

1. LEGAL STATUS AND PRINCIPAL ACTIVITIES

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

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

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

The Company is a subsidiary of Qatar Telecom (Qtel) Q.S.C whose registered address is PO Box 217, Doha, Qatar.

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

BASIS OF PREPARATION

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

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

The financial statements are prepared under the historical cost convention modified to include the measurement at fair value of derivative financial instruments.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

2.1 STANDARDS AND INTERPRETATIONS ADOPTED WITH NO EFFECT ON THE FINANCIAL STATEMENTS

For the year ended 31 December 2011, the Company has adopted all the new and revised standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for the year beginning on 1 January 2011.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (CONTINUED)

2.1 STANDARDS AND INTERPRETATIONS ADOPTED WITH NO EFFECT ON THE FINANCIAL STATEMENTS (CONTINUED)

The following new and revised Standards and Interpretations have been adopted in these financial statements. Their adoption has not had any significant impact on the amounts reported in these financial statements but may affect the accounting for future transactions or arrangements.

Amendment to IAS 1 – Annual Improvement to IFRSs	The amendment clarifies that an entity may present the analysis of other comprehensive income by item either in the statement of changes in equity or in the notes to the financial statements.
Amendments to IAS 24 – Related Party Disclosures	The amendments simplify the disclosure requirements for entities that are controlled, jointly controlled or significantly influenced by a government (referred to as government related entities) and clarify the definition of related party.
Amendments to IAS 32 – Classification of Rights Issues	The amendments address the classification of certain rights issues denominated in a foreign currency as either equity instruments or as financial liabilities.
Amendments to IFRIC 14 – Prepayments of a Minimum Funding Requirements	The amendments addresses when refund or reductions in future contributions should be regarded as available in accordance with IAS 19; how minimum funding requirements might affect the availability of reductions in future contributions; and when minimum funding requirements might give rise to a liability. The amendments now allow recognition of an asset in the form of prepaid minimum funding contributions.
IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments	The Interpretation provides guidance on the accounting for extinguishment of financial liability by the issue of equity instruments.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (CONTINUED)

2.2 NEW AND REVISED IFRS IN ISSUE BUT NOT YET EFFECTIVE

At the date of authorisation of these financial statements, the following new and revised Standards and Interpretations were in issue but not yet effective:

New Standards and amendments to Standards:

	Effective for annual periods beginning on or after
IFRS 7: Financial Instruments: Disclosures, <i>amendments enhancing disclosures about transfers of financial assets</i>	July 2011
IAS 12: Income Taxes, <i>limited scope amendment (recovery of underlying assets)</i>	January 2012
IAS 1: Presentation of Financial Statements, <i>amendments to revise the way other comprehensive income is presented</i>	July 2012
IAS 19: Employee Benefits, <i>amended Standard resulting from the Post-Employment Benefits and Termination Benefits projects</i>	January 2013
IAS 27: Consolidated and Separate Financial Statements, <i>reissued as IAS 27 Separate Financial Statements (as amended in 2011)</i>	January 2013
IAS 28: Investments in Associates, <i>reissued as IAS 28 Investments in Associates and Joint Ventures (as amended in 2011)</i>	January 2013
IFRS 7: Financial Instruments: Disclosures, <i>amendments enhancing disclosures about offsetting of financial assets and financial liabilities</i>	January 2013 and interim periods within those periods
IFRS 10: Consolidated Financial Statements	January 2013
IFRS 11: Joint Arrangements	January 2013
IFRS 12: Disclosure of Interests in Other Entities	January 2013
IFRS 13: Fair Value Measurement	January 2013
IFRS 7: Financial Instruments: Disclosures, <i>amendments requiring disclosures about the initial application of IFRS 9</i>	January 2015 (or otherwise when IFRS 9 is first applied)
IFRS 9: Financial Instruments: Classification and Measurement of financial assets (<i>intended as complete replacement for IAS 39</i>)	January 2015 (mandatory application date amended December 2011)

New Interpretations and amendments to Interpretations:

IFRIC 20 – <i>Stripping Costs in the Production Phase of a Surface Mine</i>	1 January 2013
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Management anticipates that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Company in the period of initial application.

