

# Omani Qatari Telecommunications Company SAOG

## NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 31 March 2014 (Unaudited)

### 1 ACCOUNTING POLICIES

The interim condensed financial statements of the Omani Qatari Telecommunications Company SAOG (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 2013.

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 2013. In addition, results for the three months ended 31 March 2014 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2014.

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>31 March</i>	
	<i>2014</i>	<i>2013</i>
	<i>RO'000</i>	<i>RO'000</i>
Traffic	<b>48,762</b>	42,694
One time and recurring charges	<b>717</b>	475
Interconnection revenue	<b>4,583</b>	5,541
Inbound roaming	<b>725</b>	1,431
	<b>54,787</b>	50,141
Less : Distributor discounts	<b>(2,094)</b>	(1,962)
	<b>52,693</b>	48,179

### 3 INCOME TAX

	<i>Three months ended</i>	
	<i>31 March</i>	
	<i>2014</i>	<i>2013</i>
	<i>RO'000</i>	<i>RO'000</i>
<b>Statement of income</b>		
Current period	<b>1,383</b>	1,314
Deferred tax relating to origination and reversal of temporary differences	-	(270)
	<b>1,383</b>	1,044

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### 3 INCOME TAX (Continued)

	<i>31 March</i>	<i>Audited</i> <i>31 December</i>
	<i>2014</i>	<i>2013</i>
	<i>RO'000</i>	<i>RO'000</i>
<b>Current liability</b>		
Current period / year	<b>1,383</b>	5,072
Prior period / year	<b>552</b>	96
	<b>1,935</b>	5,168

	<i>31 March</i>	<i>Audited</i> <i>31 December</i>
	<i>2014</i>	<i>2013</i>
	<i>RO'000</i>	<i>RO'000</i>
<b>Deferred tax asset / (liability)</b>		
Beginning of the period / year	<b>(540)</b>	(1,224)
Movement for the period / year through statement of income	-	696
Movement for the period / year through statement of other comprehensive income	-	(12)
At the end of the period / year	<b>(540)</b>	(540)

The tax rate applicable to the company is 12% (2013: 12%). Deferred tax asset / liability is recorded at 12% (2013: 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:

	<i>Three months ended</i> <i>31 March</i>	
	<i>2014</i>	<i>2013</i>
Profit for the period ( <i>RO'000</i> )	<b>8,837</b>	7,651
Weighted average number of shares outstanding for the period (number in thousand)	<b>650,944</b>	650,944
Basic earning per share (RO)	<b>0.014</b>	0.012

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>
<b>Cost</b>					
1 January 2014	318,420	37,734	8,615	50,674	415,443
Additions	10,808	-	456	4,285	15,549
Capitalised during the period	7,433	2	-	(7,435)	-
Provided for	(848)	-	-	-	(848)
<b>31 March 2014</b>	<b>335,813</b>	<b>37,736</b>	<b>9,071</b>	<b>47,524</b>	<b>430,144</b>
<b>Depreciation</b>					
1 January 2014	126,595	31,703	1,343	-	159,641
Charge for the period	7,834	1,771	229	-	9,834
Provided for	(424)	-	-	-	(424)
<b>31 March 2014</b>	<b>134,005</b>	<b>33,474</b>	<b>1,572</b>	<b>-</b>	<b>169,051</b>
<b>Net book value</b>					
<b>31 March 2014</b>	<b>201,808</b>	<b>4,262</b>	<b>7,499</b>	<b>47,524</b>	<b>261,093</b>
31 December 2013	191,825	6,031	7,272	50,674	255,802

### 6 LICENSE FEE

	<i>Mobile license RO'000</i>	<i>Fixed line license RO'000</i>	<i>Total RO'000</i>
<b>Cost</b>			
Balance at 1 January and 31 March 2014	42,681	21,403	64,084
<b>Amortisation</b>			
Balance at 1 January 2014	24,871	3,856	28,727
Amortisation during the period	705	213	918
Balance at 31 March 2014	<b>25,576</b>	<b>4,069</b>	<b>29,645</b>
<b>Net book value</b>			
<b>At 31 March 2014</b>	<b>17,105</b>	<b>17,334</b>	<b>34,439</b>
At 31 December 2013	17,810	17,547	35,357

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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### 7 DERIVATIVE FINANCIAL INSTRUMENTS

The Company has entered into four interest rate swap arrangements 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
3	USD 20,000,000	07 May 2013	24 Apr 2017	0.790%	1 month USD LIBOR
4	USD 25,000,000	07 May 2013	24 Apr 2017	0.790%	1 month USD LIBOR

The swap arrangement qualifies for hedge accounting under IAS 39 and as at 31 March 2014, the unrealised gain of RO 102,000 relating to measuring the financial instruments at fair value is included in equity in respect of these contracts (31 December 2013: RO 102,000).

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.

	Positive / (Negative) Fair value RO'000	Notional amount RO'000	Notional amount by term to maturity		
			1 - 12 months	More than 1 upto 5 years	Over 5 years
			RO'000	RO'000	RO'000
<b>31 March 2014</b>					
Positive Value	231	-	-	-	-
Negative Value	(129)	-	-	-	-
Interest rate swaps	<u>102</u>	<u>25,801</u>	<u>3,851</u>	<u>21,950</u>	<u>-</u>
<b>31 December 2013</b>					
Positive Value	224	-	-	-	-
Negative Value	(122)	-	-	-	-
Interest rate swaps	<u>102*</u>	<u>25,801</u>	<u>3,851</u>	<u>21,950</u>	<u>-</u>

\*Fair value shown under equity in the statement of financial position is net of deferred tax of RO 12,284 (2013: RO 12,128).

