

Financial Statements

46	Statement of Income
47	Statement of Comprehensive Income
48	Statement of Financial Position
49	Statement of Changes in Equity
50	Statement of Cash Flows
51	Notes to the Financial Statements

Statement of Income | Year ended 31 December 2012

	Notes	2012 OMR '000	2011 OMR '000
Revenue	4	193,500	196,865
Other income		365	337
		193,865	197,202
Operating expenses	5	(60,134)	(54,846)
General and administrative expenses	6	(44,256)	(44,461)
Depreciation and amortisation		(32,769)	(28,040)
Royalty		(13,216)	(12,665)
Financing costs (net)	7	(1,351)	(3,201)
PROFIT BEFORE TAX		42,139	53,989
Income tax expense	8	(5,163)	(6,477)
PROFIT FOR THE YEAR		36,976	47,512
Basic and diluted earnings per share (OMR)	9	0.057	0.073

The attached notes 1 to 29 form part of these financial statements

Statement of Comprehensive Income | Year ended 31 December 2012

	2012 OMR '000	2011 OMR '000
Profit for the year	36,976	47,512
Other comprehensive income		
Net unrealised gain on cash flow hedges	329	1,631
Income tax effect	(39)	(196)
Other comprehensive income for the year	290	1,435
Total comprehensive income for the year	37,266	48,947

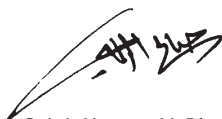
Statement of Financial Position | At 31 December 2012

	Notes	2012 OMR '000	2011 OMR '000
ASSETS			
Non current assets			
Property, plant and equipment	10	214,136	182,138
Licence fee	11	39,075	42,425
Positive fair value of derivatives	16	12	-
Total non current assets		253,223	224,563
Current assets			
Inventories		1,025	670
Receivables and prepayments	12	30,055	29,702
Bank balances and cash	13	24,738	44,462
Total current assets		55,818	74,834
TOTAL ASSETS		309,041	299,397
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	14	65,094	65,094
Statutory reserve	15	20,378	16,680
Cumulative changes in fair values	16	(7)	(297)
Retained earnings		94,584	86,042
Total equity		180,049	167,519
Non current liabilities			
Interest bearing borrowings	17	20,939	21,940
Site restoration provision	18	2,256	3,643
Employee benefits	19	926	783
Deferred tax liability	8	1,224	616
Total non current liabilities		25,345	26,982
Current liabilities			
Payables and accruals	20	79,478	54,877
Interest bearing borrowings	17	6,701	33,215
Employee benefits	19	72	1,355
Negative fair value of derivatives	16	20	337
Deferred revenue		12,575	8,729
Income tax payable	8	4,801	6,383
Total current liabilities		103,647	104,896
Total liabilities		128,992	131,878
TOTAL EQUITY AND LIABILITIES		309,041	299,397
Net assets per share	9	0.277	0.257

These financial statements were approved and authorised for issue by the Board of Directors on 20 February 2013 and were signed on their behalf by:



Sayyed Amjad Mohamed Al Busaidi
Chairman



Saleh Nasser Al-Riyami
Board Member and Chairman
of the Audit Committee



Ross Cormack
Chief Executive Officer

The attached notes 1 to 29 form part of these financial statements

Statement of Changes In Equity | At 31 December 2012

	Share capital OMR '000	Statutory reserve OMR '000	Cumulative changes in fair values OMR '000	Retained earnings OMR '000	Total OMR '000
At 1 January 2011	65,094	11,929	(1,732)	68,017	143,308
Profit for the year	-	-	-	47,512	47,512
Other comprehensive income for the year	-	-	1,435	-	1,435
Transfer to legal reserve (note 15)	-	4,751	-	(4,751)	-
Dividends (note 14)	-	-	-	(24,736)	(24,736)
At 1 January 2012	65,094	16,680	(297)	86,042	167,519
Profit for the year	-	-	-	36,976	36,976
Other comprehensive income for the year	-	-	290	-	290
Transfer to legal reserve (note 15)	-	3,698	-	(3,698)	-
Dividends (note 14)	-	-	-	(24,736)	(24,736)
At 31 December 2012	65,094	20,378	(7)	94,584	180,049

Statement of Cash Flows | Year ended 31 December 2012

	Notes	2012 OMR '000	2011 OMR '000
OPERATING ACTIVITIES			
Profit before tax		42,139	53,989
Adjustments for:			
Depreciation	10	29,069	24,346
Amortisation	11	3,700	3,694
Interest income		(326)	(77)
Accrual for employees' end of service benefits		315	297
Financing costs		1,577	3,074
Loss / (profit) on disposal of property, plant and equipment		388	(8)
Unwinding of discount of site restoration provision	18	100	204
Operating profit before working capital changes		76,962	85,519
Working capital changes:			
Inventories		(355)	(288)
Receivables and prepayments		(353)	(54)
Payables, accruals and deferred revenue		6,878	2,534
Cash from the operations		83,132	87,711
Payment of IPO incentive – shadow shares	19	(1,283)	(277)
Interest paid		(1,577)	(3,074)
Income tax paid		(6,176)	(6,450)
Employees' end of service benefits paid		(172)	(128)
Net cash from operating activities		73,924	77,782
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	10	(41,373)	(42,232)
Payment of licence fee	11	(350)	-
Interest income		326	77
Proceeds on disposal of property, plant and equipment		-	8
Net cash used in investing activities		(41,397)	(42,147)
FINANCING ACTIVITIES			
Repayment of term loan		(84,029)	(15,780)
Long term loan draw down		56,514	-
Dividends paid	14	(24,736)	(24,736)
Net cash used in financing activities		(52,251)	(40,516)
DECREASE IN CASH AND CASH EQUIVALENTS		(19,724)	(4,881)
Cash and cash equivalents at the beginning of the year		44,462	49,343
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		24,738	44,462

Note: The amounts under purchase of property, plant and equipment represent the net additions for capital expenditure adjusted for timing differences.

