Notes to the condensed consolidated interim financial statements

1. LEGAL STATUS AND PRINCIPAL ACTIVITIES

Omani Qatari Telecommunications Company SAOG (the "Parent Company" or 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 licence 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 licence to provide fixed line telecommunication services in the Sultanate of Oman for a period of 25 years. The Company's activities under this licence 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 MENA Investcom S.P.C. (formerly known as 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. (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 licence, 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 promoting shareholders recorded the IPO proceeds and share issue expenses.

During 2015, the Company subscribed 51 percent shareholding in Duqm Data Centre SAOC ("the subsidiary"). The subsidiary 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 2017.

The Parent Company and its subsidiary together is hereafter referred as "the Group" and individually as "the Parent Company" or the "Company" and "the Subsidiary" respectively.

This is the first period in which the Company is producing consolidated financial statements. Accordingly, the corresponding figures provided for comparative purposes for 2016 relate to only Parent Company and are not readily comparable with those for the current period.

2 SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated interim financial statements of the Omani Qatari Telecommunications Company SAOG and its subsidiary are prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. The accounting policies used in the preparation of the condensed consolidated interim financial statements are consistent with those used in the preparation of the annual financial statements of the Parent Company for the year ended 31 December 2016 except for the policies as disclosed in note 2a "Basis of Consolidation".

The condensed consolidated interim 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 2016. In addition, results for the nine months period ended 30 September 2017 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2017.

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

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

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2a. BASIS OF CONSOLIDATION

(i) Business Combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

(ii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

(iii) Non-controlling Interests

Non-controlling interests (“NCI”) are measured at their proportionate share of the acquiree’s identifiable net assets at the date of acquisition. Changes in the Group’s interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(iv) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group’s interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

3 REVENUE

	Three months ended		*Nine months ended*	
	Unaudited 30 September 2017 RO'000	Unaudited 30 September 2016 RO'000	**Unaudited 30 September 2017 RO'000**	Unaudited 30 September 2016 RO'000
Traffic	**65,234**	64,569	**191,119**	187,392
One time and recurring charges	**1,028**	807	**3,174**	2,486
Interconnection revenue	**3,752**	4,425	**11,743**	13,238
Inbound roaming	**1,314**	1,389	**3,719**	4,550
Site sharing revenue	**171**	121	**934**	708
	71,499	71,311	**210,689**	208,374
Less : Distributor discounts	**(2,193)**	(2,228)	**(6,404)**	(6,519)
	69,306	69,083	**204,285**	201,855

4 INCOME TAX

	Three months ended		*Nine months ended*	
	Unaudited 30 September 2017 RO'000	Unaudited 30 September 2016 RO'000	**Unaudited 30 September 2017 RO'000**	Unaudited 30 September 2016 RO'000
Statement of profit or loss				
Current period	**1,944**	2,138	**5,606**	6,226
Deferred tax relating to origination and reversal of temporary differences	**(291)**	(341)	**(1,547)**	(948)
	1,653	1,797	**4,059**	5,278

	Unaudited 30 September 2017 RO'000	Audited 31 December 2016 RO'000
Current liability		
Current period / year	**5,606**	7,425
Prior period / year	**552**	593
	6,158	8,018
Deferred tax asset		
Beginning of the period / year	**561**	(363)
Movement for the period / year through statement of profit or loss	**1,547**	924
Movement for the period / year through statement of other comprehensive Income	**-**	-
At the end of the period / year	**2,108**	561

4 INCOME TAX *(continued)*

The tax rate applicable to the Company is 15 percent (2016: 12 percent). Deferred tax asset/liability is recorded at 15 percent (2016: 12 percent). For the purpose of determining the taxable results for the year, 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 2014 have been completed. The Company had objected to certain tax authority adjustments for the years 2010 – 2014. The objection was submitted on 18 August 2016. The decision on the Objection was received on 22 March 2017. The objection was partially allowed and the tax amount involved for the remaining disallowance was paid in April 2017.