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are as follows:

Revenue and deferred income

Revenue from rendering of services

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

Interconnection revenue

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

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

Sales of prepaid cards

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

Sales of equipment

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

Reseller revenue

Revenue from reseller is recognised based on the traffic usage.

Interest revenue

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

Taxation

Current income tax

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

Deferred tax

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

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

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

Current and deferred tax for the year

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Directors' remuneration

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

Dividend distribution

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

Foreign currency transactions

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

Property, plant and equipment

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

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

The carrying values of property, 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.

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

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 (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in profit or loss in the period the asset is derecognised.

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

Borrowing costs

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the statement of income in the period 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 least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

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

		<i>Mobile license costs</i>	<i>Fixed license costs</i>
Useful lives	:	Finite (15 years)	Finite (25 years)
Amortisation method used	:	Amortised on a straight line basis over the periods of availability.	Amortised on a straight line basis over the periods of availability.
Internally generated or acquired	:	Acquired	Acquired

Trade and other receivables

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

Inventories

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

Cash and cash equivalents

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Employees' benefits

End of service benefits

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

Defined contribution plan

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

Initial Public Offering (IPO) incentive – shadow shares

The Company has granted to its employees certain number of shadow (virtual) shares as per the announcement made during its IPO and are to be settled in cash. The cost of the shadow shares are measured initially at the fair value at the grant date with reference to the market price of the Company's shares. The fair value is expensed immediately. The liability is remeasured to fair value at each reporting date up to and including the settlement date, with changes in fair value recognised in profit or loss.

On 1 July 2011, the company entered into an equity settlement agreement to reduce its risk of fluctuation in fair value of shadow shares, and any gain or loss from re-measuring the equity settlement instrument at fair value is expensed immediately.

Interest-bearing borrowings

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

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Instalments due within one year at amortised cost are shown as a current liability.

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

Provisions

General

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

Site restoration provision

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

Accounts payable and accruals

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

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

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

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

Royalty

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

Derecognition of financial assets and financial liabilities

Financial assets:

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

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

Financial liabilities:

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

Derivative financial instruments

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments (continued)

Cash flow hedges

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

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

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

Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognised in the line of the statement of comprehensive income relating to the hedged item.

Hedge accounting is discontinued when the Company revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit or loss from that date.

Significant accounting judgments, estimates and assumptions

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are set out in note 25.

4. REVENUE

	<i>2011</i>	<i>2010</i>
	<i>RO'000</i>	<i>RO'000</i>
Traffic	154,406	153,583
One time and recurring charges	17,705	11,847
Interconnection revenue	26,490	23,376
Inbound Roaming	4,724	6,156
Others	1,499	1,941
	204,824	196,903
Less : Distributor discounts	(7,959)	(8,047)
	196,865	188,856

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NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

5. OPERATING EXPENSES

	<i>2011</i>	<i>2010</i>
	<i>RO'000</i>	<i>RO'000</i>
Interconnection charges, net of volume rebate	26,383	24,831
Cost of equipment sold and other services	2,978	2,836
Commission on cards	217	161
	<u>29,578</u>	<u>27,828</u>

6. GENERAL AND ADMINISTRATIVE EXPENSES

	<i>2011</i>	<i>2010</i>
	<i>RO'000</i>	<i>RO'000</i>
Employees' salaries and associated costs	22,648	24,633
Repairs and maintenance	11,690	10,375
Lease lines and frequency fee	9,069	7,581
Service fees (note 21)	5,889	5,666
Rental and utilities	6,796	4,902
Sales and marketing	4,463	3,500
Legal and professional charges	2,093	1,459
Provision for impairment losses on trade receivables (note 12)	2,072	1,395
Provision for inventory	(3)	186
Others	5,022	4,761
	<u>69,739</u>	<u>64,458</u>

7. FINANCING COSTS

	<i>2011</i>	<i>2010</i>
	<i>RO'000</i>	<i>RO'000</i>
Interest on term loan	2,992	3,758
Site restoration – unwinding of discount (Note 18)	204	227
Other interest	82	(8)
	<u>3,278</u>	<u>3,977</u>