The attached notes 1 to 29 form part of these financial statements

1 LEGAL STATUS AND PRINCIPAL ACTIVITIES

Omani Qatari Telecommunications Company SAOG (the “Company”) is an Omani joint stock company registered under the Commercial Companies Law of the Sultanate of Oman. In accordance with Royal Decree 17/2005, effective 19 February 2005, the Company was granted a 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 Qatar Telecom (Qtel) Q.S.C whose registered address is PO Box 217, Doha, Qatar.

In accordance with the requirements of the Company’s mobile licence, the Company proceeded with an initial public offering (IPO). The promoting shareholders at the Company’s Extraordinary General Meeting held on 7 March 2010 approved the conversion of the Company from a Closed Joint Stock Company (SAOC) to a Public Joint Stock Company (SAOG) by offering their 260,377,690 shares for the public subscription. The Company closed its IPO on 21 October 2010 and its shares were listed on the Muscat Securities Market on 1 November 2010. The IPO proceeds and share issue expenses were recorded by the promoting shareholders.

BASIS OF PREPARATION

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS). These financial statements also comply with the applicable requirements of the Commercial Companies Law of the Sultanate of Oman and the rules and guidelines on disclosure issued by the Capital Market Authority.

The accounting records are maintained in Omani Rial, which is the functional and reporting currency for these financial statements. The financial statements’ numbers are rounded to the nearest thousand except when otherwise indicated.

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

2 ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

For the year ended 31 December 2012, the Company has adopted all the new and revised standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for the year beginning on 1 January 2012.

2.1 STANDARDS AND INTERPRETATIONS ADOPTED WITH NO EFFECT ON THE FINANCIAL STATEMENTS

The following new and revised Standards and Interpretations have also been adopted in these financial statements. Their adoption has not had any significant impact on the amounts reported in these financial statements, but may affect the accounting for future transactions or arrangements.

Amendments to IFRS 7 – Disclosures – Transfer of Financial Assets	The amendments to IFRS 7 increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures of transactions where a financial asset is transferred but the transferor retains some level of continuing exposure in the asset.
Amendments to IAS 12 – Deferred Tax: Recovery of Underlying Assets	The amendments to IAS 12 provide an exception to the general principle set out in IAS 12 Income Taxes that the measurement of deferred tax should reflect the manner in which an entity expects to recover a carrying amount of the asset. Specifically, the amendments established a rebuttable presumption that the carrying amount of an investment property measured using the fair value model in IAS 40 Investment Property will be recovered entirely through sale.

2 ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (Continued)

2.2 NEW AND REVISED IFRS IN ISSUE BUT NOT YET EFFECTIVE

At the date of authorisation of these financial statements, the following new and revised Standards and Interpretations were in issue but not yet effective:

New IFRS and relevant amendments	Effective for annual periods beginning on or after
Financial Instruments	
IFRS 9: <i>Financial Instruments (as revised in 2010 to include requirements for the classification and measurement of financial liabilities and incorporate existing derecognition requirements)</i>	January 2015
Amendments to IFRS 9 and IFRS 7: <i>Mandatory Effective Date of IFRS 9 and Transition Disclosures</i>	January 2015
Consolidation, joint arrangements, associates and disclosures	
IFRS 10: <i>Consolidated Financial Statements</i>	January 2013
IFRS 11: <i>Joint Arrangements</i>	January 2013
IFRS 12: <i>Disclosure of Interests in Other Entities</i>	January 2013
Amendments to IFRS 10, IFRS 11 and IFRS 12 <i>Consolidated Financial Statements, Joint Arrangements and Disclosures in Other Entities: Transition Guidance and investment entities</i>	January 2013
IAS 27: <i>Separate Financial Statements (as revised in 2011)</i>	January 2013
IAS 27: <i>Separate Financial Statements amendments for investments entities</i>	January 2014
IAS 28: <i>Investments in Associates, reissued as IAS 28 Investments in Associates and Joint Ventures (as revised in 2011)</i>	January 2013
Fair value measurement	
IFRS 13: <i>Fair Value Measurement</i>	January 2013
Revised IFRS	
Employee benefits	
IAS 19: <i>Employee Benefits (as revised in 2011 for the post - employment benefits and termination benefits)</i>	January 2013
Amendments to IFRSs	
IAS 1: <i>Presentation of items of other comprehensive income</i>	July 2012
IAS 32: <i>Offsetting Financial Assets and Financial Liabilities</i>	January 2014
<i>Annual improvements to IFRSs 2009 to 2011 Cycles</i>	January 2013
IFRS 7: <i>Disclosures – Offsetting Financial Assets and Financial Liabilities</i>	January 2013
New Interpretations and amendments to Interpretations:	
IFRIC 20 – <i>Stripping Costs in the Production Phase of a Surface Mine</i>	1 January 2013

The directors anticipate that the adoption of the above standards and interpretations in future periods will have no material impact on the financial statements of the Company in the period of initial application.