5 EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the profit for the period attributable to ordinary equity holder of the Parent Company by the weighted average number of shares outstanding during the period as follows:

	Three months ended		*Nine months ended*	
	Unaudited 30 September 2017	Unaudited 30 September 2016	**Unaudited 30 September 2017**	Unaudited 30 September 2016
Profit for the period (RO'000) attributable to ordinary equity holders of the Parent company	**9,423**	12,712	**23,162**	37,609
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)	**0.014**	0.020	**0.036**	0.058

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 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**	**To RO '**
Cost					
1 January 2017	**500,885**	**17,231**	**10,067**	**7,676**	**535**
Additions	**-**	**-**	**-**	**13,023**	**13**
Transfers	**10,210**	**384**	**7**	**(10,601)**	
Reclassification to other intangibles	**(5,583)**	**(198)**	**-**	**-**	**(5**
30 September 2017 (unaudited)	**505,512**	**17,417**	**10,074**	**10,098**	**543**
Depreciation					
1 January 2017	**236,194**	**13,412**	**4,298**	**-**	**253**
Charge for the period	**34,230**	**691**	**749**	**-**	**35**
Reclassification to other intangibles	**(349)**	**(17)**	**-**	**-**	**(**
30 September 2017 (unaudited)	**270,075**	**14,086**	**5,047**	**-**	**289**
Net book value					
30 September 2017 (unaudited)	**235,437**	**3,331**	**5,027**	**10,098**	**253**
31 December 2016 (audited)	264,691	3,819	5,769	7,676	281

7 LICENSE FEE

	Mobile license RO'000	Fixed line license RO'000	Total RO'000
Cost			
Balance at 1 January and 30 September 2017	**52,537**	**21,403**	**73,940**
Amortisation			
Balance at 1 January 2017	**35,888**	**6,424**	**42,312**
Amortisation during the period	**3,585**	**643**	**4,228**
Balance at 30 September 2017 (unaudited)	**39,473**	**7,067**	**46,540**
Net book value	**13,064**	**14,336**	**27,400**
At 30 September 2017 (unaudited)			
At 31 December 2016 (audited)	16,649	14,979	31,628

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 12% of the net of predefined sources of revenue less interconnection expenses to local operators.

7A Other intangible assets:

	Right to Use RO'000	software RO'000	Total RO'000
Cost			
Balance at 1 January 2017	**-**	**74,809**	**74,809**
Additions during the period	**6,692**	**11,863**	**18,555**
Reclassification from property and equipment	**2,374**	**3,407**	**5,781**
Balance at 30 September 2017	**9,066**	**90,079**	**99,145**
Amortisation			
Balance at 1 January 2017	**-**	**49,323**	**49,323**
Amortisation during the period	**-**	**10,522**	**10,522**
Reclassification from property and equipment	**159**	**207**	**366**
Balance at 30 September 2017	**159**	**60,052**	**60,211**
Net book value	**8,907**	**30,027**	**38,934**
At 30 September 2017			
At 31 December 2016	-	25,486	25,486

The other intangible assets represent the various software installed on the Network and Information Technology hardware and platforms and the rights of use of the cable system(s), upto the allocated capacity, from the owner(s) of the interest(s) in the cable system(s).

8 INVESTMENT IN A SUBSIDIARY

	Unaudited 30 September 2017 RO'000	Audited 31 December 2016 RO'000
Duqm Data Centre SAOC	**-**	255
	-	255

During 2015, the Company subscribed to a 51 percent shareholding in Duqm Data Centre SAOC for 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 2017.

For the nine months ended 30 September 2017, subsidiary contributed loss of RO 74,000 to the Group's results.

