncertainty at the financial position date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Goodwill and other indefinite life intangibles are tested for impairment annually and at other times when such indicators exist.

The factors that the Group considers important which could trigger an impairment review include the following:

- significant or prolonged decline in the fair value of the asset;
- market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating the asset's value in use and decrease the asset's recoverable amount materially;
- significant underperformance relative to expected historical or projected future operating results;
- significant changes in the manner of use of the acquired assets or the strategy for overall business; and
- significant negative industry or economic trends.

The Group determines an impairment loss whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount has been determined based on value in use calculations. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset base of the cash-generating unit being tested.

The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

In the case of goodwill and intangible assets with indefinite lives, at a minimum, such assets are subject to an annual impairment test and more frequently whenever there is an indication that such asset may be impaired. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and to choose a suitable discount rate in order to calculate the present value of those cash flows (Note 13).

Useful lives of property, plant and equipment and investment property

The Group's management determines the estimated useful lives of its property, plant and equipment and investment properties based on the period over which the assets are expected to be available for use. The estimated useful lives of property, plant and equipment and investment properties are reviewed at least annually and are updated if expectations differ from previous estimates due to physical wear and tear and technical or commercial obsolescence on the use of these assets. It is possible that future results of operations could be materially affected by changes in these estimates brought about by changes in factors mentioned above. A reduction in the estimated useful lives of property, plant and equipment and investment properties would increase depreciation expense and decrease noncurrent assets

Useful lives of intangible assets

The Group's management determines the estimated useful lives of its intangible assets for calculating amortisation. This estimate is determined based on the expected pattern of consumption of future economic benefits embodied in the asset.



OOREDOO Q.P.S.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

37 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (CONTINUED)

Provision and contingent liabilities

The Group's management determines provision on best estimate of the expenditure required to settle the present obligation as a result of the past event at the reporting date.

The Group's management measures contingent liabilities as a possible obligation depending on whether some uncertain future event occurs or a present obligation but payment is not probable or the amount cannot be measured reliably.

Derecognition of financial liability

The Group's management applies judgment to derecognise a financial liability when situations may arise where a liability is considered unlikely to result in an outflow of economic resources. This is determined when the obligation specified in the contract or otherwise is discharged or cancelled or expires.

Decommissioning liability

The Group records full provision for the future costs of decommissioning for network and other assets. The assumptions based on the current economic environment have been made, which management believes are a reasonable basis upon which to estimate the future liability. These estimates are reviewed regularly to take into account any material changes to the assumptions. However, actual decommissioning costs will ultimately depend upon future market prices for the necessary decommissioning works required that will reflect market conditions at the relevant time. Furthermore, the timing of decommissioning is likely to depend on when the network assets cease to produce at economically viable rates. This, in turn, will depend upon future technologies, which are inherently uncertain.

Impairment of available-for-sale equity investments

The Group treats available-for-sale equity investments as impaired when there has been a significant or prolonged decline in fair value below its cost or where other objective evidence of impairment exists. The determination of what is "significant" or "prolonged" requires considerable judgment. The Group treats "significant" generally as 20-30% or more and 'prolonged' greater than nine (9) months. In addition, the Group evaluates other factors, including normal volatility in share price for quoted equities and the future cash flows and the discount factors for unquoted equities.

Fair value of unquoted equity investments

Where the fair value of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using valuation techniques including the discounted cash flows model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses can be utilised. The Group believes that sufficient taxable profit will be available to allow or part of the deferred tax assets to be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Impairment of inventories

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



OOREDOO Q.P.S.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

37 SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (CONTINUED)

Impairment of trade receivables

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

Business combinations

The recognition of business combinations requires the excess of the purchase price of acquisitions over the net book value of assets acquired to be allocated to the assets and liabilities of the acquired entity.

The Group makes judgements and estimates in relation to the fair value allocation of the purchase price. If any unallocated portion is positive it is recognised as goodwill and if negative, it is recognised in the consolidated statement of profit or loss.

Licences and spectrum fees

The estimated useful life is generally the term of the licence unless there is a presumption of renewal at negligible cost. Using the licence term reflects the period over which the Group will receive economic benefit. For technology specific licences with a presumption of renewal at negligible cost, the estimated useful economic life reflects the Group's expectation of the period over which the Group will continue to receive economic benefit from the licence. The economic lives are periodically reviewed taking into consideration such factors as changes in technology. Historically any changes to economic lives have not been material following these reviews.