3 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are as follows:

Revenue and deferred income

Revenue from rendering of services:

Revenue from rendering of services represents the value of telecommunication services provided to customers. Revenue is recognised over the period to which it relates.

Interconnection revenue:

Revenues from network interconnection with other domestic and international telecommunications operators are recognised based on the actual traffic.

Operating revenues for local and international interconnections are based on tariffs as stipulated by the Telecommunication Regulatory Authority of the Sultanate of Oman or as agreed between the operators. Interconnection revenue and cost are reported on a gross basis in the statement of comprehensive income.

Sales of prepaid cards:

Sales of prepaid cards is recognised as revenue based on the estimated utilisation of the prepaid cards sold. Sales relating to unutilised prepaid cards are accounted as deferred income. Deferred income related to unused prepaid cards is recognised as revenue when utilised by the customer or upon termination of the customer relationship. Revenue is recognised net of any upfront discount given.

Sales of equipment:

Revenue from sales of equipment is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably.

Reseller revenue:

Revenue from resellers is recognised based on the traffic usage.

Interest revenue:

Interest revenue is recognised as the interest accrues using the effective interest method, under which the rate used exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed as incurred. Borrowing costs consist of interest and other costs that the Company incurs in connection with the borrowing of funds.

Taxation

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. Taxation is provided in accordance with Omani regulations.

Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on laws that have been enacted at the reporting date.

Deferred income tax assets are recognised for all deductible temporary differences and carry-forward of unused tax assets and unused tax losses, if any, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax assets and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Directors' remuneration

The Company follows the Commercial Companies Law 1974 (as amended), and other latest relevant directives issued by Capital Market Authority, in regard to determination of the amount to be paid as Directors' remuneration. Directors' remuneration is charged to profit or loss in the year to which they relate.

Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements only in the period in which the dividends are approved by the Company's shareholders.

Foreign currency transactions

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date. All differences are recognised in profit or loss.

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any impairment in value. Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Capital work-in-progress is not depreciated. The estimated useful lives are as follows:

Mobile/fixed exchange and network equipment	5 – 15 years
Subscriber apparatus and other equipment	2 – 10 years
Building	10 years

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of property, plant and equipment. All other expenditure is recognised in profit or loss as the expense is incurred.

When each major inspection is performed, its cost is recognised in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognising of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in profit or loss in the period the asset is derecognised.

The assets' residual values, useful lives and methods are reviewed, and adjusted prospectively, if appropriate, at each financial year end.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the statement of income in the period in which the expenditure is incurred.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

A summary of the useful lives and amortisation methods of the Company's intangible assets are as follows:

	Mobile licence costs	Fixed licence costs
Useful lives	Finite (15 years)	Finite (25 years)
Amortisation method used	Amortised on a straight line basis over the periods of availability.	Amortised on a straight line basis over the periods of availability.
Internally generated or acquired	Acquired	Acquired

Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The cost of inventory is based on the weighted average principle and includes expenditure incurred in acquiring inventories and bringing them to their existing location and condition. Provision is made for obsolete, slow-moving and defective inventories, where appropriate.

Employees' benefits

End of service benefits

End of service benefits are accrued in accordance with the terms of employment of the Company for employees at the reporting date, having regard to the requirements of the Oman Labour Law. Employee entitlements to annual leave are recognised when they accrue to employees and an accrual is made for the estimated liability for annual leave as a result of services up to the reporting date.

Defined contribution plan

Contributions to a defined contribution retirement plan for Omani employees in accordance with the Omani Social Insurance Scheme are recognised in profit or loss as incurred.

Provisions

General

A provision is recognised in the statement of financial position when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate of the amount thereof can be made. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Site restoration provision

The provision for site restoration costs arose on construction of the networking sites. A corresponding asset is recognised in property, plant and equipment. Site restoration costs are provided at the present value of expected costs to settle the obligation using estimated cash flows. The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the site restoration liability. The unwinding of the discount is expensed as incurred and recognised in the profit or loss as a finance cost. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the asset.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases

Finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised in profit or loss on a straight-line basis over the lease term.

Royalty

Royalty is payable to the Telecommunication Regulatory Authority of the Sultanate of Oman on an accrual basis.

Financial instruments

Trade and other receivables

Trade and other receivables are initially recognised at cost and subsequently measured at amortised cost, using the effective interest method. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when there is no possibility of recovery.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash in hand, bank balances, and short-term deposits with an original maturity of three months or less, net of outstanding bank overdrafts.

Interest-bearing borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense of the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial instrument to the net carrying amount of the financial liability. Instalments due within one year at amortised cost are shown as a current liability.

Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process. Interest costs are recognised as an expense when incurred except those that qualify for capitalisation.

Accounts payable and accruals

Trade payables are initially measured at their fair value at the time of transaction and subsequently measured at amortised cost, using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial instrument to the net carrying amount of the financial liability. Liabilities are recognised for amounts to be paid for goods and services received, whether or not billed to the Company.

Derivative financial instruments

The Company makes use of derivative instruments to manage exposures to interest rate, including exposures arising from forecast transactions. In order to manage interest rate risks, the Company applies hedge accounting for transactions which meet the specified criteria.

