

Omani Qatari Telecommunications Company SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 June 2012 (Unaudited)

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 2011.

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 2011. In addition, results for the six months ended 30 June 2012 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2012.

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>2012</i>	<i>2011</i>	<i>2012</i>	<i>2011</i>
	<i>RO'000</i>	<i>RO'000</i>	<i>RO'000</i>	<i>RO'000</i>
Traffic	33,437	35,567	66,932	71,043
One time and recurring charges	9,820	6,056	17,059	12,064
Interconnection revenue	6,123	7,266	12,487	13,477
Inbound roaming	1,225	1,370	2,623	3,266
Others	(178)	515	65	891
	50,427	50,774	99,166	100,741
Less : Distributor discounts	(2,001)	(1,997)	(3,906)	(3,827)
	48,426	48,777	95,260	96,914

3 INCOME TAX

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	<i>2012</i>	<i>2011</i>	<i>2012</i>	<i>2011</i>
	<i>RO'000</i>	<i>RO'000</i>	<i>RO'000</i>	<i>RO'000</i>
Statement of income				
Current period	1,179	1,495	2,701	3,340
Deferred tax relating to origination and reversal of temporary differences	172	(142)	179	(194)
	1,351	1,353	2,880	3,146

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3 INCOME TAX (Continued)

	<i>Audited</i>
	<i>30 June 31 December</i>
	<i>2012 2011</i>
	<i>RO'000 RO'000</i>
Current liability	
Current period	2,701 6,210
Prior period/year	207 173
	<u>2,908 6,383</u>

	<i>Three months ended</i>		<i>Six months ended</i>	
	<i>30 June</i>		<i>30 June</i>	
	<i>2012</i>	<i>2011</i>	<i>2012</i>	<i>2011</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	(663)	(157)	(616)	(153)
Movement for the period through statement of income	(172)	142	(179)	194
Movement for the period through statement of other comprehensive income	-	(46)	(40)	(102)
At the end of the period	<u>(835)</u>	<u>(61)</u>	<u>(835)</u>	<u>(61)</u>

The tax rate applicable to the company is 12% (2011: 12%). Deferred tax asset/liability is recorded at 12% (2011:12%). 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>2012</i>	<i>2011</i>	<i>2012</i>	<i>2011</i>
Profit for the period (RO'000)	9,674	10,024	19,474	22,119
Weighted average number of shares outstanding for the period (number in thousand)	<u>650,944</u>	<u>650,944</u>	<u>650,944</u>	<u>650,944</u>
Basic earning per share (RO)	<u>0.015</u>	<u>0.015</u>	<u>0.030</u>	<u>0.034</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.

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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 2012	225,464	27,754	1,459	22,763	277,440
Additions	5,598	1,386	439	2,721	10,144
Capitalised during the period	7,867	1,064	1,468	(10,399)	-
30 June 2012	238,929	30,204	3,366	15,085	287,584
Depreciation					
1 January 2012	74,033	21,109	160	-	95,302
Charge for the period	12,338	1,594	136	-	14,068
30 June 2012	86,371	22,703	296	-	109,370
Net book value					
30 June 2012	152,558	7,501	3,070	15,085	178,214
31 December 2011	151,431	6,645	1,299	22,763	182,138

Addition for the period ended 30 June 2012 includes provision for site restoration cost of RO 648,074 (year ended 31 December 2011: RO 207,000). 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 and 30 June 2012	42,331	21,403	63,734
Amortisation			
Balance at 1 January 2012	19,165	2,144	21,309
Amortisation during the period	1,411	426	1,837
Balance at 30 June 2012	20,576	2,570	23,146
Net book value			
At 30 June 2012	21,755	18,833	40,588
At 31 December 2011	23,166	19,259	42,425

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. The loan amount covered under the swap agreement has been fully paid and the swap arrangement has expired in March 2012. Under the swap agreements, the Company was committed to pay a fixed interest rate of 5.348% per annum and receive a floating interest rate based on 3 month US \$ LIBOR.