Non-controlling interests ("NCI")

The following table summarises the information relating to the subsidiary as at 30 September 2017

	RO'000
NCI percentage	**49%**
Non-current assets	**205**
Current assets	**163**
Current liabilities	**(14)**
Net assets	**354**
Net assets attributable to NCI (%)	**174**
Total comprehensive loss	**(145)**
Loss of subsidiary allocated to NCI	**(71)**
Intra-group eliminations	**-**
Loss attributable to NCI	**(71)**
Cash flows used in from operating activities	**(153)**
Cash flows generated from financing activities	**500**
Cash flows generated from investing activities	**(205)**
Increase in cash and cash equivalents	**142**

9 DERIVATIVE FINANCIAL INSTRUMENTS

In May 2017, the Company had entered into 2 interest rate swap arrangements to mitigate the risk of the fluctuating interest rates on its term loan (Note 10). The key terms of the unexpired arrangements are as below:

SN	Notional Amount	Effective Date	Termination Date	Pay Fixed	Receive Floating
1	USD 14,287,500	15 May 2017	31 Dec 2019	1.530%	1 month USD LIBOR
2	USD 14,287,500	15 May 2017	31 Dec 2019	1.500%	1 month USD LIBOR

The swap arrangement qualifies for hedge accounting under IAS 39 and as at 30 September 2017, the unrealised gain of RO 3,000 relating to measuring the financial instruments at fair value is included in equity in respect of these contracts (31 December 2016: RO Nil).

9 DERIVATIVE FINANCIAL INSTRUMENTS *(continued)*

The table below shows the positive / (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 2017 (unaudited)					
Positive Value	3				
Negative Value	-				
Interest rate swaps	3*	11,004	-	11,004	-
31 December 2016 (audited)					
Positive Value	-	-	-	-	-
Negative Value	-	-	-	-	-
Interest rate swaps	-	17,329	17,329	-	-

*Fair value shown under equity in the statement of financial position is net of deferred tax of RO 435 (2016: RO Nil).

10 INTEREST BEARING BORROWINGS

	Unaudited 30 September 2017 RO'000	Audited 31 December 2016 RO'000
Total interest bearing borrowings	**30,230**	26,707
Less: Deferred financing costs	**(379)**	(692)
	29,851	26,015
Less: Payable within one year – term loan	**(15,789)**	(21,700)
Non-current portion	**14,062**	4,315

Movement in financing activities:

1 January 2017 to 30 September 2017	**Currency of loan**	**Nominal interest rate**	**Year of maturity**	**Face value RO '000**	**Carrying amount RO '000**
New loans					
Revolving credit facility	**OMR**	**FD rate+1.75%**	**2017**	**23,000**	**23,000**
Unsecured bank loan	**USD**	**Libor+1.25%**	**2021**	**23,106**	**23,106**
Repayment of loans					
Unsecured bank loan	**USD**	**Libor+2%**	**2017**	**(1,675)**	**(1,675)**
Revolving credit facility	**OMR**	**FD rate+1.75%**	**2017**	**(23,000)**	**(23,000)**
Unsecured bank loan	**USD**	**Libor+1.8%**	**2018**	**(7,510)**	**(7,510)**
Unsecured bank loan	**USD**	**Libor+1.8%**	**2018**	**(7,510)**	**(7,510)**
Unsecured bank loan	**USD**	**Libor+1.25%**	**2021**	**(2,888)**	**(2,888)**
Other movements – deferred finance cost					**313**
Other movements					**500**
Other movements – dividend paid					**(27,340)**
Net movement during 1 January 2017 to 30 September 2017					**(23,004)**

