

Notes to the interim condensed financial statements**1. LEGAL STATUS AND PRINCIPAL ACTIVITIES**

Omani Qatari Telecommunications Company SAOG (the “Company”) is an Omani joint stock company registered under the Commercial Companies Law of the Sultanate of Oman. In accordance with Royal Decree 17/2005, effective 19 February 2005, the Company was granted a license to provide mobile telecommunication services in the Sultanate of Oman for a period of 15 years ending 18 February 2020.

In accordance with Royal Decree 34/2009, effective 6 June 2009, the Company was also awarded a license to provide fixed line telecommunication services in the Sultanate of Oman for a period of 25 years. The Company’s activities under this license will be installation, operation, maintenance and exploitation of fixed public telecommunications systems in the Sultanate of Oman.

The Company's current principal activities are the operation, maintenance and development of mobile and fixed telecommunications services in the Sultanate of Oman.

The Company is a subsidiary of Qtel MENA Investcom S.P.C. whose registered address is Building no. 247, Road 1704, Block 317, Manama, Kingdom of Bahrain. The ultimate parent of the Company is Ooredoo Q.S.C. whose registered address is P.O. Box 217, Doha, Qatar.

In accordance with the requirements of the Company’s mobile license, the Company proceeded with initial public offering (IPO). The promoting shareholders at the Company’s Extraordinary General Meeting held on 7 March 2010 approved the conversion of the Company from a Closed Joint Stock Company (SAOC) to a Public Joint Stock Company (SAOG) by offering their 260,377,690 shares for the public subscription. The Company closed its IPO on 21 October 2010 and its shares were listed on the Muscat Securities Market on 1 November 2010. The IPO proceeds and share issue expenses were recorded by the promoting shareholders.

During the period, the Company acquired 51% shareholding in Duqm Data Centre SAOC. Duqm Data Centre SAOC is registered in the Sultanate of Oman. The subsidiary’s principal activities are data collection, management and operation of data preparation of other agencies on permanent basis. The subsidiary has not started commercial operations at 30 September 2015. The results, assets and liabilities of the subsidiary were not material and hence were not consolidated with the parent company on the grounds that the same had no material effect on the assets, liabilities and results of the Group.

2 SIGNIFICANT 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 2014.

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 2014. In addition, results for the nine months period ended 30 September 2015 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2015.

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

The interim condensed financial statements are prepared under the historical cost convention modified to include the measurement at fair value of certain financial instruments.

Notes to the interim condensed financial statements

3 REVENUE

	<i>Three months ended</i>		<i>Nine months ended</i>	
	Unaudited 30 September 2015 RO'000	Unaudited 30 September 2014 RO'000	Unaudited 30 September 2015 RO'000	Unaudited 30 September 2014 RO'000
Traffic	60,654	53,576	172,568	153,724
One time and recurring charges	522	453	1,488	1,661
Interconnection revenue	4,739	5,033	14,275	14,498
Inbound roaming	1,565	1,151	5,159	2,812
Site sharing revenue	62	40	186	121
	<u>67,542</u>	<u>60,253</u>	<u>193,676</u>	<u>172,816</u>
Less : Distributor discounts	(2,568)	(2,364)	(6,829)	(6,645)
	<u><u>64,974</u></u>	<u><u>57,889</u></u>	<u><u>186,847</u></u>	<u><u>166,171</u></u>

4 INCOME TAX

	<i>Three months ended</i>		<i>Nine months ended</i>	
	Unaudited 30 September 2015 RO'000	Unaudited 30 September 2014 RO'000	Unaudited 30 September 2015 RO'000	Unaudited 30 September 2014 RO'000
Statement of profit or loss				
Current period	1,839	1,374	5,452	4,194
Prior period	113	-	1,025	-
Deferred tax relating to origination and reversal of temporary differences	(372)	104	(949)	32
	<u>1,580</u>	<u>1,478</u>	<u>5,528</u>	<u>4,226</u>
			Unaudited 30 September 2015 RO'000	Audited 31 December 2014 RO'000
Current liability				
Current period / year			5,452	4,952
Prior period / year			1,216	141
			<u>6,668</u>	<u>5,093</u>
Deferred tax asset / (liability)				
Beginning of the period / year			(915)	(540)
Movement for the period / year through statement of profit or loss			949	(380)
Movement for the period / year through statement of other comprehensive Income			16	5
At the end of the period / year			<u>50</u>	<u>(915)</u>

Notes to the interim condensed financial statements

4 INCOME TAX (continued)

The tax rate applicable to the Company is 12% (2014: 12%). Deferred tax asset / liability is recorded at 12% (2014: 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.