Borrowing costs capitalised during the year ended 31 December 2011 amount to RO 143,745 (2010: RO 393,070). Borrowing costs are capitalised at an effective annual interest rate of 2.15% (2010: 2.9%)

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NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

8. INCOME TAX

	<i>2011</i> <i>RO'000</i>	<i>2010</i> <i>RO'000</i>
Statement of income		
Current year	6,210	6,470
Deferred tax relating to origination and reversal of temporary differences	267	453
	<u>6,477</u>	<u>6,923</u>
Current liability		
Current year	6,210	6,470
Prior year	173	153
	<u>6,383</u>	<u>6,623</u>
Deferred tax asset / (liability)		
Beginning of the year	(153)	64
Movement for the year through statement of income	(267)	(453)
Movement for the year through statement of other comprehensive income	(196)	236
At the end of the year	<u>(616)</u>	<u>(153)</u>
The deferred tax asset/ (liability) comprises of the following types of temporary differences:		
	<i>2011</i> <i>RO'000</i>	<i>2010</i> <i>RO'000</i>
Property, plant and equipment	(1,489)	(1,119)
Provisions	833	730
	<u>(656)</u>	<u>(389)</u>
Net unrealised gains on cash flow hedges	40	236
	<u>(616)</u>	<u>(153)</u>

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

	<i>2011</i> <i>RO'000</i>	<i>2010</i> <i>RO'000</i>
Profit before tax	53,989	56,903
Tax at applicable rate	6,475	6,825
Non-deductible expenses and other permanent differences	2	98
	<u>6,477</u>	<u>6,923</u>

The tax rate applicable to the company is 12% (2010: 12%). Deferred tax asset/liability is recorded at 12% (2010:12%). For the purpose of determining the taxable results for the year, the accounting profit of the company has been adjusted for tax purposes. Adjustments for tax purposes include items relating to both income and expense. The adjustments are based on the current understanding of the existing laws, regulations and practices.

The company's tax assessments up to 2006 have been completed. The management is of the opinion that additional taxes, if any, that may be assessed on completion of the assessments for the open tax years would not be significant to the company's financial position at 31 December 2011.

9. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the profit for the year by the weighted average number of shares outstanding during the year as follows:

	<i>2011</i>	<i>2010</i>
Profit for the year (RO'000)	47,512	49,980
Weighted average number of shares outstanding for the year (number in thousand)	650,944	650,944
Basic earning per share (RO)	0.073	0.077

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

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

	<i>2011</i>	<i>2010</i>
Net assets (RO'000)	167,519	143,308
Number of shares outstanding at the reporting date (number in thousands)	650,944	650,944
Net assets per share (RO)	0.257	0.220

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NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

10. PROPERTY, PLANT AND EQUIPMENT

	<i>Mobile/fixed exchange and network equipment RO '000</i>	<i>Subscriber apparatus and other equipment RO '000</i>	<i>Buildings RO '000</i>	<i>Capital work in progress RO '000</i>	<i>Total RO '000</i>
Cost					
1 January 2011	175,293	24,762	363	36,181	236,599
Additions	15,054	2,835	662	22,312	40,863
Capitalised during the year	35,117	179	434	(35,730)	-
Disposals	-	(22)	-	-	(22)
31 December 2011	225,464	27,754	1,459	22,763	277,440
Depreciation					
1 January 2011	52,544	18,368	66	-	70,978
Charge for the year	21,489	2,763	94	-	24,346
Disposals	-	(22)	-	-	(22)
31 December 2011	74,033	21,109	160	-	95,302
Net book value					
31 December 2011	151,431	6,645	1,299	22,763	182,138
Cost					
1 January 2010	127,710	21,811	349	12,739	162,609
Additions	24,207	2,953	14	46,895	74,069
Capitalised during the year	23,453	-	-	(23,453)	-
Disposals	(77)	(2)	-	-	(79)
31 December 2010	175,293	24,762	363	36,181	236,599
Depreciation					
1 January 2010	35,220	15,188	30	-	50,438
Charge for the year	17,338	3,182	36	-	20,556
Disposals	(14)	(2)	-	-	(16)
31 December 2010	52,544	18,368	66	-	70,978
Net book value					
31 December 2010	122,749	6,394	297	36,181	165,621

Addition for the year ended 31 December 2011 includes provision for site restoration cost of RO 207,000 (year ended 31 December 2010: RO 639,000). This has been excluded from the cash outflow on purchase of property plant and equipment in the statement of cash flows.