At inception of the hedge relationship, the Company formally documents the relationship between the hedged item and the hedging instrument, including the nature of the risk, the objective and strategy for undertaking the hedge, and the method that will be used to assess the effectiveness of the hedging relationship.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)**Derivative financial instruments** (Continued)

Also at the inception of the hedge relationship, a formal assessment is undertaken to ensure that the hedging instrument is expected to be highly effective in offsetting the designated risk in the hedged item. A hedge is regarded as highly effective if the changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated are expected to offset in a range of 80% to 125%. For situations where that hedged item is a forecast transaction, the Company assesses whether the transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect the profit or loss.

Cash flow hedges

For designated and qualifying cash flow hedges, the effective portion of the gain or loss on the hedging instrument is initially recognised directly in the statement of comprehensive income in the cash flow hedge reserve. The ineffective portion of the gain or loss on the hedging instrument is recognised immediately in profit or loss.

When the hedged cash flow affects the profit or loss, the gain or loss on the hedging instrument is 'recycled' in the corresponding income or expense line of the statement of comprehensive income. When a hedging instrument expires, or is sold, terminated, exercised, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss previously recognised in other comprehensive income remains in equity until the forecasted transaction or firm commitment affects profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss recorded in equity is recognised in profit or loss.

The fair value of unquoted derivatives is determined by the discounted cash flows method.

Derecognition of financial assets and financial liabilities*Financial assets:*

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired; or
- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and
- Either (a) the Company has transferred substantially all the risks and rewards of the asset, or
(b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Financial liabilities:

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

Significant accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are set out in note 25.

4 REVENUE

	2012 OMR '000	2011 OMR '000
Traffic	170,442	171,683
One time and recurring charges	1,531	1,927
Interconnection revenue	24,108	26,490
Inbound roaming	5,360	4,724
	201,441	204,824
Less: Distributor discounts	(7,941)	(7,959)
	193,500	196,865

5 OPERATING EXPENSES

	2012 OMR '000	2011 OMR '000
Interconnection charges, net of volume rebate	29,903	25,128
Cost of equipment sold and other services	3,796	4,656
Repairs and maintenance	13,125	11,805
Lease lines and frequency fee	8,254	9,501
Rental and utilities	4,979	3,759
Allowance for inventory obsolescence	77	(3)
	60,134	54,846

6 GENERAL AND ADMINISTRATIVE EXPENSES

	2012 OMR '000	2011 OMR '000
Employees' salaries and associated costs	22,424	23,192
Service fees (note 21)	5,822	5,889
Sales and marketing	4,193	3,958
Legal and professional charges	1,968	2,093
Allowance for impairment losses on trade receivables (note 12)	1,720	2,072
Commission on cards	221	217
Rental and utilities	3,280	2,710
Others	4,628	4,330
	44,256	44,461

7 FINANCING COSTS (NET)

	2012 OMR '000	2011 OMR '000
Interest on term loan	1,554	2,992
Site restoration – unwinding of discount (note 18)	100	204
Interest income on deposits	(326)	(77)
Other interest	23	82
	1,351	3,201

8 INCOME TAX

	2012 OMR '000	2011 OMR '000
Statement of income		
Current year	4,594	6,210
Deferred tax relating to origination and reversal of temporary differences	569	267
	5,163	6,477
Current liability		
Current year	4,594	6,210
Prior year	207	173
	4,801	6,383
Deferred tax liability		
Beginning of the year	(616)	(153)
Movement for the year through profit or loss	(569)	(267)
Movement for the year through statement of other comprehensive income	(39)	(196)
At the end of the year	(1,224)	(616)

8 INCOME TAX (Continued)

The deferred tax asset/(liability) comprises the following types of temporary differences:

	2012 OMR '000	2011 OMR '000
Property, plant and equipment	(1,851)	(1,489)
Provisions	626	833
	(1,225)	(656)
Net unrealised gains on cash flow hedges	1	40
	(1,224)	(616)

Set out below is a reconciliation between income tax calculated on accounting profits with income tax expense for the year:

	2012 OMR '000	2011 OMR '000
Profit before tax	42,139	53,989
Tax at applicable rate	5,053	6,475
Non-deductible expenses and other permanent differences	(459)	(265)
Deferred tax relating to origination and reversal of temporary differences	569	267
	5,163	6,477

The tax rate applicable to the Company is 12% (2011: 12%). Deferred tax asset/liability is recorded at 12% (2011: 12%). 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 2006 have been completed. Management is of the opinion that additional taxes, if any, that may be assessed on completion of the assessments for the open tax years would not be significant to the Company's financial position at 31 December 2012.

9 BASIC AND DILUTED EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the profit for the year by the weighted average number of shares outstanding during the year as follows:

	2012	2011
Profit for the year (OMR'000)	36,976	47,512
Weighted average number of shares outstanding for the year (number in thousand)	650,944	650,944
Basic earning per share (OMR)	0.057	0.073

9 BASIC AND DILUTED EARNINGS PER SHARE (Continued)

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.

Net assets per share is calculated by dividing the equity attributable to the shareholders of the Company at the reporting date by the number of shares outstanding.

