

Omani Qatari Telecommunications Company SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 September 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 nine months ended 30 September 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>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	<i>2014</i>	<i>2013</i>	<i>2014</i>	<i>2013</i>
	<i>RO'000</i>	<i>RO'000</i>	<i>RO'000</i>	<i>RO'000</i>
Traffic	53,576	46,124	153,724	133,689
One time and recurring charges	453	498	1,661	1,528
Interconnection revenue	5,033	5,271	14,498	16,419
Inbound roaming	1,151	1,008	2,812	3,636
	60,213	52,901	172,695	155,2723
Less : Distributor discounts	(2,364)	(2,099)	(6,645)	(6,099)
	57,849	50,802	166,050	149,173

3 INCOME TAX

	<i>Three months ended</i>		<i>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	<i>2014</i>	<i>2013</i>	<i>2014</i>	<i>2013</i>
	<i>RO'000</i>	<i>RO'000</i>	<i>RO'000</i>	<i>RO'000</i>
Statement of income				
Current period	1,374	1,068	4,194	3,535
Deferred tax relating to origination and reversal of temporary differences	104	37	32	(532)
	1,478	1,105	4,226	3,003

Omani Qatari Telecommunications Company SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 September 2014 (Unaudited)

3 INCOME TAX (Continued)

	<i>30 September</i> 2014 <i>RO'000</i>	<i>Audited</i> <i>31 December</i> <i>2013</i> <i>RO'000</i>
Current liability		
Current period / year	4,194	5,072
Prior period / year	141	96
	<u>4,335</u>	<u>5,168</u>

	<i>30 September</i> 2014 <i>RO'000</i>	<i>Audited</i> <i>31 December</i> <i>2013</i> <i>RO'000</i>
Deferred tax liability		
Beginning of the period / year	(540)	(1,224)
Movement for the period / year through statement of income	(32)	696
Movement for the period / year through statement of other comprehensive income	(2)	(12)
At the end of the period / year	<u>(574)</u>	<u>(540)</u>

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>Nine months ended</i>	
	<i>30 September</i>		<i>30 September</i>	
	2014	2013	2014	2013
Profit for the period (<i>RO'000</i>)	10,826	7,969	29,542	23,133
Weighted average number of shares outstanding for the period (number in thousand)	650,944	650,944	650,944	650,944
Basic earnings per share (RO)	<u>0.017</u>	<u>0.012</u>	<u>0.045</u>	<u>0.036</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.

Omani Qatari Telecommunications Company SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 September 2014 (Unaudited)

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 2014	318,420	37,734	8,615	50,674	415,443
Additions	15,043	1,826	594	31,300	48,763
Capitalised during the period	61,183	1,055	-	(62,238)	-
Provided for	(848)	-	-	-	(848)
30 September 2014	393,798	40,615	9,209	19,736	463,358
Depreciation					
1 January 2014	126,595	31,703	1,343	-	159,641
Charge for the period	27,274	5,518	690	-	33,482
Provided for	(424)	-	-	-	(424)
30 September 2014	153,445	37,221	2,033	-	192,699
Net book value					
30 September 2014	240,353	3,394	7,176	19,736	270,659
31 December 2013(Audited)	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>
Cost			
Balance at 1 January and 30 September 2014	42,681	21,403	64,084
Amortisation			
Balance at 1 January 2014	24,871	3,856	28,727
Amortisation during the period	2,141	640	2,781
Balance at 30 September 2014	27,012	4,496	31,508
Net book value	15,669	16,907	32,576
At 30 September 2014	15,669	16,907	32,576
At 31 December 2013 (Audited)	17,810	17,547	35,357

Omani Qatari Telecommunications Company SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 September 2014 (Unaudited)

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, if any.

In accordance with the terms of the 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

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 (USD)	Effective Date	Termination Date	Pay Fixed	Receive Floating
1	10,000,000	27 Dec 2012	29 Dec 2014	0.335%	1 month USD LIBOR
2	12,000,000	27 Dec 2012	29 Dec 2016	0.555%	1 month USD LIBOR
3	20,000,000	7 May 2013	24 Apr 2017	0.7900%	1 month USD LIBOR
4	25,000,000	7 May 2013	24 Apr 2017	0.7900%	1 month USD LIBOR

The swap arrangement qualifies for hedge accounting under IAS 39 and as at 30 September 2014, the unrealised gain of RO 114,000 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 RO'000	More than 1 up to 5 years RO'000	Over 5 years RO'000
30 September 2014					
Positive value	222	-	-	-	-
Negative value	(108)	-	-	-	-
Interest rate swaps	114*	25,801	3,851	21,950	-
31 December 2013					
Positive value	224	-	-	-	-
Negative value	(122)	-	-	-	-
Interest rate swaps	102*	25,801	3,851	21,950	-

*Fair value shown under equity in the statement of financial position is net of deferred tax of RO 13,702 (31 December 2013: RO 12,128).

Omani Qatari Telecommunications Company SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 September 2014 (Unaudited)

8 INTEREST BEARING BORROWINGS

	<i>30 September</i> 2014 <i>RO'000</i>	<i>Audited</i> <i>31 December</i> 2013 <i>RO'000</i>
Total interest bearing borrowings	51,796	39,067
Less: Deferred financing costs	(1,377)	(1,728)
	50,419	37,339
Less: Payable within one year – Term loan	(16,713)	(9,938)
<i>Non-current portion</i>	33,706	27,401

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. As on 30 September 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>30 September</i> 2014 <i>RO'000</i>	<i>Audited</i> <i>31 December</i> 2013 <i>RO'000</i>
<i>Non-current</i>		
Employees' end of service benefits	1,465	1,349
Employee retention – Long term incentive	404	1,700
Non-current liability as at the end of the year	1,869	3,049

10 DIVIDENDS PAID

The Company's shareholders at the annual general meeting held on 27 March 2014 approved a payment of balsa 38 per share as dividend for the financial year ended 31st December 2013, and this was paid in April 2014.

