

**Omani Qatari Telecommunications
Company SAOG**

Interim condensed financial statements

30 JUNE 2011

**Registered office and
principal place of business:**

Nawras Building
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Sultanate of Oman

Omani Qatari Telecommunications Company SAOG

Independent auditor's review report and interim condensed financial statements for the period ended 30 June 2011

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Independent auditor's review report to the Directors of Omani Qatari Telecommunications Company SAOG

1

Introduction

We have reviewed the accompanying interim condensed financial statements of Omani Qatari Telecommunications Company SAOG ("the company") as at 30 June 2011, comprising of the interim condensed statement of financial position as at 30 June 2011 and the related interim condensed statements of income, comprehensive income, changes in equity and cash flows for the six month period then ended and explanatory notes. The management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Accounting Standard IAS 34 Interim Financial Reporting ("IAS 34"). Our responsibility is to express a conclusion on these condensed interim financial statements based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing. Consequently, it does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements are not prepared, in all material respects, in accordance with IAS 34.

Deloitte & Touche



Deloitte & Touche (M.E.) & Co. LLC
Muscat, Sultanate of Oman
27 July 2011

Omani Qatari Telecommunications Company SAOG

INTERIM CONDENSED STATEMENT OF INCOME

Period ended 30 June 2011 (Unaudited)

	Note	<i>Three months ended</i>		<i>Six months ended</i>	
		<i>30 June</i>		<i>30 June</i>	
		<i>2011</i>	<i>2010</i>	<i>2011</i>	<i>2010</i>
		<i>RO'000</i>	<i>RO'000</i>	<i>RO'000</i>	<i>RO'000</i>
Revenue	2	48,777	45,589	96,914	91,233
Other income / (expense)		46	(24)	257	8
		<u>48,823</u>	<u>45,565</u>	<u>97,171</u>	<u>91,241</u>
Operating expenses		(7,836)	(7,075)	(14,950)	(14,089)
General and administrative expenses		(18,806)	(15,678)	(35,701)	(28,707)
Depreciation and amortisation		(6,857)	(5,882)	(13,317)	(11,829)
Royalty		(3,112)	(2,826)	(6,155)	(5,442)
Financing costs		(835)	(1,011)	(1,783)	(2,131)
PROFIT BEFORE TAX		<u>11,377</u>	<u>13,093</u>	<u>25,265</u>	<u>29,043</u>
Income tax expense	3	(1,353)	(1,561)	(3,146)	(3,497)
PROFIT FOR THE PERIOD		<u>10,024</u>	<u>11,532</u>	<u>22,119</u>	<u>25,546</u>
Basic and diluted earnings per share (RO)	4	<u>0.015</u>	<u>0.018</u>	<u>0.034</u>	<u>0.039</u>

The attached notes 1 to 15 form part of these condensed financial statements.

Omani Qatari Telecommunications Company SAOG

INTERIM CONDENSED STATEMENT OF COMPREHENSIVE INCOME

Period ended 30 June 2011 (Unaudited)

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	<i>2011</i>	<i>2010</i>	<i>2011</i>	<i>2010</i>
	<i>RO'000</i>	<i>RO'000</i>	<i>RO'000</i>	<i>RO'000</i>
Profit for the period	10,024	11,532	22,119	25,546
Other comprehensive income				
Net unrealised gain on cash flow hedges	390	397	848	605
Income tax effect	(46)	-	(102)	-
Other comprehensive income for the period	344	397	746	605
Total comprehensive income for the period	10,368	11,929	22,865	26,151

The attached notes 1 to 15 form part of these condensed financial statements.

Omani Qatari Telecommunications Company SAOG

INTERIM CONDENSED STATEMENT OF FINANCIAL POSITION

At 30 June 2011 (Unaudited)

