

**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.(formerly known as TDC-Qtel Mena Investcom BSC) 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.(formerly known as Qatar Telecom (Qtel) QSC) 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 2015, the Company subscribed 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 31 March 2016. 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 2015.

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 2015. In addition, results for the three months period ended 31 March 2016 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2016.

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

	Unaudited 31 March 2016 RO'000	Unaudited 31 March 2015 RO'000
Traffic	61,343	54,438
One time and recurring charges	637	508
Interconnection revenue	4,604	4,798
Inbound roaming	1,630	1,628
Site sharing revenue	72	59
	<u>68,286</u>	<u>61,431</u>
Less : Distributor discounts	(2,214)	(2,115)
	<u>66,072</u>	<u>59,316</u>

4 INCOME TAX

	Unaudited 31 March 2016 RO'000	Unaudited 31 March 2015 RO'000
<b>Statement of profit or loss</b>		
Current period	2,817	1,696
Deferred tax relating to origination and reversal of temporary differences	(429)	(123)
	<u>2,388</u>	<u>1,573</u>
	<u>Unaudited 31 March 2015 RO'000</u>	<u>Audited 31 December 2015 RO'000</u>
<b>Current liability</b>		
Current period / year	2,817	6,473
Prior period / year	936	940
	<u>3,753</u>	<u>7,413</u>
	<u>Unaudited 31 March 2015 RO'000</u>	<u>Audited 31 December 2015 RO'000</u>
<b>Deferred tax asset / (liability)</b>		
Beginning of the period / year	(363)	(915)
Movement for the period / year through statement of profit or loss	429	545
Movement for the period / year through statement of other comprehensive income	7	7
	<u>73</u>	<u>(363)</u>

Notes to the interim condensed financial statements

4 INCOME TAX (continued)

The tax rate applied by the company is 15% (2015: 12%). Deferred tax asset / liability is recorded at 15% (2015: 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 tax rate of 15%, as applied by the company with effect from January 2016, has not yet been passed by Royal Decree. The current period tax charge would be RO 2,253,019 at the tax rate of 12% (RO 2,817,398 at 15%).

The Company's tax assessments up to 2009 have been completed.

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:

	Unaudited 31 March 2016	Unaudited 31 March 2015
Profit for the period (RO'000)	<b>12,629</b>	10,663
Weighted average number of shares outstanding for the period (number in thousand)	<b>650,944</b>	650,944
Basic earning per share (RO)	<b>0.019</b>	0.016

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.

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 2016	485,626	49,030	9,850	3,058	547,564
Additions	5,358	1,433	124	952	7,867
Capitalised during the period	642	-	-	(642)	-
<b>31 March 2016 (unaudited)</b>	<b>491,626</b>	<b>50,463</b>	<b>9,974</b>	<b>3,368</b>	<b>555,431</b>
<i>Depreciation</i>					
1 January 2016	203,926	36,132	3,287	-	243,345
Charge for the period	12,908	1,370	253	-	14,531
<b>31 March 2016 (unaudited)</b>	<b>216,834</b>	<b>37,502</b>	<b>3,540</b>	<b>-</b>	<b>257,876</b>
<i>Net book value</i>					
<b>31 March 2016 (unaudited)</b>	<b>274,792</b>	<b>12,961</b>	<b>6,434</b>	<b>3,368</b>	<b>297,555</b>
31 December 2015 (audited)	281,700	12,898	6,563	3,058	304,219

Notes to the interim condensed financial statements

7 LICENSE FEE

	<b>Mobile license RO'000</b>	<b>Fixed line license RO'000</b>	<b>Total RO'000</b>
<b>Cost</b>			
Balance at 1 January and 31 March 2016	52,537	21,403	73,940
<b>Amortisation</b>			
Balance at 1 January 2016	31,090	5,568	36,658
Amortisation during the period	1,193	213	1,406
<b>Balance at 31 March 2016 (unaudited)</b>	<b>32,283</b>	<b>5,781</b>	<b>38,064</b>
<b>Net book value</b>			
<b>At 31 March 2016 (unaudited)</b>	<b>20,254</b>	<b>15,622</b>	<b>35,876</b>
At 31 December 2015 (audited)	21,447	15,835	37,282

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.

8 INVESTMENT IN A SUBSIDIARY

	<b>Unaudited 31 March 2016 RO'000</b>	Audited 31 December 2015 RO'000
Duqm Data Centre SAOC	255	255
	<b>255</b>	255

During 2015, the Company subscribed 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 31 March 2016. 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). 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 31 March 2016, the unrealised loss of RO 42,000 relating to measuring the financial instruments at fair value is included in equity in respect of these contracts (31 December 2015: RO 4,000 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
<b>31 March 2016 (unaudited)</b>					
Negative Value (non current)	(1)	-	-	-	-
Negative Value (current)	(41)	-	-	-	-
Interest rate swaps	<b>(42) *</b>	<b>21,950</b>	<b>4,621</b>	<b>17,329</b>	-
<b>31 December 2015 (audited)</b>					
Positive Value	18	-	-	-	-
Negative Value	(14)	-	-	-	-
Interest rate swaps	<b>4*</b>	<b>21,950</b>	<b>4,621</b>	<b>17,329</b>	-

\*Fair value shown under equity in the statement of financial position is net of deferred tax of RO 6,296 (2015: RO 557).