Omani Qatari Telecommunications Company SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 September 2014 (Unaudited)

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 September</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	-	312	-	542
Service fee	1,699	-	1,524	-
Other expenses	106	-	366	-
	<u>1,805</u>	<u>312</u>	<u>1,890</u>	<u>542</u>

	<i>Nine months ended 30 September</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	-	1,515	-	1,752
Service fee	4,980	-	4,475	-
Other expenses	958	-	897	-
	<u>5,938</u>	<u>1,515</u>	<u>5,372</u>	<u>1,752</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 revenue.

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

	<i>30 September 2014</i>	<i>Audited 31 December 2013</i>
	<i>RO'000</i>	<i>RO'000</i>
Trade payable		
Major shareholders	42	51
Other related parties	3,888	6,051
	<u>3,930</u>	<u>6,102</u>

Omani Qatari Telecommunications Company SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 September 2014 (Unaudited)

11 RELATED PARTY TRANSACTIONS (Continued)

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 September</i>		<i>Nine months ended 30 September</i>	
	2014	2013	2014	2013
	<i>RO'000</i>	<i>RO'000</i>	<i>RO'000</i>	<i>RO'000</i>
Salaries / remuneration and benefits	255	479	1,271	1,565
Director's remuneration	50	50	154	150
Employees' end of service benefits	7	13	90	37
	<u>312</u>	<u>542</u>	<u>1,515</u>	<u>1,752</u>

12 EXPENDITURE COMMITMENTS

	<i>30 September</i>	<i>Audited</i>
	2014	<i>31 December</i>
	<i>RO'000</i>	<i>2013</i>
	<i>RO'000</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	38,634	24,353
	<u>38,634</u>	<u>24,353</u>
Operating lease commitments		
Future minimum lease payments:		
Within one year	5,682	5,718
After one year but not more than five years	12,147	11,909
More than five years	3,369	5,286
	<u>21,198</u>	<u>22,913</u>
Total operating lease expenditure contracted for at the reporting date	21,198	22,913

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.

Omani Qatari Telecommunications Company SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 September 2014 (Unaudited)

14 SEGMENT INFORMATION (Continued)

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 arm's 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 30 September 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>
Revenue				
External sales	51,257	6,592	-	57,849
Inter-segment sales	604	5,755	(6,359)	-
Total revenue	<u>51,861</u>	<u>12,347</u>	<u>(6,359)</u>	<u>57,849</u>
Results				
Depreciation	10,122	1,610	-	11,732
Amortisation	722	215	-	937
Segment results – Profit	<u>10,674</u>	<u>2,258</u>	<u>-</u>	<u>12,932</u>
Finance expense				(628)
Profit before taxation				<u>12,304</u>
Taxation				(1,478)
Profit for the period				<u>10,826</u>

Segmental results for the three months period ended 30 September 2013 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	45,142	5,660	-	50,802
Inter-segment sales	794	6,194	(6,988)	-
Total revenue	<u>45,936</u>	<u>11,845</u>	<u>(6,988)</u>	<u>50,802</u>
Results				
Depreciation	7,638	1,369	-	9,007
Amortisation	722	215	-	937
Segment results – Profit	<u>8,974</u>	<u>700</u>	<u>-</u>	<u>9,674</u>
Finance expense				(600)
Profit before taxation				<u>9,074</u>
Taxation				(1,105)
Profit for the period				<u>7,969</u>

Omani Qatari Telecommunications Company SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 September 2014 (Unaudited)

14 SEGMENT INFORMATION (Continued)

Segmental results for the nine months period ended 30 September 2014 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	147,064	18,986	-	166,050
Inter-segment sales	1,829	17,733	(19,562)	-
Total revenue	<u>148,893</u>	<u>36,719</u>	<u>(19,562)</u>	<u>166,050</u>
Results				
Depreciation	28,749	4,733	-	33,482
Amortisation	2,141	640	-	2,781
Segment results – Profit	<u>28,677</u>	<u>6,988</u>	<u>-</u>	<u>35,665</u>
Finance expense				(1,897)
Profit before taxation				<u>33,768</u>
Taxation				(4,226)
Profit for the period				<u>29,542</u>

Segmental results for the nine months period ended 30 September 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	132,565	16,608	-	149,173
Inter-segment sales	2,461	18,156	(20,617)	-
Total revenue	<u>135,026</u>	<u>34,764</u>	<u>(20,617)</u>	<u>149,173</u>
Results				
Depreciation	22,127	4,307	-	26,434
Amortisation	2,141	640	-	2,781
Segment results – Profit	<u>26,854</u>	<u>884</u>	<u>-</u>	<u>27,738</u>
Finance expense				(1,602)
Profit before taxation				<u>26,136</u>
Taxation				(3,003)
Profit for the period				<u>23,133</u>

Omani Qatari Telecommunications Company SAOG

NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

At 30 September 2014 (Unaudited)

14 SEGMENT INFORMATION (Continued)

Capital expenditure incurred for different segments are as follows:

	<i>Nine months ended 30 September 2014</i>	<i>Nine months ended 30 September 2013</i>	<i>Year ended 31 December 2013</i>
	<i>RO'000</i>	<i>RO'000</i>	<i>RO'000</i>
Property, plant and equipment			
- Mobile	38,712	48,307	71,294
- Fixed	10,051	1,021	6,533
	48,763	49,328	77,827

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 30 September 2014.