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 2012					
Interest rate swaps	-	-	-	-	-
	=====	=====	=====	=====	=====
31 December 2011					
Interest rate swaps	337	27,727	27,727	-	-
	=====	=====	=====	=====	=====

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8 INTEREST BEARING BORROWINGS

	<i>30 June 2012 RO'000</i>	<i>Audited 31 December 2011 RO'000</i>
Total interest bearing borrowings	38,829	55,166
Less: Deferred financing costs	(939)	(11)
	37,890	55,155
Less: Payable within one year – Term loan	(6,701)	(33,215)
	31,189	21,940
<i>Non-current portion</i>	31,189	21,940

The Company has entered into a new syndicated loan facility agreement in February 2012 by repaying its original facility of USD 143 million fully. The new facility consist of a long-term five year amortizing loan facility of USD 87 million (OMR 33.5 million) and a 5 year Revolving Credit Facility of RO 24 million.

The members of the syndication are a Group of four international and national banks.

The term loan of USD 87 million is repayable in twenty quarterly installments commencing from May 2012.

Both facilities bear interest at US LIBOR plus margin.

The company has the discretion to rollover the Revolving Credit Facility and its intention is to utilise the facility for more than one year.

9 EMPLOYEE BENEFITS

	<i>30 June 2012 RO'000</i>	<i>Audited 31 December 2011 RO'000</i>
<i>Non-current</i>		
Employees' end of service benefits	829	783
<i>Current</i>		
IPO incentive – Shadow shares	73	1,355

On 22 February 2012 the Board approved to pay 50% of the bonus of 2011 which resulted in reversing RO 1 million in March 2012, which has been netted off against current period general and administrative expenses.

10 DIVIDENDS PAID

Company's shareholders at the annual general meeting held on 27 March 2012 approved a payment of balsa 38 per share as dividend for the financial year ended 31st December 2011, and this was paid in April 2012.

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11 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 interim condensed financial statements are set out below:

	<i>Three months ended 30 June</i>			
	<i>2012 (RO'000)</i>		<i>2011 (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	-	632	-	359
Service fee	1,507	-	1,463	-
Other expenses	379	-	286	-
	<u>1,886</u>	<u>632</u>	<u>1,749</u>	<u>359</u>

	<i>Six months ended 30 June</i>			
	<i>2012 (RO'000)</i>		<i>2011 (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	-	1,020	-	693
Service fee	2,928	-	2,907	-
Other expenses	686	-	786	-
	<u>3,614</u>	<u>1,020</u>	<u>3,693</u>	<u>693</u>

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11 RELATED PARTY TRANSACTIONS (Continued)

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 condensed statement of financial position are as follows:

	<i>30 June</i>		<i>Audited</i>	
	<i>2012 (RO'000)</i>		<i>31 December</i>	
	<i>Receivable and</i>	<i>Trade</i>	<i>Receivable and</i>	<i>Trade</i>
	<i>prepayments</i>	<i>payable</i>	<i>prepayments</i>	<i>payable</i>
Major shareholders	-	19	-	47
Other related parties	-	1,782	-	1,753
	<u>-</u>	<u>1,801</u>	<u>-</u>	<u>1,800</u>
	<u><u>-</u></u>	<u><u>1,801</u></u>	<u><u>-</u></u>	<u><u>1,800</u></u>

Compensation of key management personnel

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

	<i>Three months ended 30 June</i>		<i>Six months ended 30 June</i>	
	<i>2012</i>	<i>2011</i>	<i>2012</i>	<i>2011</i>
	<i>RO'000</i>	<i>RO'000</i>	<i>RO'000</i>	<i>RO'000</i>
Salaries / remuneration and benefits	571	292	891	568
Director's remuneration	50	50	100	100
Employees' end of service benefits	11	17	29	25
	<u>632</u>	<u>359</u>	<u>1,020</u>	<u>693</u>
	<u><u>632</u></u>	<u><u>359</u></u>	<u><u>1,020</u></u>	<u><u>693</u></u>

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12 EXPENDITURE COMMITMENTS

	<i>30 June</i> <i>2012</i> <i>RO'000</i>	<i>Audited</i> <i>31 December</i> <i>2011</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>10,113</u>	<u>10,427</u>
Operating lease commitments		
Future minimum lease payments:		
Within one year	8,735	10,764
After one year but not more than five years	12,295	13,235
More than five years	10,601	12,974
Total operating lease expenditure contracted for at the reporting date	<u>31,631</u>	<u>36,973</u>

13 CONTINGENT LIABILITIES

Guarantees

At 30 June 2012, the Company had contingent liabilities in respect of performance bond guarantee of RO 6.6 million (2011: RO 6.6 million) in the ordinary course of business from which it is anticipated that no material liabilities are expected to arise.