	2012	2011
Net assets (OMR'000)	180,049	167,519
Number of shares outstanding at the reporting date (number in thousands)	650,944	650,944
Net assets per share (OMR)	0.277	0.257

10 PROPERTY, PLANT AND EQUIPMENT

	Mobile/fixed exchange and network equipment OMR '000	Subscriber apparatus and other equipment OMR '000	Buildings OMR '000	Capital work in progress OMR '000	Total OMR '000
Cost					
1 January 2012	225,464	27,754	1,459	22,763	277,440
Additions	33,880	2,760	1,073	23,742	61,455
Capitalised during the year	10,350	1,551	3,320	(15,221)	-
Disposals	(776)	(14)	-	-	(790)
31 December 2012	268,918	32,051	5,852	31,284	338,105
Depreciation					
1 January 2012	74,033	21,109	160	-	95,302
Charge for the year	25,120	3,582	367	-	29,069
Disposals	(388)	(14)	-	-	(402)
31 December 2012	98,765	24,677	527	-	123,969
Net book value					
31 December 2012	170,153	7,374	5,325	31,284	214,136

10 PROPERTY, PLANT AND EQUIPMENT (Continued)

	Mobile/fixed exchange and network equipment OMR '000	Subscriber apparatus and other equipment OMR '000	Buildings OMR '000	Capital work in progress OMR '000	Total OMR '000
Cost					
1 January 2011	175,293	24,762	363	36,181	236,599
Additions	15,054	2,835	662	22,312	40,863
Capitalised during the year	35,117	179	434	(35,730)	-
Disposals	-	(22)	-	-	(22)
31 December 2011	225,464	27,754	1,459	22,763	277,440
Depreciation					
1 January 2011	52,544	18,368	66	-	70,978
Charge for the year	21,489	2,763	94	-	24,346
Disposals	-	(22)	-	-	(22)
31 December 2011	74,033	21,109	160	-	95,302
Net book value					
31 December 2011	151,431	6,645	1,299	22,763	182,138

Addition for the year ended 31 December 2012 is net of reversal of provision for site restoration of OMR 1,487,000 (year ended 31 December 2011 includes provision for site restoration cost of OMR 207,000) (note 18). This has been adjusted in the cash outflow on purchase of property plant and equipment in the statement of cash flows.

11 LICENCE FEE

	Mobile licence OMR '000	Fixed line licence OMR '000	Total OMR '000
Cost			
Balance at 1 January 2012	42,331	21,403	63,734
Additions during the year	350	-	350
Balance at December 2012	42,681	21,403	64,084
Amortisation			
Balance at 1 January 2012	19,165	2,144	21,309
Amortisation during the year	2,844	856	3,700
Balance at 31 December 2012	22,009	3,000	25,009
Net book value			
At 31 December 2012	20,672	18,403	39,075

11 LICENCE FEE (Continued)

	Mobile licence OMR '000	Fixed line licence OMR '000	Total OMR '000
Cost			
Balance at 1 January 2011	42,331	21,403	63,734
Additions during the year	-	-	-
Balance at December 2011	42,331	21,403	63,734
Amortisation			
Balance at 1 January 2011	16,327	1,288	17,615
Amortisation during the year	2,838	856	3,694
Balance at 31 December 2011	19,165	2,144	21,309
Net book value			
At 31 December 2011	23,166	19,259	42,425

Licence fee represents the amount paid to the Telecommunication Regulatory Authority of the Sultanate of Oman for obtaining the licence to operate as fixed and mobile telecommunication service provider. Licence fee is stated at cost less accumulated amortisation and impairment losses.

In accordance with the terms of mobile and fixed line licences granted to the Company, a royalty is payable to the Government of the Sultanate of Oman. The royalty payable is calculated based on 7% of the net of predefined sources of revenue and interconnection expenses to local operators.

12 RECEIVABLES AND PREPAYMENTS

	2012 OMR '000	2011 OMR '000
Post paid receivable	3,880	4,325
Amount due from distributors	9,406	10,073
Receivable from other operators	5,754	5,718
Unbilled receivables	4,047	4,268
	23,087	24,384
Less: allowance for impaired receivables	(2,836)	(2,907)
	20,251	21,477
Prepaid expenses and other receivables	9,436	7,710
Deferred cost	368	515
	30,055	29,702

12 RECEIVABLES AND PREPAYMENTS (Continued)

As at 31 December 2012, trade receivables at nominal value of OMR 2,836,067 (2011: OMR 2,907,348) were impaired. Movements in allowance for impairment of receivables were as follows:

	2012 OMR '000	2011 OMR '000
At 1 January	2,907	1,698
Charge for the year (note 6)	1,720	2,072
Written off during the year	(1,791)	(863)
	2,836	2,907

As at 31 December, the ageing of unimpaired trade receivables is as follows:

	Total OMR '000	Neither past due nor impaired OMR '000	Past due but not impaired		
			30-60 days OMR '000	60-90 days OMR '000	Over 90 days OMR '000
2012	20,251	17,348	471	255	2,177
2011	21,477	18,152	780	755	1,790

Unimpaired receivables are expected, on the basis of past experience, to be substantially recoverable. It is not the practice of the Company to obtain collateral over receivables, and virtually all are therefore unsecured. However, sales made to distributors are backed with their corporate/ bank guarantees and certain post paid customers' balances are secured by deposits.

13 BANK BALANCES AND CASH

Included in bank balances and cash are bank deposits of OMR 554,704 (31 December 2011: OMR 2,003,304) with certain commercial banks in Oman.

The Company is required to maintain certain service deposit balances to comply with the requirements of its term loan agreement. As of 31 December 2012, the balances in these service deposit accounts amounted to OMR 569 (31 December 2011: OMR 15,236,157) and these are denominated in USD.