Notes to the condensed consolidated interim financial statements

10 INTEREST BEARING BORROWINGS *(continued)*

1 January 2016 to 30 September 2016	Currency of loan	Nominal interest rate	Year of maturity	Face value RO '000	Carrying amount RO '000
New loans					
Revolving credit facility	OMR	FD rate+1.75%	2016	17,000	17,000
Repayment of loans					
Unsecured bank loan	USD	Libor+2%	2017	(5,026)	(5,026)
Revolving credit facility	OMR	FD rate+1.75%	2016	(13,000)	(13,000)
Unsecured bank loan	USD	Libor+1.8%	2018	(7,509)	(7,509)
Unsecured bank loan	USD	Libor+1.8%	2018	(7,509)	(7,509)
Other movements – deferred finance cost					(40)
Other movements – dividend paid					(26,038)
Net movement during 1 January 2016 to 30 September 2016					(42,122)

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 consisted 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 2017, 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 commenced from April 2015. The tenure for the revolving credit facility has reached an end and is no longer available.

In 2016, the Company has signed three new financing facilities amounting to RO 68.1 million with local and international banks for general purpose requirements. The first facility is a syndicated long term loan of USD 60 million (RO 23.1 million) with a five year tenure and is repayable in sixteen quarterly instalments commenced in April 2017. The second and third facilities are revolving credit facilities of RO 45 million with a five year tenure.

In June 2017, the company has signed trade finance facility amounting USD 13 million (RO 5 million) with international bank for general purpose requirements with a one year tenure.

As of 30 September 2017, the Company has available funds for drawdown of RO 50 million (31 December 2016: RO 68.1 million).

The Facilities are either based on USD Libor plus margin or linked to margin plus bank deposit rate or CBO private deposit rate and the loan agreement contains two financial covenants being a maximum leverage ratio and a minimum interest cover ratio.

Loan covenant

1. Loan contains a covenant stating that at the end of any relevant period the Company's total net debt [defined in the covenant as the total borrowings less the aggregate of: eligible cash and cash equivalents; and cash and investments held at a bank that is not an acceptable bank by the borrower, a subsidiary, or joint venture (to the extent consolidated) in any country but only to the extent that such cash and investments are applied against that portion of total borrowings directly attributable to such subsidiary or joint venture (to the extent consolidated) in the same country] cannot exceed 4 times the Company's EBITDA, and
2. The Company must ensure that the ratio of EBITDA to net interest payable is not, at the end of each relevant period, less than 3:1.

11 EMPLOYEE BENEFITS

	Unaudited 30 September 2017 RO'000	Audited 31 December 2016 RO'000
Employees' end of service benefits	**1,250**	1,799
Employee retention – Long term incentive	**721**	1,313
Non-current liability as at the end of the year	**1,971**	3,112

12 DIVIDEND

The Company's shareholders at the annual general meeting held on 20 March 2017 approved a payment of baisa 42 per share as dividend for the financial year ended 31 December 2016 and this was paid in April 2017.

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:

Three months ended

	Unaudited 30 September 2017 (RO'000)		Unaudited 30 September 2016 (RO'000)	
	Other related parties	**Directors and key management**	Other related parties	Directors and key management
Director's and key management remuneration	**-**	**542**	-	662
Service fees	**2,080**	**-**	2,072	-
Brand license fee	**1,034**	**-**	-	-
Other expenses	**183**	**-**	130	-
	3,297	**542**	2,202	662

Nine months ended

	Unaudited 30 September 2017 (RO'000)		Unaudited 30 September 2016 (RO'000)	
	Other related parties	**Directors and key management**	Other related parties	Directors and key management
Director's and key management remuneration	**-**	**1,896**	-	2,253
Service fee	**6,129**	**-**	6,056	-
Brand license fee	**3,036**	**-**	-	-
Other expenses	**565**	**-**	470	-
	9,730	**1,896**	6,526	2,253

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.

Effective 1 October 2016, the Company has entered into a brand licensing agreement with a related party (other related party). In consideration of using the brand "OOREDOO", the Company pays a brand license fee to the related party which is calculated annually as an amount equal to one and a half percent of the Company's adjusted gross revenue.

