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 acquired a 51 percent shareholding in Duqm Data Centre SAOC ("the subsidiary"). 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 2018.

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.

The Company is producing consolidated financial statements. Accordingly, the corresponding figures provided for comparative purposes for 2017 have been consolidated with the subsidiary 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 Group for the year ended 31 December 2017 except for the policies as disclosed in note 2b “Changes in Significant Accounting Policies”.

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 2017. In addition, results for the three months period ended 31 March 2018 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2018.

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, except for 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.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2b. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2017, except for the adoption of new standards effective as of 1 January 2018. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The Group applies, for the first time, IFRS 15 *Revenue from Contracts with Customers* and IFRS 9 *Financial Instruments.* Several other amendments and interpretations apply for the first time in 2018, but do not have an impact on the interim condensed consolidated financial statements of the Group.

The Group has elected to adopt IFRS 15 using the modified retrospective method:

- The comparative information for each of the primary financial statements have been presented based on the requirements of IAS 18.
- The cumulative catch-up adjustment to the opening balance of retained earnings as at 1 January 2018, only for contracts that are not completed at the date of initial application, has been recognized in the statement of changes in equity for the three months ended 31 March 2018.

The Group has applied IFRS 9 from the period beginning January 1, 2018 and has not restated the prior periods:

- The comparative information for each of the primary financial statements have been presented based on the requirements of IAS 39.
- There has been an adjustment to the opening balance of retained earnings as at 1 January 2018 for the differences between previous carrying amounts and those determined under IFRS 9 for provisions on receivables.

IFRS 15 supersedes IAS 18 Revenue and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Group is in the business of primarily providing domestic and international telecommunication services (both fixed and mobile) in Oman. The services are sold on their own in separate identified contracts with customers and together as a bundled package of goods and/or services.

Revenue from sale of equipment and rendering of services
For mobile and fixed contracts with customers where sale of services is the only expected performance obligation, IFRS 15 does not have an impact on the Group's profit or loss as the timing of revenue recognition will not change under the new Standard. Further, bundling of services with sale of equipment also does not have an impact on the Group's profit or loss as the bundled equipment are either locked to the Group's network or where the Group acts as agents in their sale, and are therefore not considered distinct or separate performance obligations ("PO") in the contract with the customer.

Discounts and promotions
The Group provides various discounts and promotions to its customers, which may be agreed at inception or provided during the contract term.

The impact of these discounts and promotions upon adoption of IFRS 15 has resulted in an increase in the opening retained earnings and a recognition of a contract asset.

Loyalty programme
Every consumer segment customer of the Company on a prepaid or post-paid plan is eligible for free membership to the Company's rewards loyalty programme ("Nojoom"). The customer earns points based on payments. Loyalty points can be redeemed in exchange for the Company's services and/or third party services. The Company ascertains that the accounting of the loyalty point upon adoption of IFRS 15 is immaterial.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

2b. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Contract costs
Under IFRS 15, commissions and installation costs meet the definition of an incremental cost to acquire a contract or a cost to fulfil a contract (contract cost). The Group has capitalised these qualifying expenses as Contract Cost Assets and amortises them on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates (over the contract period plus contract period of any anticipated contracts, as the case maybe), subject to any impairment.

The impact of these costs upon adoption of IFRS 15 has resulted in an increase in the opening retained earnings and a recognition of a Contract Cost Asset.

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting. The adoption of IFRS 9 has not had a significant effect on the Group's accounting policies.

The standard contains requirements in the following areas:

- **Classification and measurement:** Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk.

- **Impairment:** IFRS 9 introduces an 'expected credit loss' model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognised.

- **Hedge accounting:** Introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures.

IFRS 9 Impairment approach
In applying IFRS 9 impairment requirements, an entity needs to follow one of the approaches below:

- The General approach – Under the general approach, at each reporting date, an entity recognizes a loss allowance on either 12-month or life-time expected credit losses (ECL), depending on whether there has been a significant increase in credit risk on the financial instrument since initial recognition. The changes in the loss allowance balance are recognized in profit or loss as an impairment gain or loss.

- The Simplified approach – Under the simplified approach, an entity is not required to track changes in credit risk and requires recognition of lifetime ECL's at all times. IFRS 9 requires to use this approach in its ECL provisioning for trade receivables and contract assets that do not have an IFRS 15 significant financing component.