14 SHARE CAPITAL AND DIVIDENDS

	Authorised		Issued and fully paid	
	2012 OMR '000	2011 OMR '000	2012 OMR '000	2011 OMR '000
Ordinary shares	70,000	70,000	65,094	65,094

Major shareholders

Details of shareholders who hold 10% or more of the Company's shares are as follows:

	2012		2011	
	Number of shares	%	Number of shares	%
TDC-Qtel Mena Investcom BSC	358,019,310	55	358,019,310	55

14 SHARE CAPITAL AND DIVIDENDS (Continued)

Dividends

The Company's shareholders at the annual general meeting held on 26 March 2012 approved a payment of baisa 38 per share as dividend for the financial year ended 31 December 2011 and this was paid in April 2012.

The Directors have proposed a dividend of baisa 38 per share for year ended 31 December 2012, amounting to OMR 24,735,881. This is subject to approval of the Company's shareholders at the Annual General Meeting to be held in March 2013.

15 STATUTORY RESERVE

Article 106 of the Commercial Companies Law of 1974 requires that 10% of the Company's profit for the year be transferred to a non-distributable statutory reserve until the amount of statutory reserve becomes equal to one third of the Company's issued share capital. This reserve is not available for distribution.

16 DERIVATIVE FINANCIAL INSTRUMENTS

In 2006, the Company entered into two interest rate swap arrangements with Qatar National Bank and BNP Paribas to cap its exposure to fluctuating interest rates on its term loan. The loan amount covered under the swap agreement has been fully paid and the swap arrangement expired in March 2012. Under the swap agreements, the Company was committed to pay a fixed interest rate of 5.348% per annum and receive a floating interest rate based on 3 month US \$ LIBOR.

During 2012, the Company entered into two interest rate swap arrangements with Qatar National Bank to mitigate the risk of the fluctuating interest rates on its term loan (note 17). The key terms of the arrangements are as below:

SN	Notional Amount	Effective Date	Termination Date	Pay Fixed	Receive Floating
1	USD 10,000,000	27 Dec 2012	29 Dec 2014	0.335%	1 month USD LIBOR
2	USD 12,000,000	27 Dec 2012	29 Dec 2016	0.555%	1 month USD LIBOR

The swap arrangement qualifies for hedge accounting under IAS 39, and as at 31 December 2012, the unrealised loss of OMR 8,000 relating to measuring the financial instruments at fair value is included in equity in respect of these contracts (31 December 2011: OMR 336,682).

The table below shows the negative fair value of the swaps, which is equivalent to the market values, together with the notional amounts analysed by the term to maturity.

	Negative fair value OMR '000	Notional amount total OMR '000	Notional amount by term to maturity		
			1 - 12 months OMR '000	More than 1 up to 5 years OMR '000	Over 5 years OMR '000
31 December 2012					
Interest rate swaps	8*	8,472	-	8,472	-
31 December 2011					
Interest rate swaps	337*	27,727	27,727	-	-

*Negative fair value shown under equity in the statement of financial position is net of deferred tax of OMR 874 (2011: OMR 40,402).

17 INTEREST BEARING BORROWINGS

	2012 OMR '000	2011 OMR '000
Total interest bearing borrowings	28,479	55,166
Less: deferred financing costs	(839)	(11)
	27,640	55,155
Less: current portion of term loan	(6,701)	(33,215)
Non-current portion	20,939	21,940

The Company entered into a new syndicated loan facility agreement in February 2012 by repaying its original facility of USD 143 million fully. The new facility consist of a long-term five year amortising loan facility of USD 87 million (OMR 33.5 million) and a 5 year Revolving Credit Facility of OMR 24 million.

The banking syndicate included international and national banks.

The term loan of USD 87 million is repayable in twenty quarterly instalments commencing from May 2012.

Both facilities bear interest at US LIBOR plus margin.

The loan agreement contains two financial covenants, being a maximum leverage ratio and a minimum interest cover ratio.

18 SITE RESTORATION PROVISION

Site restoration provision as of the reporting date amounted to OMR 2,255,645 (31 December 2011: OMR 3,642,583). The Company is committed to restore each site as it is vacated. A movement schedule is set out below:

	2012 OMR '000	2011 OMR '000
Balance at 1 January	3,643	3,232
(Reduction) / additional provision during the year	(1,487)	207
Unwinding of discount (note 7)	100	204
Balance at the end of the year	2,256	3,643

19 EMPLOYEE BENEFITS

	2012 OMR '000	2011 OMR '000
Non-current		
Employees' end of service benefits	926	783
Current		
IPO incentive – Shadow shares	72	1,355

19 EMPLOYEE BENEFITS (Continued)

The Company has granted to its employees a certain number of shadow (virtual) shares as per the announcement made during its IPO and these are to be settled in cash. The cost of the shadow shares is measured initially at the fair value at the grant date with reference to the market price of the Company's shares. The fair value is expensed immediately. On 1st July 2011 the Company entered into a hedge agreement to reduce its risk of share fluctuation, and any gain or loss from re-measuring the hedge instrument at fair value is expensed immediately. The liability is re-measured to fair value at each reporting date up to and including the settlement date, with changes in fair value recognised in profit or loss. During the year the obligation under the shadow shares scheme relating to the employee retention programme were settled, based on the market value in March 2012.

