

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 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 30 September 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 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 nine months period ended 30 September 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.

Notes to the condensed consolidated interim financial statements**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.

Notes to the condensed consolidated interim financial statements

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 nine months ended 30 September 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.

Notes to the condensed consolidated interim financial statements

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.

Notes to the condensed consolidated interim financial statements

3 REVENUE

	<i>Three months ended</i>		<i>Nine months ended</i>	
	Unaudited 30 September 2018 RO'000	Unaudited 30 September 2017 RO'000	Unaudited 30 September 2018 RO'000	Unaudited 30 September 2017 RO'000
Traffic	66,173	65,234	193,062	191,119
One time and recurring charges	2,905	1,028	7,377	3,174
Interconnection revenue	3,704	3,752	11,257	11,743
Inbound roaming	1,505	1,314	4,415	3,719
Site sharing revenue	432	171	1,335	934
	<u>74,719</u>	<u>71,499</u>	<u>217,446</u>	<u>210,689</u>
Less : Distributor discounts	(1,826)	(2,193)	(5,516)	(6,404)
	<u>72,893</u>	<u>69,306</u>	<u>211,930</u>	<u>204,285</u>

4 INCOME TAX

	<i>Three months ended</i>		<i>Nine months ended</i>	
	Unaudited 30 September 2018 RO'000	Unaudited 30 September 2017 RO'000	Unaudited 30 September 2018 RO'000	Unaudited 30 September 2017 RO'000
Statement of profit or loss				
Current period	2,103	1,944	5,580	5,606
Deferred tax relating to origination and reversal of temporary differences	(319)	(291)	(666)	(1,547)
	<u>1,784</u>	<u>1,653</u>	<u>4,914</u>	<u>4,059</u>

	Unaudited 30 September 2018 RO'000	Audited 31 December 2017 RO'000
Current liability		
Current period / year	5,580	7,082
Prior period / year	581	552
	<u>6,161</u>	<u>7,634</u>
Deferred tax asset		
Beginning of the period / year	2163	561
Movement for the period / year through statement of profit or loss	666	1,606
Movement for the period / year through statement of other comprehensive Income	(2)	(4)
At the end of the period / year	<u>2,827</u>	<u>2,163</u>

Notes to the condensed consolidated interim financial statements

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 period/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 tax years 2015 and 2016 was completed on 30 September 2018. Assessment for tax year 2017 is yet to be 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:

	<i>Three months ended</i>		<i>Nine months ended</i>	
	Unaudited 30 September 2018	Unaudited 30 September 2017	Unaudited 30 September 2018	Unaudited 30 September 2017
Profit for the period (RO'000) attributable to ordinary equity holders of the Parent company	9,285	9,423	26,886	23,162
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	0.014	0.041	0.036

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
<i>Cost</i>					
1 January 2018	564,909	58,321	10,074	6,579	639,883
Additions				27,836	27,836
Transfers	20,530	12,047	266	(32,843)	-
Provision reversal	952	-	-	952	952
Write off	(7,639)	(1,208)	-	(8,847)	(8,847)
30 September 2018 (unaudited)	578,752	69,159	10,340	1,572	659,823
<i>Depreciation</i>					
1 January 2018	309,809	45,847	5,299	-	360,955
Charge for the period	34,854	6,013	784	-	41,651
Write off	(7,620)	(252)	-	-	(7,872)
30 September 2018 (unaudited)	337,043	51,607	6,083	-	394,733
<i>Net book value</i>					
30 September 2018 (unaudited)	241,709	17,552	4,257	1,572	265,090

31 December 2017 (audited)	255,100	12,474	4,775	6,579	278,928
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Omani Qatari Telecommunications Company SAOG and its subsidiary Page 13
Notes to the condensed consolidated interim financial statements

7 LICENSE FEE

	Mobile license RO'000	Fixed line license RO'000	Total RO'000
Cost	52,537	21,403	73,940
Balance at 1 January 2018	-	444	444
Additions			
Balance at 30 September 2018 (unaudited)	52,537	21,847	74,384
Amortisation			
Balance at 1 January 2018	40,686	7,280	47,966
Amortisation during the period	3,588	756	4,344
Balance at 30 September 2018 (unaudited)	44,274	8,036	52,310
Net book value			
At 30 September 2018 (unaudited)	8,263	13,811	22,074
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	9,106	8,776	17,882
Additions	593	892	1,485
Balance at 30 September 2018 (unaudited)	9,699	9,668	19,367
Amortisation			
Balance at 1 January 2018	236	4,122	4,358
Amortisation during the period	296	1,803	2,099
Balance at 30 September 2018	532	5,925	6,457
Net book value			
At 30 September 2018	9,167	3,743	12,910
At 31 December 2017	8,870	4,654	13,524

Notes to the condensed consolidated interim financial statements

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 30 September 2018.