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NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

11. LICENSE FEE

	<i>Mobile license RO'000</i>	<i>Fixed line license RO'000</i>	<i>Total RO'000</i>
Cost			
Balance at 1 January 2011	42,331	21,403	63,734
Additions during the year	-	-	-
Balance at December 2011	<u>42,331</u>	<u>21,403</u>	<u>63,734</u>
Amortisation			
Balance at 1 January 2011	16,327	1,288	17,615
Amortisation during the year	2,838	856	3,694
Balance at 31 December 2011	<u>19,165</u>	<u>2,144</u>	<u>21,309</u>
Net book value			
At 31 December 2011	<u><u>23,166</u></u>	<u><u>19,259</u></u>	<u><u>42,425</u></u>
	<i>Mobile license RO'000</i>	<i>Fixed line license RO'000</i>	<i>Total RO'000</i>
Cost			
Balance at 1 January 2010	42,331	21,403	63,734
Additions during the year	-	-	-
Balance at December 2010	<u>42,331</u>	<u>21,403</u>	<u>63,734</u>
Amortisation			
Balance at 1 January 2010	13,492	432	13,924
Amortisation during the year	2,835	856	3,691
Balance at 31 December 2010	<u>16,327</u>	<u>1,288</u>	<u>17,615</u>
Net book value			
At 31 December 2010	<u><u>26,004</u></u>	<u><u>20,115</u></u>	<u><u>46,119</u></u>

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

In accordance with the terms of a mobile and fixed line licenses granted to the Company, royalty is payable to the Government of the Sultanate of Oman. The royalty payable is calculated based on 7% of the net of predefined sources of revenue and interconnection expenses to local operators.

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Year ended 31 December 2011

12. RECEIVABLES AND PREPAYMENTS

	<i>2011</i> <i>RO'000</i>	<i>2010</i> <i>RO'000</i>
Post paid receivable	4,325	3,750
Amount due from distributors	10,073	10,520
Receivable from other operators	5,718	6,942
Unbilled receivables	4,268	3,666
	<u>24,384</u>	<u>24,878</u>
Less: allowance for impaired receivables	(2,907)	(1,698)
	<u>21,477</u>	<u>23,180</u>
Prepaid expenses and other receivables	7,710	6,074
Deferred cost	515	394
	<u><u>29,702</u></u>	<u><u>29,648</u></u>

As at 31 December 2011, trade receivables at nominal value of RO 2,907,348 (2010: RO 1,697,759) were impaired. Movements in allowance for impairment of receivables were as follows:

	<i>2011</i> <i>RO'000</i>	<i>2010</i> <i>RO'000</i>
At 1 January	1,698	3,700
Charge for the year (note 6)	2,072	1,395
Written off during the year	(863)	(3,397)
	<u>2,907</u>	<u>1,698</u>

As at 31 December 2011, the ageing of unimpaired trade receivables is as follows:

	<i>Total</i> <i>RO'000</i>	<i>Neither past due nor</i> <i>impaired</i> <i>RO'000</i>	<i>Past due but not impaired</i>		
			<i>30-60 days</i> <i>RO'000</i>	<i>60-90 days</i> <i>RO'000</i>	<i>Over 90 days</i> <i>RO'000</i>
2011	21,477	18,152	780	755	1,790
2010	23,180	17,635	2,768	694	2,083

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

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NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2011

13. BANK BALANCES AND CASH

Included in bank balances and cash are bank deposits of RO 2,003,304 (31 December 2010: RO 1,019,535) with certain commercial banks in Oman.

Also, included in bank balances and cash are fixed bank deposits of RO 14,633,800 (31 December 2010: Nil) with certain commercial banks outside Oman. These are denominated in USD and are short term in nature and carry an effective annual interest rate of 0.85%

The Company is required to maintain certain service deposit balances to comply with the requirements of its term loan agreement. As of 31 December 2011, the balances in these service deposit account amounted to RO 15,236,157 (31 December 2010: RO 4,543,718) and these are denominated in USD.

