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 2012.

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 2012. In addition, results for the three months ended 31 March 2013 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2013.

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

2 REVENUE

	Three months ended 31 March	
	2013	*2012*
	RO'000	*RO'000*
Traffic	**42,694**	40,574
One time and recurring charges	**475**	403
Interconnection revenue	**5,541**	6,364
Inbound roaming	**1,431**	1,398
	50,141	48,739
Less : Distributor discounts	**(1,962)**	(1,905)
	48,179	46,834

3 INCOME TAX

	Three months ended 31 March	
	2013	*2012*
	RO'000	*RO'000*
Statement of income		
Current period	**1,314**	1,522
Deferred tax relating to origination and reversal of temporary differences	**(270)**	7
	1,044	1,529

3 INCOME TAX (Continued)

	31 March 2013 RO'000	*Audited 31 December 2012 RO'000*
Current liability		
Current period	**1,314**	4,594
Prior period/year	**305**	207
	1,619	4,801

	Three months ended 31 March	
	2013	*2012*
	RO'000	*RO'000*
Deferred tax asset / (liability)		
Beginning of the period	**(1,224)**	(616)
Movement for the period through statement of income	**270**	(7)
Movement for the period through statement of other comprehensive income	**-**	(40)
At the end of the period	**(954)**	(663)

The tax rate applicable to the company is 12% (2012: 12%). Deferred tax asset/liability is recorded at 12% (2012: 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 2007 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:

	Three months ended 31 March	
	2013	*2012*
Profit for the period (*RO'000*)	**7,651**	9,800
Weighted average number of shares outstanding for the period (number in thousand)	**650,944**	650,944
Basic earning per share (RO)	**0.012**	0.015

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

	Mobile/fixed exchange and network equipment RO '000	*Subscriber apparatus and other equipment RO '000*	*Buildings RO '000*	*Capital work in progress RO '000*	*Total RO '000*
Cost					
1 January 2013	268,918	32,051	5,852	31,284	338,105
Additions	809	670	418	9,194	11,091
Capitalised during the period	19,114	713	1,112	(20,939)	-
Disposal	(494)	-	-	-	(494)
31 March 2013	**288,347**	**33,434**	**7,382**	**19,539**	**348,702**
Depreciation					
1 January 2013	98,765	24,677	527	-	123,969
Charge for the period	6,674	1,684	202	-	8,560
Disposal	(221)	-	-	-	(221)
31 March 2013	**105,218**	**26,361**	**729**	**-**	**132,308**
Net book value					
31 March 2013	**183,129**	**7,073**	**6,653**	**19,539**	**216,394**
31 December 2012	170,153	7,374	5,325	31,284	214,136

6 LICENSE FEE

	Mobile license RO'000	*Fixed line license RO'000*	*Total RO'000*
Cost			
Balance at 1 January and 31 March 2013	42,681	21,403	64,084
Amortisation			
Balance at 1 January 2013	22,009	3,000	25,009
Amortisation during the period	705	213	918
Balance at 31 March 2013	**22,714**	**3,213**	**25,927**
Net book value			
At 31 March 2013	**19,967**	**18,190**	**38,157**
At 31 December 2012	20,672	18,403	39,075

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 2012, the Company has entered into two interest rate swap arrangements with Qatar National Bank to mitigate the risk of the fluctuating interest rates on its term loan (Note 8). The key terms of the arrangements are as below:

SN	Notional Amount	Effective Date	Termination Date	Pay Fixed	Receive Floating
1	USD 10,000,000	27 Dec 2012	29 Dec 2014	0.335%	1 month USD LIBOR
2	USD 12,000,000	27 Dec 2012	29 Dec 2016	0.555%	1 month USD LIBOR

The swap arrangement qualifies for hedge accounting under IAS 39 and as at 31 March 2013, the unrealised gain of RO 1,123 relating to measuring the financial instruments at fair value is included in equity in respect of these contracts (31 December 2012: RO 8,000).

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.

			Notional amount by term to maturity		
	Positive / (Negative) Fair value	*Notional amount*	*1 - 12 months*	*More than 1 upto 5 years*	*Over 5 years*
	RO'000	*RO'000*	*RO'000*	*RO'000*	*RO'000*
31 March 2013					
Interest rate swaps	1*	8,472	-	8,472	-
31 December 2012					
Interest rate swaps	(8)*	8,472	-	8,472	-

*Fair value shown under equity in the statement of financial position is net of deferred tax of RO 135 (2012: RO 874).

8 INTEREST BEARING BORROWINGS

	31 March 2013 RO'000	*Audited 31 December 2012 RO'000*
Total interest bearing borrowings	**34,121**	28,479
Less: Deferred financing costs	**(2,080)**	(839)
	32,041	27,640
Less: Payable within one year – Term loan	**(6,701)**	(6,701)
Non-current portion	**25,340**	20,939

The Company entered into a syndicated loan facility agreement in February 2012 by repaying its original facility of USD 143 million fully. The facility consist of a long-term five year amortising loan facility of USD 87 million (RO 33.5 million) and a 5 year Revolving Credit Facility of RO 24 million. The term loan of USD 87 million is repayable in twenty quarterly installments commencing from May 2012.