For receivables and contract assets, the Group elects the Simplified approach to providing for ECL's as prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all receivables. Impairment assessment is done using a provision matrix and the ECL provision is based on the Group's historical information adjusted for future expectations using macro-economic indicators and point-in-time adjustments for probability of default.

For cash in bank and call deposits, ECL shall be calculated only when the credit risk of the other party has significantly deteriorated. As such, the Group will monitor and track the credit quality of banks, where these balances are placed, for credit risk management purposes only. In view of this there has been no ECL provision recognized on these financial assets.

The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39.

3 REVENUE

	Unaudited 31 March 2018 RO'000	Unaudited 31 March 2017 RO'000
Traffic	**62,996**	62,989
One time and recurring charges	**1,245**	1,168
Interconnection revenue	**3,717**	4,145
Inbound roaming	**1,458**	1,209
Site sharing revenue	**436**	386
	69,852	69,897
Less : Distributor discounts	**(1,885)**	(2,128)
	67,967	67,769

4 INCOME TAX

	Unaudited 31 March 2018 RO'000	Unaudited 31 March 2017 RO'000
Statement of profit or loss		
Current period	**1,753**	1,966
Deferred tax relating to origination and reversal of temporary differences	**(328)**	(739)
	1,425	1,227

	Unaudited 31 March 2018 RO'000	Audited 31 December 2017 RO'000
Current liability		
Current period / year	**1,753**	7,082
Prior period / year	**581**	552
	2,334	7,634
Deferred tax asset		
Beginning of the period / year	**2,163**	561
Movement for the period / year through statement of profit or loss	**328**	1,606
Movement for the period / year through statement of other comprehensive Income	**(3)**	(4)
At the end of the period / year	**2,488**	2,163

4 INCOME TAX *(continued)*

The tax rate applicable to the Company is 15 percent (2017: 15 percent). Deferred tax asset/liability is recorded at 15 percent (2017: 15 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.

Assessments for the years 2015 to 2017 are not yet completed.

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:

	Unaudited 31 March 2018	Unaudited 31 March 2017
Profit for the period (RO'000) attributable to ordinary equity holders of the Parent company	**7,980**	6,923
Weighted average number of shares outstanding for the period (number in thousand)	**650,944**	650,944
Basic earning per share (RO)	**0.012**	0.011

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**	**Total RO '000**
Cost					
1 January 2018	**564,909**	**58,321**	**10,074**	**6,579**	**639,883**
Additions	**-**	**-**	**-**	**9,978**	**9,978**
Transfers	**3,139**	**6,464**	**58**	**(9,661)**	**-**
31 March 2018 (unaudited)	**568,048**	**64,785**	**10,132**	**6,896**	**649,861**
Depreciation					
1 January 2018	**309,809**	**45,847**	**5,299**	**-**	**360,955**
Charge for the period	**11,294**	**2,690**	**247**	**-**	**14,231**
31 March 2018 (unaudited)	**321,103**	**48,537**	**5,546**	**-**	**375,186**
Net book value					
31 March 2018 (unaudited)	**246,945**	**16,248**	**4,586**	**6,896**	**274,675**
31 December 2017 (audited)	255,100	12,474	4,775	6,579	278,928

7 LICENSE FEE

	Mobile license RO'000	Fixed line license RO'000	Total RO'000
Cost			
Balance at 1 January and 31 March 2018	**52,537**	**21,403**	**73,940**
Amortisation			
Balance at 1 January 2018	**40,686**	**7,280**	**47,966**
Amortisation during the period	**1,181**	**213**	**1,394**
Balance at 31 March 2018 (unaudited)	**41,867**	**7,493**	**49,360**
Net book value			
At 31 March 2018 (unaudited)	**10,670**	**13,910**	**24,580**
At 31 December 2017 (audited)	11,851	14,123	25,974

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 2018 and 31 March 2018	**9,106**	**8,776**	**17,882**
Amortisation			
Balance at 1 January 2018	**236**	**4,122**	**4,358**
Amortisation during the period	**90**	**556**	**646**
Balance at 31 March 2018 (unaudited)	**326**	**4,678**	**5,004**
Net book value			
At 31 March 2018 (unaudited)	**8,780**	**4,098**	**12,878**
At 31 December 2017 (audited)	8,870	4,654	13,524

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

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 31 March 2018.

For the three months ended 31 March 2018, subsidiary contributed loss of RO 4,000 to the Group's results.