On 15th October 2014, the Secretariat General for Taxation issued a Tax Assessment for the Year 2008, that partially disallowed the Technical and Support fees paid to a related party. This assessment has not created an additional tax exposure due to its adjustment against existing carried forward prior year losses.

On 18 December 2014 the Company filed an objection on the 2008 Tax Assessment. The Secretariat General for Taxation decided the Objection in July 2015 partly allowing the Objection and reducing the disallowance of Technical Support fee.

The Company recorded a provision of OMR 1,025,124 in 2015 representing the cumulative potential tax exposures relating to partial disallowance of Technical and Support Fees for the years 2009 through 2014.

5 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>	
	Unaudited 30 September 2015	Unaudited 30 September 2014	Unaudited 30 September 2015	Unaudited 30 September 2014
Profit for the period (RO'000)	10,169	10,826	32,337	29,542
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)	0.016	0.017	0.050	0.045

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.

Notes to the interim condensed financial statements

6 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
<i>Cost</i>					
1 January 2015	433,541	41,037	9,255	15,598	499,431
Additions	6,341	3,897	544	28,277	39,059
Capitalised during the period	32,008	-	-	(32,008)	-
Disposals	(8,804)	(342)	-	-	(9,146)
Provided for	(2,704)	-	-	-	(2,704)
Write Offs	(1,620)	-	-	-	(1,620)
30 September 2015 (unaudited)	458,762	44,592	9,799	11,867	525,020
<i>Depreciation</i>					
1 January 2015	171,078	31,975	2,267	-	205,320
Charge for the period	35,042	3,281	768	-	39,091
Disposals	(7,681)	(342)	-	-	(8,023)
Write Offs	(1,283)	-	-	-	(1,283)
30 September 2015 (unaudited)	197,156	34,914	3,035	-	235,105
<i>Net book value</i>					
30 September 2015 (unaudited)	261,606	9,678	6,764	11,867	289,915
31 December 2014 (Restated)	262,463	9,062	6,988	15,598	294,111

There has been a reclassification of depreciation charge for the year 2014 between the asset categories "Mobile/fixed exchange and network equipment" and "Subscriber apparatus and other equipment". Due to this the Net book value as of 31 December 2014 has been restated for these asset categories. However, the total depreciation charge and Net book value for 2014 remains the same. Accordingly, the opening balance of depreciation for 2015 has been restated and carried forward from 2014.

The Company has provided RO 2.7 million in 2015 for assets that will not be re-deployed in the future and cannot be sold or disposed currently.

Notes to the interim condensed financial statements

7 LICENSE FEE

	Mobile license RO'000	Fixed line license RO'000	Total RO'000
Cost			
Balance at 1 January 2015	42,681	21,403	64,084
Additions during the period	9,835	-	9,835
	<u>52,516</u>	<u>21,403</u>	<u>73,919</u>
Amortisation			
Balance at 1 January 2015	27,733	4,712	32,445
Amortisation during the period	2,147	640	2,787
	<u>29,880</u>	<u>5,352</u>	<u>35,232</u>
Net book value			
At 30 September 2015 (unaudited)	<u>22,636</u>	<u>16,051</u>	<u>38,687</u>
At 31 December 2014 (audited)	<u>14,948</u>	<u>16,691</u>	<u>31,639</u>

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.

The Company has acquired new 4G (LTE) licenses in 2015 for 9.8 million.

8 INVESTMENT IN A SUBSIDIARY

	Unaudited 30 September 2015 RO'000	Audited 31 December 2014 RO'000
Duqm Data Centre SAOC	<u>255</u>	<u>-</u>
	<u>255</u>	<u>-</u>

During the period, the Company acquired 51% shareholding in Duqm Data Centre SAOC in the amount of RO 255,000. Duqm Data Centre SAOC is registered in the Sultanate of Oman. The subsidiary's principal activities are data collection, management and operation of data preparation of other agencies on permanent basis. The subsidiary has not started commercial operations at 30 September 2015. The investment is carried at cost.