In 2013, the Company signed new loan agreements worth USD 234 million (RO 90 million) for capital expenditure and working capital requirements with a consortium of banks. The loans consists of a term loan worth USD 182 million (RO 70 million) with a five-year tenure and a revolving credit facility of USD 52 million (RO 20 million) with a three year tenure.

All facilities bear interest at US LIBOR plus margin and the loan agreement contains two financial covenants being a maximum leverage ratio and a minimum interest cover ratio.

The banking syndicate includes international and national banks.

9 EMPLOYEE BENEFITS

	31 March 2013 RO'000	*Audited 31 December 2012 RO'000*
Non-current		
Employees' end of service benefits	**1,085**	926
Employee retention – Long term incentive	**479**	-
Non-current liability as at the end of the year	**1,564**	926
Current		
IPO incentive – Shadow Shares	**72**	72

10 DIVIDEND PAYABLE

Company's shareholders at the annual general meeting held on 27 March 2013 approved a payment of baisa 38 per share as dividend for the financial year ended 31 December 2012.

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 financial statements are set out below:

	Three months ended 31 March			
	2013 (RO'000)		*2012 (RO'000)*	
	Other related parties	***Directors and key management***	*Other related parties*	*Directors and key management*
Director's and key management remuneration	**-**	**616**	-	388
Service fee	**1,448**	**-**	1,421	-
Other expenses	**308**	**-**	307	-
	1,756	**616**	1,728	388

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:

	31 March 2013 (RO'000)		*Audited 31 December 2012 (RO'000)*	
	Receivable and prepayments	***Trade payable***	*Receivable and prepayments*	*Trade payable*
Major shareholders	**-**	**40**	-	18
Other related parties	**-**	**3,722**	-	2,082
	-	**3,762**	-	2,100

Compensation of key management personnel

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

	Three months ended 31 March	
	2013 RO'000	*2012 RO'000*
Salaries / remuneration and benefits	**553**	320
Director's remuneration	**50**	50
Employees' end of service benefits	**13**	18
	616	388

12 EXPENDITURE COMMITMENTS

	31 March 2013 RO'000	*Audited 31 December 2012 RO'000*
Capital expenditure commitments		
Estimated capital expenditure contracted for at the reporting date but not provided for:		
Property, plant and equipment	**19,260**	24,612
Operating lease commitments		
Future minimum lease payments:		
Within one year	**5,718**	5,958
After one year but not more than five years	**11,432**	12,390
More than five years	**8,227**	10,317
Total operating lease expenditure contracted for at the reporting date	**25,377**	28,665

13 CONTINGENT LIABILITIES

Guarantees
At 31 March 2013, the Company had contingent liabilities in respect of performance bond guarantee of RO 6.6 million (2012: RO 6.6 million) in the ordinary course of business from which it is anticipated that no material liabilities are expected to arise.

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.

14 SEGMENT INFORMATION (Continued)

Segmental results for the three months period ended 31 March 2013 are as follows:

	Mobile ***RO'000***	***Fixed line*** ***RO'000***	***Adjustments*** ***RO'000***	***Total*** ***RO'000***
Revenue				
External sales	**42,955**	**5,224**	**-**	**48,179**
Inter-segment sales	**854**	**5,947**	**(6,801)**	**-**
Total revenue	**43,809**	**11,171**	**(6,801)**	**48,179**
Results				
Depreciation	**7,113**	**1,447**	**-**	**8,560**
Amortisation	**705**	**213**	**-**	**918**
Segment results – Profit	**7,747**	**1,342**	**-**	**9,089**
Finance expense				**(394)**
Profit before taxation				**8,965**
Taxation				**(1,044)**
Profit for the period				**7,651**

Segmental results for the three months period ended 31 March 2012 are as follows:

	Mobile *RO'000*	*Fixed line* *RO'000*	*Adjustments* *RO'000*	*Total* *RO'000*
Revenue				
External sales	43,773	3,061	-	46,834
Inter-segment sales	678	5,498	(6,176)	-
Total revenue	44,451	8,559	(6,176)	46,834
Results				
Depreciation	5,347	1,516	-	6,863
Amortisation	705	213	-	918
Segment results – Profit	11,887	102	-	11,989
Finance expense				(660)
Profit before taxation				11,329
Taxation				(1,529)
Profit for the period				9,800

Capital expenditure incurred for different segments are as follows:

	Three months ended 31 March 2013 **RO'000**	*Three months ended 31March 2012* RO'000	*Year ended 31 December 2012* RO'000
Property, plant and equipment			
- Mobile	**8,794**	3,883	**56,605**
- Fixed	**2,297**	-	**4,850**
	11,091	3,883	**61,455**

15 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 ended 31 March 2013.