Revenue recognition – fair value determination for customer loyalty programmes

The Group estimates the fair value of points awarded under its Loyalty programmes, which are within the scope of IFRIC 13, Customer Loyalty Programme, by estimating the weighted average cost for redemption of the points. Inputs to the models include making assumptions about expected redemption rates, the mix of products that will be available for redemption in the future and customer preferences.

Hedge effectiveness for cash flow hedges

Management reviews its hedging relationship between the interest rate swaps and the underlying loans on a regular basis. The fair values of the interest rate swaps and basis swaps are determined based on future expected LIBOR rates.

Uncertain tax exposures

In certain circumstances, the Group may not be able to determine the exact amount of its current or future tax liabilities or recoverable amount of the claim refund due to ongoing investigations by, or discussions with the various taxation authorities. In determining the amount to be recognized in respect of uncertain tax liability or the recoverable amount of the claim for tax refund related to uncertain tax positions, the Group applies similar considerations as it would use in determining the amount of a provision to be recognized in accordance with IAS 37, *Provisions, Contingent Liabilities and Contingent Assets* and IAS 12, *Income Taxes*.

Estimation of financial information

The Group accounts for its investment in associate using equity accounting as required by IAS 28, Investments in Associates and Joint Ventures and IFRS 11 Joint Arrangements. For the investment where information is not available at the reporting date, the Group has estimated the financial information based on the historical trends, quarterly financial information, budgets and future forecasts. Management believes that estimated financial information is reasonable.



OOREDOO Q.P.S.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

38 SUMMARISED FINANCIAL INFORMATION OF SUBSIDIARIES WITH MATERIAL NON – CONTROLLING INTERESTS

The following table summarizes the information relating to each of the Group's subsidiaries that have material non-controlling interests, before any intra-group eliminations:

	<i>Asiacell</i> <i>QR'000</i>	<i>NMTC*</i> <i>QR'000</i>	<i>Indosat Ooredoo</i> <i>QR'000</i>	<i>Ooredoo Oman</i> <i>QR'000</i>
31 December 2017				
Non-current assets	6,186,502	11,864,071	11,767,695	3,035,192
Current assets	3,925,288	4,055,774	2,544,494	731,187
Non-current liabilities	(284,022)	(2,451,786)	(5,853,973)	(193,732)
Current liabilities	(4,762,662)	(6,083,615)	(4,501,306)	(1,306,342)
Net assets	5,065,106	7,384,444	3,956,910	2,266,305
Carrying amount of NCI	1,820,443	1,606,178	1,603,451	1,021,117
Revenue	4,490,037	8,374,088	8,234,267	2,670,143
Profit	111,468	618,262	460,366	293,337
Profit allocated to NCI	40,063	135,424	190,519	131,429
	<i>Asiacell</i> <i>QR'000</i>	<i>NMTC</i> <i>QR'000</i>	<i>Indosat Ooredoo</i> <i>QR'000</i>	<i>Ooredoo Oman</i> <i>QR'000</i>
31 December 2016				
Non-current assets	7,404,198	13,117,223	12,325,255	3,217,859
Current assets	2,904,851	3,437,036	2,111,502	554,844
Non-current liabilities	(418,459)	(3,137,519)	(5,419,174)	(119,303)
Current liabilities	(4,047,219)	(5,756,507)	(5,325,774)	(1,422,838)
Net assets	5,843,371	7,660,233	3,691,809	2,230,562
Carrying amount of NCI	2,100,158	1,627,029	1,513,744	1,003,753
Revenue	4,217,383	8,514,770	7,994,421	2,638,821
Profit	84,584	849,367	348,182	438,055
Profit allocated to NCI	30,400	237,176	152,207	197,125

*This includes the Group's subsidiaries with material non-controlling interest (NCI) within NMTC sub-group (Wataniya Telecom Algeria S.P.A. ("Ooredoo Algeria"), Ooredoo Tunisie S.A. (Ooredoo Tunisia), Wataniya Palestine Mobile Telecommunications Public Shareholding Company ("Wataniya Palestine")) before any intra-group eliminations.



OOREDOO Q.P.S.C.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

39 SEGMENT INFORMATION

Information regarding the Group's reportable segments is set out below in accordance with "IFRS 8 Operating Segments". IFRS 8 requires reportable segments to be identified on the basis of internal reports that are regularly reviewed by the Group's Chief Operating Decision Maker ("CODM") and used to allocate resources to the segments and to assess their performance.