Notes to the interim condensed financial statements

9 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 10) and one of the arrangements has expired in 2014. The key terms of the arrangements are as below:

SN	Notional Amount	Effective Date	Termination Date	Pay Fixed	Receive Floating
1	USD 12,000,000	27 Dec 2012	29 Dec 2016	0.555%	1 month USD LIBOR
2	USD 20,000,000	07 May 2013	24 Apr 2017	0.790%	1 month USD LIBOR
3	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 30 September 2015, the unrealised loss of RO 77,000 relating to measuring the financial instruments at fair value is included in equity in respect of these contracts (31 December 2014: RO 62,000 gain).

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 upto 5 years RO'000	Over 5 years RO'000
30 September 2015 (unaudited)					
Positive Value	2	-	-	-	-
Negative Value	(79)	-	-	-	-
Interest rate swaps	(77)*	21,950	-	21,950	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
31 December 2014 (audited)					
Positive Value	155	-	-	-	-
Negative Value	(93)	-	-	-	-
Interest rate swaps	62*	21,950	-	21,950	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

*Fair value shown under equity in the statement of financial position is net of deferred tax of RO 9,245 (2014: RO 7,548).

Notes to the interim condensed financial statements

10 INTEREST BEARING BORROWINGS

	Unaudited 30 September 2015 RO'000	Audited 31 December 2014 RO'000
Total interest bearing borrowings	60,115	47,617
Less: deferred financing costs	(909)	(1,260)
	<u>59,206</u>	<u>46,357</u>
Less: payable within one year – Term loan	(26,726)	(16,713)
	<u>32,480</u>	<u>29,644</u>

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 2015, the Company has utilized full USD 182 million (RO 70 million). Out of this term loan, USD 104 million is repayable in sixteen quarterly instalments commencing from April 2014 and USD 78 million is repayable in twelve quarterly instalments commencing from April 2015.

As of 30 September 2015, the Company has available funds for drawdown of RO 44 million (2014: RO 74 million).

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.

11 EMPLOYEE BENEFITS

	Unaudited 30 September 2015 RO'000	Audited 31 December 2014 RO'000
Non-current		
Employees' end of service benefits	1,443	1,552
Employee retention – Long term incentive	681	708
Non-current liability as at the end of the period / year	<u>2,124</u>	<u>2,260</u>

12 DIVIDEND

The Company's shareholders at the annual general meeting held on 25 March 2015 approved a payment of baises 38 per share as dividend for the financial year ended 31 December 2014 and this was paid in March 2015.

Notes to the interim condensed financial statements

13 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</i>			
	Unaudited 30 September 2015 (RO'000)		Unaudited 30 September 2014 (RO'000)	
	Other related parties	Directors and key management	Other related parties	Directors and key management
Director's and key management remuneration	-	456	-	312
Service fee	1,949	-	1,699	-
Other expenses	153	-	106	-
	<u>2,102</u>	<u>456</u>	<u>1,805</u>	<u>312</u>

	<i>Nine months ended</i>			
	Unaudited 30 September 2015 (RO'000)		Unaudited 30 September 2014 (RO'000)	
	Other related parties	Directors and key management	Other related parties	Directors and key management
Director's and key management remuneration	-	1,470	-	1,515
Service fee	5,605	-	4,980	-
Other expenses	620	-	958	-
	<u>6,225</u>	<u>1,470</u>	<u>5,938</u>	<u>1,515</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 gross revenue.

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

	Unaudited 30 September 2015 RO'000	Audited 31 December 2014 RO'000
Trade payable		
Major shareholders	58	51
Other related parties	1,838	5,561
	<u>1,896</u>	<u>5,612</u>

Notes to the interim condensed financial statements

13 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</i>		<i>Nine months ended</i>	
	Unaudited 30 September 2015 RO'000	Unaudited 30 September 2014 RO'000	Unaudited 30 September 2015 RO'000	Unaudited 30 September 2014 RO'000
Salaries / remuneration and benefits	395	255	1,284	1,271
Director's remuneration	50	50	150	154
Employees' end of service benefits	11	7	36	90
	456	312	1,470	1,515