For the nine months ended 30 September 2018, subsidiary contributed loss of RO 63,000 to the Group's results.

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 30 September 2018, the unrealised gain of RO 17,000 relating to measuring the financial instruments at fair value is included in equity in respect of these contracts (31 December 2017: RO 25,000).

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 2018 (unaudited)					
Positive Value	42	-	-	-	-
Negative Value	-	-	-	-	-
Interest rate swaps	<u>42*</u>	<u>11,004</u>	<u>-</u>	<u>11,004</u>	<u>-</u>
31 December 2017 (audited)					
Positive Value	25	-	-	-	-
Negative Value	-	-	-	-	-
Interest rate swaps	<u>25</u>	<u>11,004</u>	<u>-</u>	<u>11,004</u>	<u>-</u>

*Fair value shown under equity in the statement of financial position is net of deferred tax of RO 6,354 (2017: RO 3,792).

10 INTEREST BEARING BORROWINGS

	Unaudited 30 September 2018 RO'000	Audited 31 December 2017 RO'000
Total interest bearing borrowings	14966	23,780
Less: Deferred financing costs	(209)	(297)
	<u>14,757</u>	<u>23,483</u>
Less: Payable within one year – term loan	(6,302)	(10,783)

Non-current portion

8,455

12,700

Omani Qatari Telecommunications Company SAOG and its subsidiary Page 15

Notes to the condensed consolidated interim financial statements

10 INTEREST BEARING BORROWINGS (continued)

Movement in financing activities:

1 January 2017 to 30 September 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
Short term loan	OMR	2.25%	2018	525	525
Repayment of loans					
Revolving credit facility	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	(4,332)	(4,332)
Unsecured bank loan	OMR	FD rate+1.75%	2018	(22,000)	(22,000)
Other movements – deferred finance cost					87
Other movements – dividend paid					(27,340)
Net movement during 1 January 2018 to 30 September 2018					(36,066)

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)*

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 30 September 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 January 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. This facility has expired during this reporting period.

As of 30 September 2018, the Company has available funds for drawdown of RO 45 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 30 September 2018 RO'000	Audited 31 December 2017 RO'000
Employees' end of service benefits	1,320	1,299
Employee retention – Long term incentive	904	932
Non-current liability as at the end of the year	<u>2,224</u>	<u>2,231</u>

12 DIVIDEND

The Company's shareholders at the annual general meeting held on 5 March 2018 approved a payment of baisa 42 per share 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.

Omani Qatari Telecommunications Company SAOG and its subsidiary Page 17

Notes to the condensed consolidated interim financial statements

Details regarding transactions with the related parties included in the financial statements are set out below:

	<i>Three months ended</i>			
	Unaudited 30 September 2018 (RO'000)		Unaudited 30 September 2017 (RO'000)	
	Other related parties	Directors and key management	Other related parties	Directors and key management
Director's and key management remuneration	-	728	-	542
Service fees	2,187	-	2,080	-
Brand license fee	1,089	-	1,034	-
Other expenses	121	-	183	-
	<u>3,397</u>	<u>728</u>	<u>3,297</u>	<u>542</u>

	<i>Nine months ended</i>			
	Unaudited 30 September 2018 (RO'000)		Unaudited 30 September 2017 (RO'000)	
	Other related parties	Directors and key management	Other related parties	Directors and key management
Director's and key management remuneration	-	1,991	-	1,896
Service fee	6,358	-	6,129	-
Brand license fee	3,134	-	3,036	-
Other expenses	404	-	565	-
	<u>9,896</u>	<u>1,933</u>	<u>9,730</u>	<u>1,896</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.

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 2018 RO'000	Audited 31 December 2017 RO'000
Other related parties	3,042	2,897
	<u>3,042</u>	<u>2,897</u>

Notes to the condensed consolidated interim 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 2018 RO'000	Unaudited 30 September 2017 RO'000	Unaudited 30 September 2018 RO'000	Unaudited 30 September 2017 RO'000
Salaries / remuneration and benefits	667	488	1792	1,688
Director's remuneration	51	50	160	150
Employees' end of service benefits	10	4	39	58
	<u>728</u>	<u>542</u>	<u>1,991</u>	<u>1,896</u>

14 EXPENDITURE COMMITMENTS

	Unaudited 30 September 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	18,736	17,988
Operating lease commitments		
Future minimum lease payments:		
Within one year	2,291	3,080
After one year but not more than five years	980	1,952
Total operating lease expenditure contracted for at the reporting date	3,271	5,032

15 CONTINGENT LIABILITIES

Guarantees

At 30 September 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.