	Notes	30 June 2011 RO'000	Audited 31 December 2010 RO'000
ASSETS			
Non current assets			
Property, plant and equipment	5	169,050	165,621
License fee	6	44,287	46,119
		<u>213,337</u>	<u>211,740</u>
Current assets			
Inventories		463	382
Receivables and prepayments		29,578	29,648
Bank balances and cash		16,911	49,343
		<u>46,952</u>	<u>79,373</u>
TOTAL ASSETS		<u>260,289</u>	<u>291,113</u>
EQUITY AND LIABILITIES			
Equity			
Share capital		65,094	65,094
Statutory reserve		11,929	11,929
Cumulative changes in fair values	7	(986)	(1,732)
Retained earnings		65,400	68,017
Total equity		<u>141,437</u>	<u>143,308</u>
Non current liabilities			
Interest bearing borrowings	8	24,637	55,050
Site restoration provision		3,436	3,232
Negative fair value of derivatives	7	-	324
Employee benefits	9	1,247	2,246
Deferred tax liability		61	153
		<u>29,381</u>	<u>61,005</u>
Current liabilities			
Payables and accruals		37,951	56,366
Interest bearing borrowings	8	38,414	15,885
Employee benefits	9	1,400	-
Negative fair value of derivatives	7	1,120	1,644
Deferred revenue		7,073	6,282
Income tax payable	3	3,513	6,623
		<u>89,471</u>	<u>86,800</u>
Total liabilities		<u>118,852</u>	<u>147,805</u>
TOTAL EQUITY AND LIABILITIES		<u>260,289</u>	<u>291,113</u>

These interim condensed financial statements were approved and authorised for issue by the Board of Directors on 27 July 2011.



Director



Director



The attached notes 1 to 15 form part of these condensed financial statements.

Omani Qatari Telecommunications Company SAOG
INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY
 Period ended 30 June 2011 (Unaudited)

	Share capital RO'000	Statutory reserve RO'000	Cumulative changes in fair values RO'000	Retained earnings RO'000	Total RO'000
At 1 January 2010	65,094	6,931	(3,340)	23,035	91,720
Profit for the period	-	-	-	25,546	25,546
Other comprehensive income for the period	-	-	605	-	605
Total comprehensive income for the period	-	-	605	25,546	26,151
At 30 June 2010	65,094	6,931	(2,735)	48,581	117,871
At 1 January 2011	65,094	11,929	(1,732)	68,017	143,308
Profit for the period	-	-	-	22,119	22,119
Other comprehensive income for the period	-	-	746	-	746
Total comprehensive income for the period	-	-	746	22,119	22,865
Dividends	-	-	-	(24,736)	(24,736)
At 30 June 2011	65,094	11,929	(986)	65,400	141,437

Transfer to statutory reserve is made on annual basis.

The attached notes 1 to 15 form part of these condensed financial statements.

Omani Qatari Telecommunications Company SAOG
 INTERIM CONDENSED STATEMENT OF CASH FLOWS
 Period ended 30 June 2011 (Unaudited)

	Notes	Six months ended 30 June	
		2011 RO'000	2010 RO'000
OPERATING ACTIVITIES			
Profit before tax		25,265	29,043
Adjustments for:			
Depreciation	5	11,485	9,997
Amortisation	6	1,832	1,832
Interest income		(52)	(31)
Accrual for employees' end of service benefits		195	111
IPO incentive – shadow shares		(232)	-
Employee retention – Long term incentive		529	-
Financing costs		1,685	1,999
Impairment loss on property, plant and equipment		-	67
Profit on disposal of property, plant and equipment		(8)	-
Unwinding of discount of site restoration provision		99	132
Operating profit before working capital changes		40,798	43,150
Working capital changes:			
Inventories		(81)	43
Receivables and prepayments		70	(2,198)
Payables, accruals and deferred revenue		(17,624)	3,872
Cash from the operations		23,163	44,867
Interest paid		(1,685)	(1,999)
Income tax paid		(6,450)	(4,300)
Employees' end of service benefits paid		(91)	(33)
Net cash from operating activities		14,937	38,535
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	5	(14,809)	(43,107)
Interest income		52	31
Proceeds on disposal of property, plant and equipment		8	-
Net cash used in investing activities		(14,749)	(43,076)
FINANCING ACTIVITIES			
Repayment of term loan		(7,884)	(5,121)
Long term loan draw down		-	11,553
Dividends paid	10	(24,736)	-
Net cash (used in) / from financing activities		(32,620)	6,432
(DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		(32,432)	1,891
Cash and cash equivalents at the beginning of the period		49,343	20,520
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		16,911	22,411

The attached notes 1 to 15 form part of these condensed financial statements.

1 ACCOUNTING POLICIES

The interim condensed financial statements of the company are prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. The accounting policies used in the preparation of the interim condensed financial statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2010.

The interim condensed financial statements do not contain all information and disclosures required for full financial statements prepared in accordance with International Financial Reporting Standards and should be read in conjunction with the company's annual financial statements as at 31 December 2010. In addition, results for the six months ended 30 June 2011 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2011.