The Group is engaged in a single line of business, being the supply of telecommunications services and related products. The majority of the Group's revenues, profits and assets relate to its operations in the MENA. Outside of Qatar, the Group operates through its subsidiaries and associates and major operations that are reported to the Group's CODM are considered by the Group to be reportable segment. Revenue is attributed to reportable segments based on the location of the Group companies. Inter-segment sales are charged at arms' length prices.

For management reporting purposes, the Group is organised into business units based on their geographical area covered, and has six reportable segments as follows:

1. *Ooredoo Qatar* is a provider of domestic and international telecommunication services within the State of Qatar;
2. *Asiacell* is a provider of mobile telecommunication services in Iraq;
3. *NMTC group* is a provider of mobile telecommunication services in Kuwait and elsewhere in the Middle East and North African (MENA) region. NMTC group includes balances of Ooredoo Kuwait, Ooredoo Tunisia, Ooredoo Algeria, Wataniya Palestine, Ooredoo Maldives PLC and others. Management believe that presenting NMTC as one segment will provide the most relevant information to the users of the consolidated financial statement of the Group, as NMTC is a public listed company in Kuwait and it presents detailed segment note in its consolidated financial statements, which are publically available.
4. *Indosat Ooredoo* is a provider of telecommunication services such as cellular services, fixed telecommunications, multimedia, data communication and internet services in Indonesia;
5. *Ooredoo Oman* is a provider of mobile and fixed telecommunication services in Oman;
6. *Ooredoo Myanmar* is a provider of mobile and fixed telecommunication services in Myanmar; and
7. Others include some of the Group's subsidiaries which are providers of wireless and telecommunication services.

Management monitors the operating results of its operating subsidiaries separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss of these reportable segments. Transfer pricing between reportable segments are on an arm's length basis in a manner similar to transactions with third parties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

39 SEGMENT INFORMATION (CONTINUED)

Operating segments

The following tables present revenue and profit information regarding the Group's operating segments for the year ended 31 December 2017 and 2016:

Year ended 31 December 2017

	<i>Ooredoo Qatar QR'000</i>	<i>Asiacell QR'000</i>	<i>NMTC QR'000</i>	<i>Indosat Ooredoo QR'000</i>	<i>Ooredoo Oman QR'000</i>	<i>Ooredoo Myanmar QR'000</i>	<i>Others QR'000</i>	<i>Adjustments and eliminations QR'000</i>	<i>Total QR'000</i>
Revenue									
Third party	7,352,162	4,472,217	8,152,104	8,223,000	2,660,324	1,319,647	555,578	-	32,735,032
Inter-segment	438,479	17,820	221,984	11,267	9,819	3,858	163,107	(866,334) (i)	-
Total revenue	7,790,641	4,490,037	8,374,088	8,234,267	2,670,143	1,323,505	718,685	(866,334)	32,735,032
Results									
Segment profit / (loss) before tax	1,792,635	442,619	1,199,185	713,174	461,417	(503,439)	(383,798)	(525,094) (ii)	3,196,699
Depreciation and amortisation	861,173	1,415,495	1,680,748	2,536,964	641,317	726,687	32,156	525,094 (iii)	8,419,634
Net finance costs	914,961	37,218	101,924	625,710	19,728	39,854	1,385	-	1,740,780

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

39 SEGMENT INFORMATION (CONTINUED)

Year ended 31 December 2016

	<i>Ooredoo Qatar QR'000</i>	<i>Asiacell QR'000</i>	<i>NMTC QR'000</i>	<i>Indosat Ooredoo QR'000</i>	<i>Ooredoo Oman QR'000</i>	<i>Ooredoo Myanmar QR'000</i>	<i>Others QR'000</i>	<i>Adjustments and Eliminations QR'000</i>	<i>Total QR'000</i>
Revenue									
Third party	7,308,672	4,205,718	8,247,359	7,972,881	2,630,215	1,461,375	677,039	-	32,503,259
Inter-segment	<u>697,904</u>	<u>11,665</u>	<u>267,411</u>	<u>21,540</u>	<u>8,606</u>	<u>8,492</u>	<u>162,386</u>	(1,178,004) (i)	-
Total revenue	<u>8,006,576</u>	<u>4,217,383</u>	<u>8,514,770</u>	<u>7,994,421</u>	<u>2,638,821</u>	<u>1,469,867</u>	<u>839,425</u>	<u>(1,178,004)</u>	<u>32,503,259</u>
Results									
Segment profit / (loss) before tax	<u>2,417,130</u>	<u>389,882</u>	<u>1,072,122</u>	<u>512,508</u>	<u>576,301</u>	<u>(827,721)</u>	<u>(554,710)</u>	<u>(458,753)</u> (ii)	<u>3,126,759</u>
Depreciation and amortisation	<u>828,679</u>	<u>1,430,004</u>	<u>1,738,099</u>	<u>2,577,844</u>	<u>622,035</u>	<u>668,324</u>	<u>40,328</u>	<u>458,753</u> (iii)	<u>8,364,066</u>
Net finance costs	<u>947,868</u>	<u>24,254</u>	<u>125,062</u>	<u>652,075</u>	<u>23,145</u>	<u>34,843</u>	<u>1,296</u>	-	<u>1,808,543</u>