14. SHARE CAPITAL AND DIVIDENDS

	Authorised		Issued and fully paid	
	2011 RO'000	2010 RO'000	2011 RO'000	2010 RO'000
Ordinary shares	70,000	70,000	65,094	65,094

At the Extraordinary General Meeting held on 7 March 2010, the authorised share capital of 70,000,000 ordinary shares of OMR 1 each was split into 700,000,000 ordinary shares of 100 baisa each.

Major shareholders

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

	2011		2010	
	Number of shares	%	Number of shares	%
TDC-Qtel Mena Investcom BSC	358,019,310	55	358,019,310	55

Dividends

Company's shareholders at the annual general meeting held on 26 March 2011 approved a payment of baisa 38 per share as dividend for the financial year ended 31 December 2010 and this was paid in April 2011.

The Directors have proposed a dividend of baisas 38 per share for year ended 31 December 2011 amounting to RO 24,735,881. This is subject to approval of the Company's shareholders at the Annual General Meeting to be held in March 2012.

15. STATUTORY RESERVE

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

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16. DERIVATIVE FINANCIAL INSTRUMENTS

During 2006, the Company has entered into two interest rate swap arrangements with Qatar National Bank and BNP Paribas with a view to cap its exposure to fluctuating interest rates on its term loan (see note 17). The loan amount covered under the swap agreement as at the reporting date was RO 27,727,200. Under the swap agreements, the Company will pay a fixed interest rate of 5.348% per annum and receive a floating interest rate based on 3 month US \$ LIBOR.

The swap arrangement qualifies for hedge accounting under IAS 39 and as at 31 December 2011, the unrealised loss of RO 336,682 relating to measuring the financial instruments at fair value is included in equity in respect of these contracts (31 December 2010: RO 1,968,000). There was no significant ineffectiveness noted for 2011 and 2010.

The table below shows the negative fair value of the swaps, which is equivalent to the market values, together with the notional amounts analysed by the term to maturity. The notional amount is the amount of the derivative's underlying asset and is the basis upon which changes in the value of derivatives are measured.

	<i>Negative fair value RO'000</i>	<i>Notional amount total RO'000</i>	<i>Notional amount by term to maturity</i>		
			<i>1 - 12 months RO'000</i>	<i>More than 1 upto 5 years RO'000</i>	<i>Over 5 years RO'000</i>
31 December 2011					
Interest rate swaps	337*	27,727	27,727	-	-
31 December 2010					
Interest rate swaps	1,968*	38,125	10,398	27,727	-

*Negative fair value shown under equity in the statement of financial position is net of deferred tax of RO 40,402 (2010: RO 236,000).

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17. INTEREST BEARING BORROWINGS

	<i>2011</i> <i>RO'000</i>	<i>2010</i> <i>RO'000</i>
Term loan	55,166	71,050
Less: Deferred financing costs	(11)	(115)
	<u>55,155</u>	<u>70,935</u>
Less: current portion classified under current liabilities	(33,215)	(15,885)
	<u>21,940</u>	<u>55,050</u>

The Company has availed a syndicated long-term loan facility from certain financial institutions aggregating to approximately RO 104 million. Qatar National Bank SAQ, Gulf International Bank BSC, Arab Bank PLC and Bank Muscat SAOG are the arrangers of the facility and have collectively appointed Bank Muscat SAOG as the security agent for the secured finance parties. Qatar National Bank SAQ is the co-ordinating bank and also the facility agent.

The facilities are secured by a charge on the Company's dollar proceeds account and the insurance proceeds of property, plant and equipment and corporate guarantees of major shareholders of the Company through Qatar Telecom and Omani Pension Funds. The loan is denominated in United States Dollars and is repayable in nine semi-annual instalments, which commenced from 12 March 2008.

The loan agreement contains certain restrictive covenants which include, restrictions over debt service, debt equity, cash coverage, interest cover ratios, maintenance of a minimum tangible net worth, certain restrictions on the transfer of shares of TDC-Qtel Mina Investcom BSC, disposal of property, plant and equipment and incurrence of additional debt.