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

2 REVENUE

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	<i>2011</i>	<i>2010</i>	<i>2011</i>	<i>2010</i>
	<i>RO'000</i>	<i>RO'000</i>	<i>RO'000</i>	<i>RO'000</i>
Traffic	39,092	35,676	78,817	72,427
One time and recurring charges	3,893	6,087	7,542	11,490
Interconnection revenue	7,274	5,369	13,491	10,319
Others	515	470	891	1,020
	<u>50,774</u>	<u>47,602</u>	<u>100,741</u>	<u>95,256</u>
Less : Distributor discounts	(1,997)	(2,013)	(3,827)	(4,023)
	<u>48,777</u>	<u>45,589</u>	<u>96,914</u>	<u>91,233</u>

3 INCOME TAX

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	<i>2011</i>	<i>2010</i>	<i>2011</i>	<i>2010</i>
	<i>RO'000</i>	<i>RO'000</i>	<i>RO'000</i>	<i>RO'000</i>
Statement of income				
Current period	1,495	1,694	3,340	3,732
Deferred tax relating to origination and reversal of temporary differences	(142)	(133)	(194)	(235)
	<u>1,353</u>	<u>1,561</u>	<u>3,146</u>	<u>3,497</u>

3 INCOME TAX (Continued)

	<i>30 June</i>	<i>31 December</i>
	<i>2011</i>	<i>2010</i>
	<i>RO'000</i>	<i>RO'000</i>
Current liability		
Current period	3,340	6,470
Prior period/year	173	153
	<u>3,513</u>	<u>6,623</u>

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	<i>2011</i>	<i>2010</i>	<i>2011</i>	<i>2010</i>
	<i>RO'000</i>	<i>RO'000</i>	<i>RO'000</i>	<i>RO'000</i>
Deferred tax asset / (liability)				
Beginning of the period	(157)	166	(153)	64
Movement for the period through statement of income	142	133	194	235
Movement for the period through statement of other comprehensive income	(46)	-	(102)	-
At the end of the period	<u>(61)</u>	<u>299</u>	<u>(61)</u>	<u>299</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 period, 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.

4 EARNINGS PER SHARE

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

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	<i>2011</i>	<i>2010</i>	<i>2011</i>	<i>2010</i>
Profit for the period (RO'000)	10,024	11,532	22,119	25,546
Weighted average number of shares outstanding for the period (number in thousand)	650,944	650,944	650,944	650,944
Basic earning per share (RO)	<u>0.015</u>	<u>0.018</u>	<u>0.034</u>	<u>0.039</u>

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.

5 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	3,379	1,380	49	10,106	14,914
Capitalised during the period	13,099	-	431	(13,530)	-
Disposals	-	(22)	-	-	(22)
30 June 2011	191,771	26,120	843	32,757	251,491
Depreciation					
1 January 2011	52,544	18,368	66	-	70,978
Charge for the period	10,125	1,323	37	-	11,485
Disposals	-	(22)	-	-	(22)
30 June 2011	62,669	19,669	103	-	82,441
Net book value					
30 June 2011	129,102	6,451	740	32,757	169,050
31 December 2010	122,749	6,394	297	36,181	165,621

Addition for the period ended 30 June 2011 includes provision for site restoration cost of RO 104,716. This has been excluded from the cash outflow on purchase of property plant and equipment in the statement of cash flows.

6 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
Amortisation			
Balance at 1 January 2011	16,327	1,288	17,615
Amortisation during the period	1,407	425	1,832
Balance at 30 June 2011	17,734	1,713	19,447
Net book value			
At 30 June 2011	24,597	19,690	44,287
At 31 December 2010	26,004	20,115	46,119

6 LICENSE FEE (Continued)

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.

7 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 8). The loan amount covered under the swap agreement as at the reporting date was RO 32,926 million. 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 30 June 2011, the unrealised loss of RO 1.120 million relating to measuring the financial instruments at fair value is included in equity in respect of these contracts (31 December 2010: RO 1.968 million). 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>
30 June 2011					
Interest rate swaps	1,120*	32,926	32,926	-	-
31 December 2010					
Interest rate swaps	1,968*	38,125	10,398	27,727	-

*Negative fair value shown under equity in the condensed statement of financial position is net of deferred tax of RO 0.134 million (2010: RO 0.236 million).