10 INTEREST BEARING BORROWINGS

	Unaudited 31 March 2016 RO'000	Unaudited 31 December 2015 RO'000
Total interest bearing borrowings	<b>63,751</b>	53,433
Less: Deferred financing costs	<b>(1,111)</b>	(792)
	<b>62,640</b>	52,641
Less: Payable within one year – Term loan	<b>(26,726)</b>	(26,726)
Payable within one year – RCF	<b>(17,000)</b>	-
Non-current portion	<b>18,914</b>	25,915

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 (RCF) of RO 24 million. The term loan of USD 87 million is repayable in twenty quarterly installments commencing in May 2012.

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10 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 2016, 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 in April 2014 and USD 78 million is repayable in twelve quarterly instalments commencing in April 2015. The tenure for the revolving credit facility has reached an end and is no longer available.

In 2016, the Company has entered into new financing facilities amounting to RO 68.1 million with multiple banks consisting of both local and international banks. The loans consists of a term loan worth USD 60 million (RO 23.1 million) with a five year tenure and revolving credit facility of RO 45 million with a five year tenure. As on 31 March 2016, the company has utilized RO 17 million of the revolving credit facility.

As of 31 March 2016, the Company has available funds for drawdown of RO 75 million (2015: RO 44 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

	<b>Unaudited 31 March 2016 RO'000</b>	Audited 31 December 2015 RO'000
<b>Non-current</b>		
Employees' end of service benefits	<b>1,478</b>	1,454
Employee retention – Long term incentive	<b>1,563</b>	1,253
Non-current liability as at the end of the year	<b><u>3,041</u></b>	<u>2,707</u>

12 DIVIDEND

Company's shareholders at the annual general meeting held on 29 March 2016 approved a payment of baisa 40 per share as dividend for the financial year ended 31 December 2015 and this was paid in March 2016.

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:

	<b>Unaudited 31 March 2016 (RO'000)</b>		Unaudited 31 March 2015 (RO'000)	
	<b>Other related parties</b>	<b>Directors and key management</b>	Other related parties	Directors and key management
Director's and key management remuneration	-	<b>696</b>	-	460
Service fee	<b>1,982</b>	-	1,778	-
Other expenses	<b>203</b>	-	262	-
	<b><u>2,185</u></b>	<b><u>696</u></b>	<u>2,040</u>	<u>460</u>

Notes to the interim condensed financial statements

13 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:

	<b>Unaudited 31 March 2016 RO'000</b>	Audited 31 December 2015 RO'000
<b>Trade payable</b>		
Other related parties	2,036	1,965
	<u>2,036</u>	<u>1,965</u>

Compensation of key management personnel

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

	<b>Unaudited 31 March 2016 RO'000</b>	Unaudited 31 March 2015 RO'000
Salaries / remuneration and benefits	594	295
Director's remuneration	50	50
Employees' end of service benefits	52	115
	<u>696</u>	<u>460</u>

14 EXPENDITURE COMMITMENTS

	<b>Unaudited 31 March 2016 RO'000</b>	Audited 31 December 2015 RO'000
<b>Capital expenditure commitments</b>		
Estimated capital expenditure contracted for at the reporting date but not provided for:		
Property, plant and equipment	<u>31,967</u>	<u>20,245</u>
<b>Operating lease commitments</b>		
Future minimum lease payments:		
Within one year	3,858	3,623
After one year but not more than five years	7,902	7,902
More than five years	-	-
Total operating lease expenditure contracted for at the reporting date	<u>11,760</u>	<u>11,525</u>

Notes to the interim condensed financial statements

15 CONTINGENT LIABILITIES

*Guarantees*

At 31 March 2016, the Company had contingent liabilities in respect of guarantees of RO 1.37 million (31 December 2015: RO 1.15 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.

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 31 March 2016 are as follows:

	<b>Mobile RO’000</b>	<b>Fixed line RO’000</b>	<b>Adjustments RO’000</b>	<b>Unaudited Total RO’000</b>
<b>Revenue</b>				
External sales	56,916	9,156	-	66,072
Inter-segment sales	501	4,253	(4,754)	-
<b>Total revenue</b>	<u>57,417</u>	<u>13,409</u>	<u>(4,754)</u>	<u>66,072</u>
<b>Results</b>				
Depreciation	12,739	1,792	-	14,531
Amortisation	1,193	213	-	1,406
<b>Segment results – Profit</b>	<u>11,850</u>	<u>3,807</u>	<u>-</u>	<u>15,657</u>
Finance expense				(640)
<b>Profit before taxation</b>				<u>15,017</u>
Taxation				(2,388)
<b>Profit for the period</b>				<u>12,629</u>



Notes to the interim condensed financial statements

16 SEGMENT INFORMATION (Continued)

Segmental results for the three months period ended 31 March 2015 are as follows:

	Mobile RO'000	Fixed line RO'000	Adjustments RO'000	Unaudited Total RO'000
Revenue				
External sales	52,394	6,922	-	59,316
Inter-segment sales	538	6,410	(6,948)	-
Total revenue	<u>52,932</u>	<u>13,332</u>	<u>(6,948)</u>	<u>59,316</u>
Results				
Depreciation	11,041	1,901	-	12,942
Amortisation	705	213	-	918
Segment results – Profit	<u>9,816</u>	<u>3,066</u>	<u>-</u>	<u>12,882</u>
Finance expense				(646)
Profit before taxation				12,236
Taxation				(1,573)
Profit for the period				<u>10,663</u>

Capital expenditure incurred for different segments are as follows:

	Unaudited Three months ended 31 March 2016 RO'000	Unaudited Three months ended 31 March 2015 RO'000	Audited Year ended 31 December 2015 RO'000
Property, plant and equipment			
- Mobile	4,660	8,906	59,555
- Fixed	3,208	1,814	7,863
	<u>7,868</u>	<u>10,720</u>	<u>67,418</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 31 March 2016.