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

	Unaudited 30 September 2017 RO'000	Audited 31 December 2016 RO'000
Trade payables		
Other related parties	**3,087**	2,797
	3,087	2,797

Compensation of key management personnel

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

	Three months ended		*Nine months ended*	
	Unaudited 30 September 2017 RO'000	Unaudited 30 September 2016 RO'000	**Unaudited 30 September 2017 RO'000**	Unaudited 30 September 2016 RO'000
Salaries / remuneration and benefits	**488**	596	**1,688**	2,020
Director's remuneration	**50**	50	**150**	150
Employees' end of service benefits	**4**	16	**58**	83
	542	662	**1,896**	2,253

14 EXPENDITURE COMMITMENTS

	Unaudited 30 September 2017 RO'000	Audited 31 December 2016 RO'000
Capital expenditure commitments		
Estimated capital expenditure contracted for at the reporting date but not provided for:		
Property and equipment	**30,047**	21,839
Operating lease commitments		
Future minimum lease payments:		
Within one year	**3,107**	3,606
After one year but not more than five years	**2,440**	4,732
Total operating lease expenditure contracted for at the reporting date	**5,547**	8,338

15 CONTINGENT LIABILITIES

Guarantees
At 30 September 2017, the Company had contingent liabilities in respect of guarantees of RO 271,123 (31 December 2016: RO 271,756). It is anticipated that no material liabilities are expected to arise from these.

16 SEGMENT INFORMATION

Information regarding the Group's operating segments is set out below in accordance with the IFRS 8 – Operating Segments.

For management purpose, the Group 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 Group 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 2017 are as follows:

	Mobile RO'000	Fixed line RO'000	Adjustments RO'000	Unaudited Total RO'000
Revenue				
External sales	**59,299**	**10,007**	**-**	**69,306**
Inter-segment sales	**227**	**1,910**	**(2,137)**	**-**
Total revenue	**59,526**	**11,917**	**(2,137)**	**69,306**
Results				
Depreciation and amortization	**13,227**	**2,037**	**-**	**15,264**
Amortisation – license	**1,206**	**218**	**-**	**1,424**
Segment results – Profit	**10,823**	**758**	**-**	**11,581**
Finance expense				**(480)**
Profit before taxation				**11,101**
Loss of subsidiary allocated to the Group				**(25)**
Taxation				**1,653**
Profit for the period				**9,423**

16 SEGMENT INFORMATION *(continued)*

Segmental results for the three months period ended 30 September 2016 are as follows:

	Mobile RO'000	Fixed line RO'000	Adjustments RO'000	Unaudited Total RO'000
Revenue				
External sales	59,073	10,010	-	69,083
Inter-segment sales	312	2,953	(3,265)	-
Total revenue	59,385	12,963	(3,265)	69,083
Results				
Depreciation and amortisation	13,787	1,929	-	15,716
Amortisation - license	1,206	215	-	1,421
Segment results – Profit	12,296	2,819	-	15,115
Finance expense				(606)
Profit before taxation				14,509
Taxation				(1,797)
Profit for the period				12,712

Segmental results for the nine months period ended 30 September 2017 are as follows:

	Mobile RO'000	**Fixed line RO'000**	**Adjustments RO'000**	**Unaudited Total RO'000**
Revenue				
External sales	**173,027**	**31,258**	**-**	**204,285**
Inter-segment sales	**746**	**5,922**	**(6,668)**	**-**
Total revenue	**173,773**	**37,180**	**(6,668)**	**204,285**
Results				
Depreciation and amortisation	**40,170**	**6,022**	**-**	**46,192**
Amortisation-license	**3,585**	**643**	**-**	**4,228**
Segment results – Profit	**24,570**	**4,298**	**-**	**28,868**
Finance expense				**(1,573)**
Profit before taxation				**27,295**
Loss of subsidiary allocated to the Group				**(74)**
Taxation				**(4,059)**
Profit for the period				**23,162**

16 SEGMENT INFORMATION *(continued)*

Segmental results for the nine months period ended 30 September 2016 are as follows:

	Mobile RO'000	Fixed line RO'000	Adjustments RO'000	Unaudited Total RO'000
Revenue				
External sales	173,300	28,555	-	201,855
Inter-segment sales	1,131	10,457	(11,588)	-
Total revenue	174,431	39,012	(11,588)	201,855
Results				
Depreciation and amortisation	38,670	5,521	-	44,191
Amortisation - license	3,593	640	-	4,233
Segment results – Profit	35,838	8,942	-	44,780
Finance expense				(1,893)
Profit before taxation				42,887
Taxation				(5,278)
Profit for the period				37,609

Capital expenditure incurred for different segments are as follows:

	Unaudited Nine months ended 30 September 2017 RO'000	Unaudited Nine months ended 30 September 2016 RO'000	Audited Year ended 31 December 2016 RO'000
Property and equipment			
- Mobile	**2,215**	28,553	37,072
- Fixed	**4,822**	9,227	12,518
- Others (Subsidiary)	**205**	-	-
	7,242	37,780	49,590

The total capital expenditure for the nine months is OR 31.6 million. This expenditure includes property and equipment with amount of OR 7.2 million and other intangibles with amount of OR 24.4 million.

17 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise financial assets, financial liabilities and derivatives.

Financial assets consist of cash and bank balances, and receivables. Financial liabilities consist of term loans, and payables. Derivatives consist of interest rate swap contracts.

Fair value hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

	Carrying amount				**Fair value**			
30 September 2017	**Fair value – hedging instruments**	**Loans and Receivables**	**Other financial liabilities**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets measured at fair value								
Interest rate swaps used for hedging	**3**	-	-	**3**	-	**3**	-	**3**
Financial assets not measured at fair value								
Trade and other receivables	-	**30,416**	-	**30,416**	-	-	-	-
Cash and cash equivalents	-	**18,723**	-	**18,723**	-	-	-	-
	3	**49,139**	-	**49,142**	-	**3**	-	**3**
Financial liabilities measured at fair value								
Interest rate swaps used for hedging	-	-	-	-	-	-	-	-
Financial liabilities not measured at fair value								
Bank loans	-	-	**29,851**	**29,851**	-	-	-	-
Payables and accruals	-	-	**88,908**	**88,908**	-	-	-	-
	-	-	**118,759**	**118,759**	-	-	-	-

	Carrying amount				Fair value			
31 December 2016	Fair value – hedging instruments	Loans and Receivables	Other financial Liabilities	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value								
Interest rate swaps used for hedging	-	-	-	-	-	-	-	-
Financial assets not measured at fair value								
Trade and other receivables	-	27,718	-	27,718	-	-	-	-
Cash and cash equivalents	-	15,761	-	15,761	-	-	-	-
	-	43,479	-	43,479	-	-	-	-
Financial liabilities measured at fair value								
Interest rate swaps used for hedging	-	-	-	-	-	-	-	-
Financial liabilities not measured at fair value								
Bank loans	-	-	26,015	26,015	-	-	-	-
Payables and accruals	-	-	102,193	102,193	-	-	-	-
	-	-	128,208	128,208	-	-	-	-

17 FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

Level 1: inputs are quoted price (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2: inputs are inputs, other than quoted prices included within level 1 that are observable for assets or liabilities, either directly or indirectly.

Level 3: inputs are unobservable inputs for the asset or liability.

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The fair value of financial assets and liabilities are considered by the Company's Board of Directors not to be materially different from their carrying amounts.

The fair values of the interest rate swaps arrangements are worked out using the level 2 valuation technique. The related fair value details are provided by the swap counter party.

There were no transfers between the levels during the current as well as the previous year.

18 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 2017.

Since this is the first period of consolidation, the corresponding figures provided for comparative purposes for the period / year ended 30 September 2016 / 31 December 2016 are not readily comparable with those for the current period.