During 2007, the Company renegotiated the terms of its existing borrowings and availed additional facilities amounting RO 35 million. The revised agreement was signed on 23 October 2007.

The loan facilities bear interest at US LIBOR plus applicable margins. Current margin percentages on the RO 104 million and RO 35 million facilities are 0.80% and 2% respectively.

The Company received a market disruption clause notice from some of its lenders which request that finance cost on the RO 104 million loan will be based on LIBOR plus an additional margin. The average annual additional interest paid in relation to this during the period amounted to 0.89% (2010: to 1.18%).

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18. SITE RESTORATION PROVISION

Site restoration provision as of the reporting date amounted to RO 3,642,583 (31 December 2011: RO 3,232,000). The Company is committed to restore each site as it is vacated. A movement schedule is set out below:

	<i>2011</i> <i>RO'000</i>	<i>2010</i> <i>RO'000</i>
Balance at 1 January	3,232	2,366
Created during the year	207	639
Unwinding of discount (Note 7)	204	227
Balance at the end of the year	<u>3,643</u>	<u>3,232</u>

19. EMPLOYEE BENEFITS

	<i>2011</i> <i>RO'000</i>	<i>2010</i> <i>RO'000</i>
<i>Non-current</i>		
Employees' end of service benefits	783	614
IPO incentive – Shadow Shares	-	1,632
Non-current Liability as at the end of the year	<u>783</u>	<u>2,246</u>
<i>Current</i>		
IPO incentive – Shadow Shares	1,355	-
Current Liability as at the end of the year	<u>1,355</u>	<u>-</u>

On 1 July 2011, the company entered into an equity settlement agreement at RO 0.669 per share (strike price) to reduce its risk of fluctuation in fair value of shadow shares. A loss has been recognized in the income statement as a result on the share price falling below the strike price. The fair value of the derivative instrument amounting to RO 48,611 has not been separately disclosed, as the management considers it to be immaterial.

20. PAYABLES AND ACCRUALS

	<i>2011</i> <i>RO'000</i>	<i>2010</i> <i>RO'000</i>
Trade accounts payable	13,431	9,147
Accrued expenses – operating expenses	21,897	22,685
Accrued expenses – capital expenses	17,421	22,111
Amounts due to related parties (note 21)	1,800	2,062
Deposits from customers	328	361
	<u>54,877</u>	<u>56,366</u>

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21. RELATED PARTY TRANSACTIONS

Related parties represent associated companies, major shareholders, directors and key management personnel of the Company, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Company's management.

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

	<i>2011 (RO'000)</i>		<i>2010 (RO'000)</i>	
	<i>Other related parties</i>	<i>Directors and key management</i>	<i>Other related parties</i>	<i>Directors and key management</i>
Director's and key management remuneration	-	1,418	-	2,171
Service fee (Note 6)	5,889	-	5,666	-
Other expenses	1,297	-	1,308	-
	<u>7,186</u>	<u>1,418</u>	<u>6,974</u>	<u>2,171</u>

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

Balances with related parties included in the statement of financial position are as follows:

	<i>2011 (RO'000)</i>		<i>2010 (RO'000)</i>	
	<i>Receivable and prepayments</i>	<i>Trade payable</i>	<i>Receivable and prepayments</i>	<i>Trade payable</i>
Major shareholders – IPO expenses	-	-	-	319
Major shareholders	-	47	-	147
Other related parties	-	1,753	-	1,596
	<u>-</u>	<u>1,800</u>	<u>-</u>	<u>2,062</u>

Compensation of key management personnel

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

	<i>2011 RO'000</i>	<i>2010 RO'000</i>
Salaries / remuneration and benefits	1,177	1,460
Director's remuneration	200	200
Employees' end of service benefits	41	85
IPO incentive – shadow shares	-	426
	<u>1,418</u>	<u>2,171</u>

22. EXPENDITURE COMMITMENTS

	<i>2011</i> <i>RO'000</i>	<i>2010</i> <i>RO'000</i>
Capital expenditure commitments		
Estimated capital expenditure contracted for at the reporting date but not provided for:		
Property, plant and equipment	<u>10,427</u>	<u>30,211</u>
Operating lease commitments		
Future minimum lease payments:		
Within one year	10,764	8,625
After one year but not more than five years	13,235	16,054
More than five years	<u>12,974</u>	<u>17,080</u>
Total operating lease expenditure contracted for at the reporting date	<u>36,973</u>	<u>41,759</u>

23. CONTINGENT LIABILITIES*Guarantees*

At 31 December 2011, the Company had contingent liabilities in respect of performance bond guarantee of RO 6.6 million (2010: RO 6.6 million) in the ordinary course of business from which it is anticipated that no material liabilities are expected to arise.