20 PAYABLES AND ACCRUALS

	2012 OMR '000	2011 OMR '000
Trade accounts payable	26,457	13,431
Accrued expenses – operating expenses	22,078	21,897
Accrued expenses – capital expenses	28,618	17,421
Amounts due to related parties (note 21)	2,100	1,800
Deposits from customers	225	328
	79,478	54,877

21 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:

	2012		2011	
	Other related parties OMR '000	Directors and key management OMR '000	Other related parties OMR '000	Directors and key management OMR '000
Directors' and key management remuneration	-	1,977	-	1,418
Service fee (note 6)	5,822	-	5,889	-
Other expenses	1,004	-	1,297	-
	6,826	1,977	7,186	1,418

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 3% of the Company's gross revenue.

21 RELATED PARTY TRANSACTIONS (Continued)

Trade payable balances with related parties included in the statement of financial position are as follows:

	2012 OMR '000	2011 OMR '000
Major shareholders	18	47
Other related parties	2,082	1,753
	2,100	1,800

Compensation of key management personnel

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

	2012 OMR '000	2011 OMR '000
Salaries / remuneration and benefits	1,727	1,177
Director's remuneration	200	200
Employees' end of service benefits	50	41
	1,977	1,418

The majority of the increase is attributable to long-term incentive obligations for senior management (2011: Nil). The balance of the increase is attributable to the addition of new senior management in Q4 2011.

22 EXPENDITURE COMMITMENTS

	2012 OMR '000	2011 OMR '000
Capital expenditure commitments		
Estimated capital expenditure contracted for at the reporting date but not provided for:		
Property, plant and equipment	24,612	10,541
Operating lease commitments		
Future minimum lease payments:		
Within one year	5,958	10,764
After one year but not more than five years	12,390	13,235
More than five years	10,317	12,974
Total operating lease expenditure contracted for at the reporting date	28,665	36,973

23 CONTINGENT LIABILITIES

Guarantees

At 31 December 2012, the Company had contingent liabilities in respect of a performance bond guarantee of OMR 6.6 million (2011: OMR 6.6 million) in the ordinary course of business from which no material liabilities are expected to arise.

Claims

The Company has resolved the claim with the Telecommunication Regulatory Authority (TRA) regarding the calculation of certain fees payable by the Company under its mobile and fixed licences.

24 RISK MANAGEMENT

The Company's principal financial liabilities, other than derivatives, comprise bank loans, and payables and accruals. The main purpose of these financial instruments is to raise finance for the Company's operations. The Company has various financial assets such as trade receivables and cash and short-term deposits, which arise directly from its operations. The Company also enters into derivative transactions, primarily interest rate swaps. The purpose is to manage the interest rate risks arising from the Company's operations and its sources of finance.

The main risks arising from the Company's financial instruments are cash flow interest rate risk, liquidity risk, foreign currency risk and credit risk. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below:

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to its long-term debt obligations with floating interest rates. The Company's bank deposits carry fixed rates of interest and therefore are not exposed to interest rate risk.

The Company manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings. To manage this, the Company enters into interest rate swaps, in which the Company agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed upon notional principal amount.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company trades only with recognised, creditworthy dealers and operators. Its three largest dealers' balances account for 45% of outstanding unimpaired trade receivable at 31 December 2012 (2011: 47%). The Company obtains bank/corporate guarantees from its dealers in order to mitigate its credit risk. It is the Company's policy that certain credit verification is performed for all of the Company's post paid subscribers. In addition, receivable balances are monitored on an ongoing basis.

With respect to credit risk arising from the other financial assets of the Company, including cash and cash equivalents, the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

The Company's credit risk with regard to bank deposits is limited as the majority of funds are placed with a bank that has a Moody's short-term deposit rating of Prime-1.

Currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's payable and accruals include amounts payable in US Dollars. As of the reporting date this USD denominated payable amount was approximately 47% (31 December 2011: 44%) of the Company's total payables and accruals. The Company's long-term borrowings and certain bank deposits amounting to OMR 28,478,145 and OMR 1,523,743 respectively are denominated in US Dollars. The Omani Rial is pegged to the US Dollar. There are no other significant financial instruments in foreign currency other than US Dollars and consequently foreign currency risk is mitigated.

24 RISK MANAGEMENT (Continued)**Liquidity risk**

The Company limits its liquidity risk by ensuring bank facilities are available. The Company's terms of sales require amounts to be paid within 30 days of the date of sale. A major portion of the Company's sale is generated through sale of prepaid cards.

The table below summarises the maturities of the Company's undiscounted financial liabilities, based on contractual payment dates and current market interest rates.

As at 31 December 2012	Less than 3 months OMR '000	3 to 12 months OMR '000	1 to 5 years OMR '000	> 5 years OMR '000	Total OMR '000
Interest bearing borrowings	1,675	5,026	21,778	-	28,479
Payables and accruals	77,153	225	-	-	77,378
Due to related parties	2,100	-	-	-	2,100
Interest on term loan	161	425	859	-	1,445
Total	81,089	5,676	22,637	-	109,402

As at 31 December 2011	Less than 3 months OMR '000	3 to 12 months OMR '000	1 to 5 years OMR '000	> 5 years OMR '000	Total OMR '000
Interest bearing borrowings	30,471	2,744	21,951	-	55,166
Payables and accruals	52,749	328	-	-	53,077
Due to related parties	1,800	-	-	-	1,800
Interest on term loan	1,829	125	997	-	2,951
Total	86,849	3,197	22,948	-	112,994

Operational risk

Operational risk is the risk of loss arising from inadequate or failed internal processes, human error, systems failure or from external events. The Company has a set of policies and procedures, which are approved by the Board of Directors and are applied to identify, assess and supervise operational risk. The management ensures compliance with policies and procedures and monitors operational risk as part of overall risk management. Internal audit function is also utilised by the Company in mitigating this risk.