Non-controlling interests ("NCI")

The following table summarises the information relating to the subsidiary:

	Unaudited 31 March 2018 RO'000	Audited 31 December 2017 RO'000
NCI percentage	**49%**	49%
Non-current assets	**348**	225
Current assets	**109**	151
Current liabilities	**(188)**	(100)
Net assets	**269**	276
Net assets attributable to NCI (%)	**132**	135
Total comprehensive loss	**(7)**	(224)
Loss of subsidiary allocated to NCI	**(3)**	(110)
Loss attributable to NCI	**(3)**	(110)
Cash flows used in from operating activities	**3**	(143)
Cash flows generated from financing activities	**-**	500
Cash flows generated from investing activities	**(123)**	(225)
Decrease in cash and cash equivalents	**(120)**	132

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 IFRS 9 and as at 31 March 2018, the unrealised gain of RO 20,000 relating to measuring the financial instruments at fair value is included in equity in respect of these contracts (31 December 2017: RO 25,000).

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
31 March 2018 (unaudited)					
Positive Value	**45**	**-**	**-**	**-**	**-**
Negative Value	**-**	**-**	**-**	**-**	**-**
Interest rate swaps	**45***	**11,004**	**-**	**11,004**	**-**
31 December 2017 (audited)					
Positive Value	25	-	-	-	-
Negative Value	-	-	-	-	-
Interest rate swaps	25	11,004	-	11,004	-

*Fair value shown under equity in the statement of financial position is net of deferred tax of RO 6,739 (2017: RO 3,792).

10 INTEREST BEARING BORROWINGS

	Unaudited 31 March 2018 RO'000	Audited 31 December 2017 RO'000
Total interest bearing borrowings	**39,330**	23,780
Less: Deferred financing costs	**(255)**	(297)
	39,075	23,483
Less: Payable within one year – term loan	**(27,777)**	(10,783)
Non-current portion	**11,298**	12,700

Movement in financing activities:

1 January 2018 to 31 March 2018	**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%**	**2018**	**22,000**	**22,000**
Repayment of loans					
Unsecured bank loan	**USD**	**Libor+1.8%**	**2018**	**(2,503)**	**(2,503)**
Unsecured bank loan	**USD**	**Libor+1.8%**	**2018**	**(2,503)**	**(2,503)**
Unsecured bank loan	**USD**	**Libor+1.25%**	**2021**	**(1,444)**	**(1,444)**
Other movements – deferred finance cost					**42**
Other movements – dividend paid					**(27,340)**
Net movement during 1 January 2018 to 31 March 2018					**(11,748)**

10 INTEREST BEARING BORROWINGS *(continued)*

1 January 2017 to 31 March 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	23,105	23,105
Repayment of loans					
Unsecured bank loan	USD	Libor+2%	2017	(1,675)	(1,675)
Unsecured bank loan	USD	Libor+1.8%	2018	(2,503)	(2,503)
Unsecured bank loan	USD	Libor+1.8%	2018	(2,503)	(2,503)
Other movements – deferred finance cost					150
Other movements					500
Net movement during 1 January 2017 to 31 March 2017					40,074

In 2013, the Company signed 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 31 March 2018, 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. The term loan has been repaid in Jan 2018.

In 2016, the Company has signed three 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 an international bank for general purpose requirements with a one year tenure.

As of 31 March 2018, the Company has available funds for drawdown of RO 28 million (31 December 2017: RO 50 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 31 March 2018 RO'000	Audited 31 December 2017 RO'000
Employees' end of service benefits	**1,329**	1,299
Employee retention – Long term incentive	**1,191**	932
Non-current liability as at the end of the year	**2,520**	2,231

12 DIVIDEND

The company's shareholders at the annual general meetings held on 5 March 2018 approved a payment of baisa 42 per shre as dividend for the financial year ended 31 December 2017, and this was paid in March 2018.