Claims

- a) On the 2nd October 2011 a settlement agreement was made between an international operator and the company where both parties agreed to settle a dispute which related to transactions made by the international operator's roaming subscribers on the Company's network during 2009 and 2010. As at 31 December 2011, the related settlement amount has been accounted for.
- b) Telecommunication Regulatory Authority (TRA) has raised a concern regarding the calculation of certain fees payable by the Company under its mobile and fixed licences. The Company considers that the approach it has adopted with respect to the relevant fees is correct and in line with regulatory requirements. The amount under consideration is approximately RO 3.0 Million.

24. RISK MANAGEMENT

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

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

Interest rate risk

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

The Company manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings. To manage this, the Company enters into interest rate swaps, in which the Company agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed upon notional principal amount. These swaps are designated to hedge underlying debt obligations. At 31 December 2011, after taking into account the effect of interest rate swaps, approximately 50% of the Company's borrowings are at a fixed rate of interest (2010: 54%). With all other variables constant, a 25 basis points change in interest rates on an hedged portion of loans and borrowings will have an impact of RO 69,000 (2010: RO 82,000) on the Company's profit. There is only an immaterial impact on the Company's equity.

Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company trades only with recognized, creditworthy dealers and operators. Its three largest dealers' balances account for 47% of outstanding unimpaired trade receivable at 31 December 2011 (2010: 42%). The Company obtains bank/corporate guarantees from its dealers in order to mitigate its credit risk. It is the Company's policy that certain credit verification is performed for all of the Company's post paid subscribers. In addition, receivable balances are monitored on an ongoing basis.

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

The Company's credit risk with regard to bank deposits is limited as majority of funds are placed with a bank who has Moody's short-term deposit rating of Prime-1.

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 Company's payable and accruals include amounts payable in US Dollars. As of the reporting date this USD denominated payable amount was approximately 44% (31 December 2010: 45%) of the Company's total payables and accruals. The Company's long term borrowings and certain bank deposits amounting to RO 55,165,575 and RO 17,762,000 respectively are denominated in US Dollars. The Omani Rial is pegged to the US Dollar. There are no other significant financial instruments in foreign currency other than US Dollars and consequently foreign currency risk is mitigated.

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24. RISK MANAGEMENT (continued)

Liquidity risk

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

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

<i>As at 31 December 2011</i>	<i>Less than 3 months RO'000</i>	<i>3 to 12 months RO'000</i>	<i>1 to 5 years RO'000</i>	<i>> 5 years RO'000</i>	<i>Total RO'000</i>
Interest bearing borrowings	30,471	2,744	21,951	-	55,166
Payables and accruals	52,749	328	-	-	53,077
Due to related parties	1,800	-	-	-	1,800
Interest on term loan	1,829	125	997	-	2,951
Total	86,849	3,197	22,948	-	112,994

<i>As at 31 December 2010</i>	<i>Less than 3 months RO'000</i>	<i>3 to 12 months RO'000</i>	<i>1 to 5 years RO'000</i>	<i>> 5 years RO'000</i>	<i>Total RO'000</i>
Interest bearing borrowings	7,943	7,943	55,164	-	71,050
Payables and accruals	53,943	361	-	-	54,304
Due to related parties	2,062	-	-	-	2,062
Interest on term loan	940	2,383	2,315	-	5,638
Total	64,888	10,687	57,479	-	133,054

Operational risk

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

Capital management

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the year ended 31 December 2011 and year ended 31 December 2010. Capital comprises share capital and retained earnings, and is measured at RO 151,136,000 as at 31 December 2011. (31 December 2010: RO 133,111,000).