Notes to the condensed consolidated interim financial statements

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 2018 are as follows:

	Mobile RO'000	Fixed line RO'000	Adjustments RO'000	Unaudited Total RO'000
Revenue				
External sales	59,091	13,802		72,893
Inter-segment sales	172	2,074	(2,246)	-
Total revenue	<u>59,263</u>	<u>15,876</u>	<u>(2,246)</u>	<u>72,893</u>
Results				
Depreciation and amortization	13,022	2,224	-	15,246
Amortisation – license	1,157	324	-	1,481
Segment results – Profit	<u>7,065</u>	<u>4,374</u>	<u>-</u>	<u>11,439</u>
Finance expense				(338)
Profit before taxation				<u>11,101</u>
Loss of subsidiary allocated to the Group				(32)
Taxation				(1,784)
Profit for the period				<u>9,285</u>

Notes to the condensed consolidated interim financial statements

16 SEGMENT INFORMATION (continued)

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

Segmental results for the nine months period ended 30 September 2018 are as follows:

	Mobile RO'000	Fixed line RO'000	Adjustments RO'000	Unaudited Total RO'000
Revenue				
External sales	173,040	38,890	-	211,930
Inter-segment sales	552	5,094	(5,646)	-
Total revenue	173,592	43,984	(5,646)	211,930
Results				
Depreciation and amortisation	35,800	7,939	-	43,739
Amortisation-license	3,588	756	-	4,344
Segment results – Profit	23,140	9,821	-	32,961
Finance expense				(1,098)
Profit before taxation				31,863
Loss of subsidiary allocated to the Group				(63)
Taxation				(4,914)
Profit for the period				26,886

Notes to the condensed consolidated interim financial statements

16 SEGMENT INFORMATION (continued)

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	<u>173,773</u>	<u>37,180</u>	<u>(6,668)</u>	<u>204,285</u>
Results				
Depreciation and amortisation	40,170	6,022	-	46,192
Amortisation-license	3,585	643	-	4,228
Segment results – Profit	<u>24,570</u>	<u>4,298</u>	<u>-</u>	<u>28,868</u>
Finance expense				(1,573)
Profit before taxation				27,295
Loss of subsidiary allocated to the Group				(74)
Taxation				(4,059)
Profit for the period				<u>23,162</u>

Capital expenditure incurred for different segments are as follows:

	Unaudited Nine months ended 30 September 2018 RO'000	Unaudited Nine months ended 30 September 2017 RO'000	Audited Year ended 31 December 2017 RO'000
Property and equipment			
- Mobile	17,697	2,215	27,314
- Fixed	9,551	4,822	6,822
- Others (Subsidiary)	588	205	225
	<u>27,836</u>	<u>7,242</u>	<u>34,361</u>

Notes to the condensed consolidated interim financial statements

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:

30 September 2018	Fair value – hedging instruments	Carrying amount		Total	Fair value			Total
		Loans and Receivables	Other financial liabilities		Level 1	Level 2	Level 3	
Financial assets measured at fair value								
Interest rate swaps used for hedging	42	-	-	42	-	42	-	42
Financial assets not measured at fair value								
Trade and other receivables	-	30,558	-	30,558	-	-	-	-
Cash and cash equivalents	-	27,312	-	27,312	-	-	-	-
	<u>42</u>	<u>57,870</u>	<u>-</u>	<u>57,912</u>	<u>-</u>	<u>42</u>	<u>-</u>	<u>42</u>
Financial liabilities measured at fair value								
Interest rate swaps used for hedging								
Financial liabilities not measured at fair value								
Bank loans	-	-	14,757	14,757	-	-	-	-
Payables and accruals	-	-	96,469	96,469	-	-	-	-
	<u>-</u>	<u>-</u>	<u>111,226</u>	<u>111,226</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	=====	=====	=====	=====	=====	=====	=====	=====

31 December 2017	Fair value – hedging instruments	Carrying amount		Total	Fair value			Total
		Loans and Receivables	Other financial Liabilities		Level 1	Level 2	Level 3	
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	-	-	-	-
	<u>25</u>	<u>57,576</u>	<u>-</u>	<u>57,601</u>	<u>-</u>	<u>25</u>	<u>-</u>	<u>25</u>
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	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	-	-	126,096	126,096	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Omani Qatari Telecommunications Company SAOG and its subsidiary Page 23

Notes to the condensed consolidated interim financial statements

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.