Note:

- (i) Inter-segment revenues are eliminated on consolidation.
(ii) Segment profit before tax does not include the following:

	<u>2017</u>	<u>2016</u>
	<u>QR'000</u>	<u>QR'000</u>
Amortisation of intangibles	<u>(525,094)</u>	<u>(458,753)</u>

- (iii) Amortisation relating to additional intangibles identified from business combination was not considered as part of segment expense.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

39 SEGMENT INFORMATION (CONTINUED)

The following table presents segment assets of the Group's operating segments as at 31 December 2017 and 2016.

	<i>Ooredoo Qatar</i> <i>QR'000</i>	<i>Asiacell</i> <i>QR'000</i>	<i>NMTC</i> <i>QR'000</i>	<i>Indosat</i> <i>Ooredoo</i> <i>QR'000</i>	<i>Ooredoo</i> <i>Oman</i> <i>QR'000</i>	<i>Ooredoo</i> <i>Myanmar</i> <i>QR'000</i>	<i>Others</i> <i>QR'000</i>	<i>Adjustments</i> <i>and</i> <i>Eliminations</i> <i>QR'000</i>	<i>Total</i> <i>QR'000</i>
Segment assets (i)									
At 31 December 2017	<u>19,483,794</u>	<u>9,959,541</u>	<u>21,644,579</u>	<u>15,178,801</u>	<u>3,744,225</u>	<u>6,428,654</u>	<u>4,042,955</u>	<u>9,097,230</u>	<u>89,579,779</u>
At 31 December 2016	<u>18,676,837</u>	<u>10,157,657</u>	<u>22,432,052</u>	<u>15,407,894</u>	<u>3,756,177</u>	<u>7,294,186</u>	<u>3,558,739</u>	<u>9,231,932</u>	<u>90,515,474</u>
Capital expenditure (ii)									
At 31 December 2017	<u>814,042</u>	<u>202,005</u>	<u>1,359,443</u>	<u>1,899,725</u>	<u>445,888</u>	<u>788,630</u>	<u>10,822</u>	<u>-</u>	<u>5,520,555</u>
At 31 December 2016	<u>964,197</u>	<u>443,583</u>	<u>1,789,973</u>	<u>2,327,909</u>	<u>606,664</u>	<u>1,290,561</u>	<u>12,899</u>	<u>-</u>	<u>7,435,786</u>

Note:

- (i) Goodwill amounting to QR 9,097,230 thousand (31 December 2016: QR 9,231,932 thousand) was not considered as part of segment assets.
- (ii) Capital expenditure consists of additions to property, plant and equipment and intangibles excluding goodwill and assets from business combinations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

 For the year ended 31 December 2017

40 CONTRIBUTION TO SOCIAL AND SPORTS FUND

According to Qatari Law No. 13 for the year 2008 and the related clarifications issued in January 2010, the group is required to contribute 2.5% of its annual net profits to the state social and sports fund. The clarification relating to Law No. 13 requires the payable amount to be recognised as a distribution of income. Hence, this is recognised in statement of changes in equity.

During the year, the Group appropriated an amount of QR 41,269 thousand (2016: QR 55,467 thousand) representing 2.5% of the net profit generated from Qatar Operations.

41 DISPOSAL OF A SUBSIDIARY

On 27 March 2016, the Group completed the legal formalities relating to the disposal of one of its subsidiaries, Wi-tribe Pakistan for a net consideration of QR 27,274 thousand. The net liability of the subsidiary at the date of disposal was QR 7,176 thousand, therefore, a gain of QR34,450 thousand was recognised on this disposal transaction.

42 ACQUISITION OF A SUBSIDIARY

On 2 May 2016, the Group acquired control over Fast Telecommunications Company W.L.L, Kuwait (FASTtelco), through an acquisition of 100% equity interest (ordinary equity shares) for a total consideration of QR 132,612 thousand. The net cash outflow on acquisition, net of cash acquired with the subsidiary of QR 796 thousand, amounted to QR 131,816 thousand. Goodwill recognized as a result of the acquisition amounted to QR 23,233 thousand.