25. KEY SOURCES OF ESTIMATION UNCERTAINTY

Deferred tax assets

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

Impairment of accounts receivable

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

At the reporting date, gross trade accounts receivable were RO 24,384,000 (2010: RO 24,878,000) and the provision for doubtful debts was RO 2,907,000 (2010: RO 1,698,000). Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the statement of income. The related details are set out in note 12.

Provision for site restoration

The Company has recognised a provision for site restoration associated with the sites leased by the Company. In determining the amount of the provision, assumptions and estimates are required in relation to discount rates and the expected cost to dismantle and remove equipment from the site and restore the land in its original condition. The carrying amount of the provision as at 31 December 2011 is RO 3,643,000 (31 December 2010: RO 3,232,000). The related details are set out in note 18.

Impairment of inventories

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

At the reporting date goods for resale were RO 1,035,000 (31 December 2010: RO 751,000) and the provision for obsolete inventory amounted to RO 365,000 (2010: RO 369,000). Any difference between the amounts actually realised in future periods and the amounts expected will be recognised in the statement of income.

Impairment of non-financial assets

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

Depreciation

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

Going concern

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

26. SEGMENT INFORMATION

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

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

1. Operation of Global System for Mobile Communication (GSM) for prepaid and post paid services, sale of telecommunication equipment and other associated services.
2. Provision of international and national voice and data services from fixed line, sale of telecommunication equipment and other associated services.

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

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

Segment revenue and results

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

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

Segmental results for the year ended 31 December 2011 are as follows:

	<i>Mobile RO'000</i>	<i>Fixed line RO'000</i>	<i>Adjustments RO'000</i>	<i>Total RO'000</i>
Revenue				
External sales	185,440	11,425	-	196,865
Inter-segment sales	2,847	21,589	(24,436)	-
Total revenue	<u>188,287</u>	<u>33,014</u>	<u>(24,436)</u>	<u>196,865</u>
Results				
Depreciation	19,702	4,644	-	24,346
Amortisation	2,838	856	-	3,694
Segment results – Profit	<u>54,766</u>	<u>2,501</u>	<u>-</u>	<u>57,267</u>
Finance expense				(3,278)
Profit before taxation				<u>53,989</u>
Taxation				(6,477)
Profit for the year				<u>47,512</u>

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26. SEGMENT INFORMATION (Continued)

Segmental results for the year ended 31 December 2010 are as follows:

	<i>Mobile</i> <i>RO'000</i>	<i>Fixed line</i> <i>RO'000</i>	<i>Adjustments</i> <i>RO'000</i>	<i>Total</i> <i>RO'000</i>
Revenue				
External sales	182,581	6,275	-	188,856
Inter-segment sales	1,688	13,064	(14,752)	-
Total revenue	<u>184,269</u>	<u>19,339</u>	<u>(14,752)</u>	<u>188,856</u>
Results				
Depreciation	<u>19,103</u>	<u>1,453</u>	<u>-</u>	<u>20,556</u>
Amortisation	<u>2,835</u>	<u>856</u>	<u>-</u>	<u>3,691</u>
Segment results – Profit / (loss)	<u>62,567</u>	<u>(1,687)</u>	<u>-</u>	<u>60,880</u>
Finance expense				(3,977)
Profit before taxation				<u>56,903</u>
Taxation				(6,923)
Profit for the year				<u>49,980</u>

Capital expenditure incurred for different segments are as follows:

	2011 RO'000	2010 <i>RO'000</i>
Property, plant and equipment		
Mobile	29,183	24,521
Fixed	11,680	49,548
	<u>40,863</u>	<u>74,069</u>

Adjustment between fixed and mobile property, plant and equipment has been made compared to Q3 results.

27. FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets, financial liabilities and derivatives.

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

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

Fair value hierarchy

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

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

As at 31 December 2011, the Company held interest rate swap derivatives instruments measured at fair value. The fair values of the interest rate swaps arrangements are worked out using level 2 valuation technique and related details are included in note 16. The related fair value details are provided by the swap counter party.

28. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform to current period presentation. The reclassifications do not affect the reported profit during the period 2011.