14 EXPENDITURE COMMITMENTS

	Unaudited 30 September 2015 RO'000	Audited 31 December 2014 RO'000
Capital expenditure commitments		
Estimated capital expenditure contracted for at the reporting date but not provided for:		
Property, plant and equipment	34,461	29,828
Operating lease commitments		
Future minimum lease payments:		
Within one year	4,719	5,682
After one year but not more than five years	12,658	12,385
More than five years	-	2,047
	17,377	20,114

15 CONTINGENT LIABILITIES

Guarantees

At 30 September 2015, the Company had contingent liabilities in respect of guarantees of RO 1.31 million (31 December 2014: RO 1.1 million), of which RO 1.1 million is for the residual obligations under the Fixed line license. It is anticipated that no material liabilities are expected to arise from these.

Notes to the interim condensed financial statements

16 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 30 September 2015 are as follows:

	Mobile RO'000	Fixed line RO'000	Adjustments RO'000	Unaudited Total RO'000
Revenue				
External sales	56,634	8,340	-	64,974
Inter-segment sales	529	5,847	(6,376)	-
Total revenue	<u>57,163</u>	<u>14,187</u>	<u>(6,376)</u>	<u>64,974</u>
Results				
Depreciation	10,675	2,048	-	12,723
Amortisation	727	215	-	942
Segment results – Profit	<u>8,503</u>	<u>3,859</u>	<u>-</u>	<u>12,362</u>
Finance expense				(613)
Profit before taxation				<u>11,749</u>
Taxation				(1,580)
Profit for the period				<u>10,169</u>

Notes to the interim condensed financial statements

16 SEGMENT INFORMATION (continued)

Segmental results for the three months period ended 30 September 2014 are as follows:

	Mobile RO'000	Fixed line RO'000	Adjustments RO'000	Unaudited Total RO'000
Revenue				
External sales	51,296	6,593	-	57,889
Inter-segment sales	604	5,755	(6,359)	-
Total revenue	51,900	12,348	(6,359)	57,889
Results				
Depreciation	10,122	1,610	-	11,732
Amortisation	722	215	-	937
Segment results – Profit	10,674	2,258	-	12,932
Finance expense				(628)
Profit before taxation				12,304
Taxation				(1,478)
Profit for the period				10,826

Segmental results for the nine months period ended 30 September 2015 are as follows:

	Mobile RO'000	Fixed line RO'000	Adjustments RO'000	Unaudited Total RO'000
Revenue				
External sales	163,906	22,941	-	186,847
Inter-segment sales	1,542	17,506	(19,048)	-
Total revenue	165,448	40,447	(19,048)	186,847
Results				
Depreciation	33,245	5,846	-	39,091
Amortisation	2,147	640	-	2,787
Segment results – Profit	30,453	9,312	-	39,765
Finance expense				1,900
Profit before taxation				37,865
Taxation				(5,528)
Profit for the period				32,337

Notes to the interim condensed financial statements

16 SEGMENT INFORMATION (continued)

Segmental results for the nine months period ended 30 September 2014 are as follows:

	Mobile RO'000	Fixed line RO'000	Adjustments RO'000	Unaudited Total RO'000
Revenue				
External sales	147,185	18,986	-	166,171
Inter-segment sales	1,829	17,733	(19,562)	-
Total revenue	<u>149,014</u>	<u>36,719</u>	<u>(19,562)</u>	<u>166,171</u>
Results				
Depreciation	<u>28,749</u>	<u>4,733</u>	-	<u>33,482</u>
Amortisation	<u>2,141</u>	<u>640</u>	-	<u>2,781</u>
Segment results – Profit	<u>28,677</u>	<u>6,988</u>	-	<u>35,665</u>
Finance expense				(1,897)
Profit before taxation				33,768
Taxation				(4,226)
Profit for the period				<u>29,542</u>

Capital expenditure incurred for different segments are as follows:

	Unaudited Nine months ended 30 September 2015 RO'000	Unaudited Nine months ended 30 September 2014 RO'000	Audited Year ended 31 December 2014 RO'000
Property, plant and equipment			
- Mobile	34,568	38,712	67,944
- Fixed	4,491	10,051	16,892
	<u>39,059</u>	<u>48,763</u>	<u>84,836</u>

17 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 2015.