	<u>QR'000</u>
Purchase consideration	132,612
Net assets acquired	<u>(109,379)</u>
Goodwill	<u>23,233</u>

Cash flows upon acquisition of FASTtelco:

	<u>QR'000</u>
Purchase consideration settled in cash	132,612
Cash and cash equivalents in subsidiary acquired	<u>(796)</u>
Cash outflow on acquisition	<u>131,816</u>

Based on the final Purchase Price Allocation (PPA) report received, goodwill and fair value adjustments on acquisition have been reflected.

Analysis of assets and liabilities acquired:

	<u>Fair value on acquisition</u>
	<u>QR'000</u>
Assets	
Property and equipment	36,679
Intangible assets and goodwill	125,326
Other non-current assets - Deferred cost	14,290
Inventories	5,466
Trade and other receivables	43,783
Bank balances and cash	<u>796</u>
	<u>226,340</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

42 ACQUISITION OF A SUBSIDIARY (CONTINUED)**Analysis of assets and liabilities acquired (continued):**

	Fair value on acquisition <i>QR'000</i>
Liabilities	
Loans and borrowings	26,095
Employee benefits	10,257
Trade and other payables	80,609
	<u>116,961</u>
Net assets acquired	109,379
Purchase consideration	(132,612)
Goodwill arising upon acquisition	<u>23,233</u>

The above goodwill is attributable to the profitability of the acquired business and the significant synergies expected to arise from the acquisition.

43 EVENT AFTER THE REPORTING DATE

One of the Group's joint venture, Asia Internet Holdings S.ar.l, entered into a Sale and Purchase Agreement with a third party for the disposal of one of its major subsidiary, Daraz Group (the "Subsidiary") which was approved and agreed on 6 February 2018.

Other than as disclosed in the consolidated financial statements, there are no other material events subsequent to the reporting date, which have a bearing on the understanding of these consolidated financial statements.

44 COMPARATIVE INFORMATION

- a. During the year, one of the Group's subsidiaries has correctly reclassified from intangible assets to property, plant and equipment. The reclassification was within the non-current assets and did not materially affect previously reported profit or shareholders' equity.

	As previously Reported 1 January 2016 <i>QR'000</i>	Adjustment <i>QR'000</i>	As reclassified 1 January 2016 <i>QR'000</i>
<i>Consolidated statement of financial position</i>			
Property, plant and equipment			
Cost	70,872,348	538,145	<u>71,410,493</u>
Accumulated depreciation	<u>(37,346,126)</u>	<u>(347,865)</u>	<u>(37,693,991)</u>
Intangible assets and goodwill			
Cost	43,977,675	(538,145)	<u>43,439,530</u>
Accumulated amortization	<u>(13,618,583)</u>	<u>347,865</u>	<u>(13,270,718)</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

44 COMPARATIVE INFORMATION (CONTINUED)

- b. During the year, the Group has reclassified certain identified fixed deposits from cash and cash equivalents to deposits with maturity of more than three months. The reclassification was within the current assets and did not affect previously reported profit or shareholders' equity.

	As previously Reported 31 December 2016 QR'000	Adjustment QR'000	As reclassified 31 December 2016 QR'000
<i>Consolidated statement of cash flows</i>			
Investing activities			
Movement in short-term deposits	-	(201,027)	(201,027)
Net cash used in investing activities	<u>(7,804,172)</u>	<u>(201,027)</u>	<u>(8,005,199)</u>
Cash and cash equivalents at 31 December	<u>15,763,757</u>	<u>(201,027)</u>	<u>15,562,730</u>

45 RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	<i>1 January 2017 QR'000</i>	<i>Financing cash flows (i) QR'000</i>	<i>Non-cash changes (ii) QR'000</i>	<i>Other changes (iii) QR'000</i>	<i>31 December 2017 QR'000</i>
Loans and borrowings (Note 26)	41,099,737	(845,733)	-	(109,942)	40,144,062
Other non-current liabilities (Note 28)	2,285,034	(286,046)	-	(35,960)	1,963,028
Deferred finance cost (Note 26)	(351,644)	(8,076)	70,888	114	(288,718)

Note

- (i) The financing activities in the statement of cash flows mainly includes the cash flows from loans and borrowings and other non-current liabilities.
- (ii) The non-cash changes pertain to the amortisation of deferred financing costs.
- (iii) Other changes include exchange adjustments and reclassification.