Claims

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 3.1 million (2011: RO 3.0 million).

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14 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.

Segmental results for the three months period ended 30 June 2012 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	44,368	4,058	-	48,426
Inter-segment sales	878	5,319	(6,197)	-
Total revenue	<u>45,246</u>	<u>9,377</u>	<u>(6,197)</u>	<u>48,426</u>
Results				
Depreciation	5,679	1,526	-	7,205
Amortisation	706	213	-	919
Segment results – Profit	<u>11,505</u>	<u>(450)</u>	<u>-</u>	<u>11,055</u>
Finance expense				(30)
Profit before taxation				<u>11,025</u>
Taxation				(1,351)
Profit for the period				<u>9,674</u>

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14 SEGMENT INFORMATION (Continued)

Segmental results for the three months period ended 30 June 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	45,290	3,487	-	48,777
Inter-segment sales	851	5,366	(6,217)	-
Total revenue	<u>46,141</u>	<u>8,853</u>	<u>(6,217)</u>	<u>48,777</u>
Results				
Depreciation	4,803	1,132	-	5,935
Amortisation	708	214	-	922
Segment results – Profit	<u>13,852</u>	<u>(1,640)</u>	<u>-</u>	<u>12,212</u>
Finance expense				(835)
Profit before taxation				11,377
Taxation				(1,353)
Profit for the period				<u>10,024</u>

Segmental results for the six months period ended 30 June 2012 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	88,141	7,119	-	95,260
Inter-segment sales	1,556	10,817	(12,373)	-
Total revenue	<u>89,697</u>	<u>17,936</u>	<u>(12,373)</u>	<u>95,260</u>
Results				
Depreciation	11,026	3,042	-	14,068
Amortisation	1,411	426	-	1,837
Segment results – Profit	<u>23,392</u>	<u>(348)</u>	<u>-</u>	<u>23,044</u>
Finance expense				(690)
Profit before taxation				22,354
Taxation				(2,880)
Profit for the period				<u>19,474</u>

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14 SEGMENT INFORMATION (Continued)

Segmental results for the six months period ended 30 June 2011 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	90,589	6,325	-	96,914
Inter-segment sales	1,549	9,704	(11,253)	-
Total revenue	<u>92,138</u>	<u>16,029</u>	<u>(11,253)</u>	<u>96,914</u>
Results				
Depreciation	9,483	2,002	-	11,485
Amortisation	1,408	424	-	1,832
Segment results – Profit	<u>27,435</u>	<u>(439)</u>	<u>-</u>	<u>26,996</u>
Finance expense				(1,731)
Profit before taxation				25,265
Taxation				(3,146)
Profit for the period				<u>22,119</u>

Capital expenditure incurred for different segments are as follows:

	<i>Six months ended</i> <i>30 June 2012</i> <i>RO'000</i>	<i>Six months ended</i> <i>30 June 2011</i> <i>RO'000</i>	<i>Year ended</i> <i>31 December 2011</i> <i>RO'000</i>
Property, plant and equipment			
- Mobile	9,195	9,245	29,183
- Fixed	949	5,669	11,680
	<u>10,144</u>	<u>14,914</u>	<u>40,863</u>

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15 COMPARATIVE AMOUNTS

Following corresponding figures for 2011 have been reclassified in order to conform with the presentation for the current period:

	2011 Previously reported <i>RO'000</i>	2011 Currently reported <i>RO'000</i>	
Statement of Income			
Operating expenses	(14,950)	(26,810)	Reclassification of repairs and maintenance, lease lines and frequency fee, and rental and utilities - network from general and administrative expense
General and administrative expenses	(35,701)	(23,835)	Reclassification of repairs and maintenance, lease lines and frequency fee, and rental and utilities - network to operating expense. Reclassification of currency exchange loss/gain to other income
Other income	257	199	Reclassification of interest income to financing costs. Reclassification of currency exchange loss/gain from general and administrative expense.
Financing costs	(1,783)	(1,731)	Reclassification of interest income from other income.

These reclassifications have been made to improve the quality of information presented. The reclassifications do not affect the reported profit for the year 2011.