KPMG
4th Floor, HSBC Bank Building
MBD
P.O. Box 641
P.C. 112
Sultanate of Oman
Tel +968 24749600
Fax +968 24700839

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF OMANI QATARI TELECOMMUNICATIONS COMPANY SAOG

Report on the audit of the separate and consolidated financial statements

Opinion

We have audited the separate and consolidated financial statements of Omani Qatari Telecommunications Company SAOG (the Parent Company or the Company) and its subsidiary (the Group) set out on pages 5 to 52, which comprise the separate and consolidated statement of financial position as at 31 December 2018, the separate and consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the year then ended, and notes comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying separate and consolidated financial statements present fairly, in all material respects, the financial position of the Company and of the Group as at 31 December 2018, and their separate and consolidated financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Separate and Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the separate and consolidated financial statements in the Sultanate of Oman, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate and consolidated financial statements of the current year. These matters were addressed in the context of our audit of the separate and consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition – appropriateness of revenue recognition due to complexity of systems and adoption of IFRS 15 – RO '000' 283,616

Refer to note 2.3, 3 and 4 of the separate and consolidated financial statements on page 12, 21 and 27.

Revenue recognition in the telecommunications sector is complex and is considered a key audit matter because of reliance on complex information technology (IT) systems, which are used to capture the consumption and value of the Group and Parent services and large volume of transactions.

In addition, with effect from 1 January 2018, the Group and Parent also adopted IFRS 15 *Revenue from Contracts with Customers*, a new revenue recognition standard, using modified retrospective method of transitions. The adoption of the new standard requires the exercise of a number of key judgments and estimates around the identification of performance obligations that the Group and Parent has in its contracts with its customers, determination of transaction price that has to be allocated to the various performance obligations and the timing of fulfilling those obligations.

Our response

- We evaluated the design and operating effectiveness of the general entity-level controls around the Group's and Parent's IT architecture to obtain evidence around the integrity of the underlying IT systems and then tested the key controls which were relevant to capturing and recording of revenue transactions.

- We understood the significant revenue processes from initiation to billing, identified the relevant key controls (including IT system controls) and performed end-to-end walkthroughs;

- We tested the reconciliations between the general ledgers and the IT systems for all the key revenue streams.

- On sample basis, we tested customer plans and tested the revenue recognized during the year with underlying contractual arrangements.

- We evaluated the Group's and Parent's application of IFRS 15 *Revenue from Contracts with Customers* to its contracts with customers for the different products and services and tested a sample of the transitional adjustments made as at 1 January 2017 and related disclosures.

Capitalisation practices and asset useful lives for property and equipment – RO '000' 273,211

Refer to note 3 and 10 of the separate and consolidated financial statements on page 23 and 31.

Property and equipment represent a significant asset class being 66% of total assets. There is a risk that amounts being capitalised do not the meet the Group's capitalisation criteria or that those criteria are not valid. Further, there is also a risk that Management's estimated useful lives of plant and equipment are inappropriate. Capitalisation of costs and the useful lives assigned to property and equipment are areas of significant judgement exercised by the Management.

Our response

Our audit procedures included, amongst others:

- We evaluated the design and tested the operating effectiveness of selected controls around the property and equipment cycle;
- We assessed the nature of costs incurred in selected significant capital projects through testing of amounts recorded and assessing whether the nature of the expenditure met the capitalisation criteria;
- We examined the minutes of the asset write-off committee to identify any obsolete assets or indications that network assets could be impaired; and
- We tested whether the management decisions on asset lives are appropriate by considering our knowledge of the business and practice in the wider telecoms industry, as well considering the impacts of any planned future network changes.

We also assessed the adequacy of disclosure for property and equipment.

Impairment of Trade Receivables RO '000' 39,530

Refer to note 2.3 and 13 of the consolidated and separate financial statements on page 17 and 36

The determination as to whether a trade receivable is collectable involves significant management judgment. Specific factors that management considers include the age of the balance, location of customer, existence of disputes, recent historical payment patterns, forward looking information. IFRS 9 - Financial Instruments was adopted by the Group on 1 January 2018 and has resulted in change in measurement of impairment loss against trade receivables from an incurred loss model to an expected credit loss model, which involves complex estimates and judgments. The Group has recognized the related transition adjustments in retained earnings on 1 January 2018, being the date of adoption of IFRS 9.

Our response

Our audit procedures included, amongst others:

- We tested the accuracy of the recorded ageing of trade receivables on a sample basis;
- We evaluated appropriateness of segmentation of trade receivables;
- We evaluated the internal / external data used in making the estimate to relevant documentation; and
- We assessed the adequacy of disclosures including transition impact arising from first time application of IFRS 9 in respect of credit risk.

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the separate and consolidated financial statements and our auditors' report thereon.

Our opinion on the separate and consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the separate and consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the separate and consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, then we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Separate and Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the separate and consolidated financial statements in accordance with IFRS and their preparation in compliance with the relevant disclosure requirements of the Capital Market Authority and the applicable provisions of the Commercial Companies Law of 1974, as amended, and for such internal control as management determines is necessary to enable the preparation of separate and consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate and consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Separate and Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate and consolidated financial statements as a whole are free from material misstatement whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate and consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the separate and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, then we are required to draw attention in our auditors' report to the related disclosures in the separate and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the separate and consolidated financial statements, including the disclosures, and whether the separate and consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate and consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal regulatory requirements

We report that the separate and consolidated financial statements of the Parent Company and the Group as at and for the year ended 31 December 2018, in all material respects, comply with the:

- relevant disclosure requirements of the Capital Market Authority; and
- applicable provisions of the Commercial Companies Law of 1974, as amended.

KPMG AUDIT · TAX · ADVISORY
P.O. Box 641 Ruwi · Postal Code 112
Sultanate of Oman

KPMG

6 February 2019

Mobeen Chaudhri