### 8 INTEREST BEARING BORROWINGS

	31 March 2014 RO'000	Audited 31 December 2013 RO'000
Total interest bearing borrowings	60,152	39,067
Less: Deferred financing costs	(1,611)	(1,728)
	<u>58,541</u>	<u>37,339</u>
Less: Payable within one year – Term loan	(16,713)	(9,938)
	<u>41,828</u>	<u>27,401</u>
<i>Non-current portion</i>		

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.

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### 8 INTEREST BEARING BORROWINGS (Continued)

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. As on 31 March 2014, the Company has utilised USD 104 million (RO 40 million) out of the term loan of USD 182 million. The term loan is repayable in sixteen quarterly instalments commencing from April 2014.

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

	<i>31 March 2014 RO'000</i>	<i>Audited 31 December 2013 RO'000</i>
<i>Non-current</i>		
Employees' end of service benefits	1,415	1,349
Employee retention – Long term incentive	481	1,700
	<u>1,896</u>	<u>3,049</u>

### 10 DIVIDEND PAYABLE

Company's shareholders at the annual general meeting held on 27 March 2014 approved a payment of baisa 38 per share as dividend for the financial year ended 31 December 2013.

### 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:

	<i>Three months ended 31 March</i>			
	<i>2014 (RO'000)</i>		<i>2013 (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	-	586	-	616
Service fee	1,590	-	1,448	-
Other expenses	332	-	308	-
	<u>1,922</u>	<u>586</u>	<u>1,756</u>	<u>616</u>

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At 31 March 2014 (Unaudited)

### 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 statement of financial position are as follows:

	<i>31 March 2014 RO'000</i>	<i>Audited 31 December 2013 RO'000</i>
<b>Trade payable</b>		
Major shareholders	54	51
Other related parties	5,057	6,051
	<u>5,111</u>	<u>6,102</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 31 March</i>	
	<i>2014 RO'000</i>	<i>2013 RO'000</i>
Salaries / remuneration and benefits	459	553
Director's remuneration	53	50
Employees' end of service benefits	74	13
	<u>586</u>	<u>616</u>

### 12 EXPENDITURE COMMITMENTS

	<i>31 March 2014 RO'000</i>	<i>Audited 31 December 2013 RO'000</i>
<b>Capital expenditure commitments</b>		
Estimated capital expenditure contracted for at the reporting date but not provided for:		
Property, plant and equipment	22,264	24,353
<b>Operating lease commitments</b>		
Future minimum lease payments:		
Within one year	5,682	5,718
After one year but not more than five years	11,909	11,909
More than five years	4,988	5,286
Total operating lease expenditure contracted for at the reporting date	<u>22,579</u>	<u>22,913</u>

**13 CONTINGENT LIABILITIES**

*Guarantees*

The company was required as part of its Fixed Licence bid process, to provide the TRA with a bank guarantee of RO 6 million to secure its rollout obligations under the Fixed Licence. That bank guarantee expired on 31 December 2013. As The company has certain obligations under the fixed licence that have not yet been completed and the TRA has requested that The company provide the TRA with a new bank guarantee to secure the completion of those remaining obligations. The company is in discussions with the TRA regarding the appropriate value for such new security and once agreed it is likely that this will be provided to the TRA. Such new bank guarantee is anticipated to be significantly less value than the RO 6 million guarantee that expired on 31 December 2013.

**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.

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 three months period ended 31 March 2014 are as follows:

	<i>Mobile RO'000</i>	<i>Fixed line RO'000</i>	<i>Adjustments RO'000</i>	<i>Total RO'000</i>
<b>Revenue</b>				
External sales	46,547	6,146	-	52,693
Inter-segment sales	625	5,364	(5,989)	-
<b>Total revenue</b>	<u>47,172</u>	<u>11,510</u>	<u>(5,989)</u>	<u>52,693</u>
<b>Results</b>				
Depreciation	8,330	1,504	-	9,834
Amortisation	705	213	-	918
<b>Segment results – Profit</b>	<u>8,168</u>	<u>2,632</u>	<u>-</u>	<u>10,800</u>
Finance expense				(580)
<b>Profit before taxation</b>				<u>10,220</u>
Taxation				(1,383)
<b>Profit for the period</b>				<u>8,837</u>

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### 14 SEGMENT INFORMATION (Continued)

Segmental results for the three months period ended 31 March 2013 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	42,955	5,224	-	48,179
Inter-segment sales	854	5,947	(6,801)	-
Total revenue	<u>43,809</u>	<u>11,171</u>	<u>(6,801)</u>	<u>48,179</u>
Results				
Depreciation	<u>7,113</u>	<u>1,447</u>	<u>-</u>	<u>8,560</u>
Amortisation	<u>705</u>	<u>213</u>	<u>-</u>	<u>918</u>
Segment results – Profit	<u>7,747</u>	<u>1,342</u>	<u>-</u>	<u>9,089</u>
Finance expense				(394)
Profit before taxation				8,695
Taxation				(1,044)
Profit for the period				<u>7,651</u>

Capital expenditure incurred for different segments are as follows:

	<i>Three months ended</i> <i>31 March 2014</i> <i>RO'000</i>	<i>Three months ended</i> <i>31 March 2013</i> <i>RO'000</i>	<i>Year ended</i> <i>31 December 2013</i> <i>RO'000</i>
Property, plant and equipment			
- Mobile	11,978	8,794	71,294
- Fixed	3,571	2,297	6,533
	<u>15,549</u>	<u>11,091</u>	<u>77,827</u>

### 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 2014.