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:

	Unaudited 31 March 2018 (RO'000)		Unaudited 31 March 2017 (RO'000)	
	Other related parties	**Directors and key management**	Other related parties	Directors and key management
Director's and key management remuneration	**-**	**515**	-	766
Service fees	**2,039**	**-**	2,031	-
Brand license fee	**981**	**-**	1,015	-
Other expenses	**121**	**-**	139	-
	3,141	**515**	3,185	766

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 31 March 2018 RO'000	Audited 31 December 2017 RO'000
Trade payables		
Other related parties	**5,547**	2,897
	5,547	2,897

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:

	Unaudited 31 March 2018 RO'000	Unaudited 31 March 2017 RO'000
Salaries / remuneration and benefits	**392**	641
Director's remuneration	**50**	50
Employees' end of service benefits	**73**	75
	515	766

14 EXPENDITURE COMMITMENTS

	Unaudited 31 March 2018 RO'000	Audited 31 December 2017 RO'000
Capital expenditure commitments		
Estimated capital expenditure contracted for at the reporting date but not provided for:		
Property and equipment	**15,925**	17,988
Operating lease commitments		
Future minimum lease payments:		
Within one year	**2,613**	3,080
After one year but not more than five years	**1,952**	1,952
Total operating lease expenditure contracted for at the reporting date	**4,565**	5,032

15 CONTINGENT LIABILITIES

Guarantees

At 31 March 2018, the Company had contingent liabilities in respect of guarantees of RO 275,123 (31 December 2017: RO 275,122). 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 period ended 31 March 2018 are as follows:

	Mobile RO'000	Fixed line RO'000	Adjustments RO'000	Unaudited Total RO'000
Revenue				
External sales	55,829	12,138	-	67,967
Inter-segment sales	197	1,512	(1,709)	-
Total revenue	56,026	13,650	(1,709)	67,967
Results				
Depreciation and amortization	11,890	2,987	-	14,877
Amortisation – license	1,181	213	-	1,394
Segment results – Profit	6,827	2,977	-	9,804
Finance expense				(395)
Profit before taxation				9,409
Loss of subsidiary allocated to the Group				(4)
Taxation				(1,425)
Profit for the period				7,980

16 SEGMENT INFORMATION *(continued)*

Segmental results for the period ended 31 March 2017 are as follows:

	Mobile RO'000	Fixed line RO'000	Adjustments RO'000	Unaudited Total RO'000
Revenue				
External sales	57,129	10,640	-	67,769
Inter-segment sales	273	2,347	(2,620)	-
Total revenue	57,402	12,987	(2,620)	67,769
Results				
Depreciation and amortisation	13,750	1,942	-	15,692
Amortisation - license	1,181	213	-	1,394
Segment results – Profit	7,107	1,631	-	8,738
Finance expense				(556)
Profit before taxation				8,182
Loss of subsidiary allocated to the Group				(32)
Taxation				(1,227)
Profit for the period				6,923

Capital expenditure incurred for different segments are as follows:

	Unaudited three months ended 31 March 2018 RO'000	Unaudited three months ended 31 March 2017 RO'000	Audited Year ended 31 December 2017 RO'000
Property and equipment			
- Mobile	**8,619**	3,288	27,314
- Fixed	**1,236**	1,868	6,822
- Others (Subsidiary)	**123**	-	225
	9,978	5,156	34,361

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			
31 March 2018	**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	**45**	-	-	**45**	-	**45**	-	**45**
Financial assets not measured at fair value								
Trade and other receivables	-	**28,441**	-	**28,441**	-	-	-	-
Cash and cash equivalents	-	**8,334**	-	**8,334**	-	-	-	-
	45	**36,775**	-	**36,820**	-	**45**	-	**45**
Financial liabilities measured at fair value								
Interest rate swaps used for hedging	-	-	-	-	-	-	-	-
Financial liabilities not measured at fair value								
Bank loans	-	-	**39,075**	**39,075**	-	-	-	-
Payables and accruals	-	-	**83,911**	**83,911**	-	-	-	-
	-	-	**122,986**	**122,986**	-	-	-	-

	Carrying amount				Fair value			
31 December 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	25	-	-	25	-	25	-	25
Financial assets not measured at fair value								
Trade and other receivables	-	24,100	-	24,100	-	-	-	-
Cash and cash equivalents	-	33,476	-	33,476	-	-	-	-
	25	57,576	-	57,601	-	25	-	25
Financial liabilities measured at fair value								
Interest rate swaps used for hedging	-	-	-	-	-	-	-	-
Financial liabilities not measured at fair value								
Bank loans	-	-	23,483	23,483	-	-	-	-
Payables and accruals	-	-	102,613	102,613	-	-	-	-
	-	-	126,096	126,096	-	-	-	-

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

The corresponding figures provided for comparative purposes for 2017 have been consolidated with the sudsidiary and are comparable with those for the current period.