Capital management

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the year ended 31 December 2012 and year ended 31 December 2011. Capital comprises share capital and retained earnings, and is measured at OMR 159,678,000 as at 31 December 2012 (31 December 2011: OMR 151,136,000).

25 KEY SOURCES OF ESTIMATION UNCERTAINTY

Deferred tax assets

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the asset can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are included in note 8.

Impairment of accounts receivable

An estimate of the collectible amount of trade accounts receivable is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and an allowance applied according to the length of time past due, based on historical recovery rates.

At the reporting date, gross trade accounts receivable were OMR 23,087,000 (2011: OMR 24,384,000) and the provision for doubtful debts is OMR 2,836,000 (2011: OMR 2,907,000). Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the profit or loss. The related details are set out in note 12.

Provision for site restoration

The Company has recognised a provision for site restoration associated with the sites leased by the Company. In determining the amount of the provision, assumptions and estimates are required in relation to discount rates and the expected cost to dismantle and remove equipment from the site and restore the land to its original condition. The carrying amount of the provision as at 31 December 2012 is OMR 2,256,000 (31 December 2011 – OMR 3,643,000). The related details are set out in note 18.

In order to reflect current market conditions affecting the site restoration costs, a review of the estimates was carried out during the year by the management including inflation rate, interest rate, number of sites and costs per site, and as a result a decrease in provision was made.

Impairment of inventories

Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on historical selling prices.

At the reporting date goods for resale were OMR 1,466,915 (31 December 2011: OMR 1,035,000) and the allowance for obsolete inventory amounted to OMR 442,159 (2011: OMR 365,000). Any difference between the amounts actually realised in future periods and the amounts expected will be recognised in the profit or loss.

Impairment of non-financial assets

The Company assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. These assets are also tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Depreciation

Depreciation is charged so as to write off the cost of assets over their estimated useful lives. The calculation of useful lives is based on management's assessment of various factors such as the operating cycles, maintenance programmes, and normal wear and tear using best estimates.

Going concern

The Company's management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

26 SEGMENT INFORMATION

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

For management purposes, the Company is organised into business units based on their product and services and has two reportable operating segments as follows:

1. Operation of Global System for Mobile Communication (GSM) for prepaid and post paid services, sale of telecommunication equipment and other associated services.
2. Provision of international and national voice and data services from fixed line, sale of telecommunication equipment and other associated services.

Management monitors the operating results of its business for the purpose of making decisions about resource allocation and performance assessment.

Transfer prices between operating segments are on an arm's-length basis in a manner similar to transactions with third parties.

Segment revenue and results

A segment result represents the profit earned by each segment without allocation of finance income or finance cost.

The Company commenced its fixed line services in May 2010 and its operations are mainly confined to the Sultanate of Oman.

Segmental results for the year ended 31 December 2012 are as follows:

	Mobile OMR '000	Fixed line OMR '000	Adjustments OMR '000	Total OMR '000
Revenue				
External sales	177,336	16,164	-	193,500
Inter-segment sales	3,364	23,809	(27,173)	-
Total revenue	180,700	39,973	(27,173)	193,500
Results				
Depreciation	23,038	6,031	-	29,069
Amortisation	2,844	856	-	3,700
Segment results – Profit	42,340	1,150	-	43,490
Finance expense				(1,351)
Profit before taxation				42,139
Taxation				(5,163)
Profit for the year				36,976

26 SEGMENT INFORMATION (Continued)

Segment revenue and results (Continued)

Segmental results for the year ended 31 December 2011 are as follows:

	Mobile OMR '000	Fixed line OMR '000	Adjustments OMR '000	Total OMR '000
Revenue				
External sales	185,440	11,425	-	196,865
Inter-segment sales	2,847	21,589	(24,436)	-
Total revenue	188,287	33,014	(24,436)	196,865
Results				
Depreciation	19,702	4,644	-	24,346
Amortisation	2,838	856	-	3,694
Segment results – Profit	54,689	2,501	-	57,190
Finance expense				(3,201)
Profit before taxation				53,989
Taxation				(6,477)
Profit for the year				47,512

Capital expenditure incurred for different segments is as follows:

	2012 OMR '000	2011 OMR '000
Property, plant and equipment		
- Mobile	56,605	29,183
- Fixed	4,850	11,680
	61,455	40,863

27 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.

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.

27 FAIR VALUES OF FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy

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

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques that use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

As at 31 December 2012, the Company held interest rate swap derivatives instruments measured at fair value. 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.

	Level 1 OMR '000	Level 2 OMR '000	Level 3 OMR '000	Total OMR '000
2012				
Interest rate swap	-	8	-	8

	Level 1 OMR '000	Level 2 OMR '000	Level 3 OMR '000	Total OMR '000
2011				
Interest rate swap	-	337	-	337

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

28 COMPARATIVE AMOUNTS

The following corresponding figures for 2011 have been reclassified in order to conform with the presentation for the current period:

Statement of income	2011 Previously reported OMR '000	2011 Currently reported OMR '000	
Operating expenses	(29,578)	(54,846)	Reclassification of repairs and maintenance, lease lines and frequency fee, and rental and utilities-network from general and administrative expense
General and administrative expenses	(69,739)	(44,461)	Reclassification of repairs and maintenance, lease lines and frequency fee, and rental and utilities-network to operating expense.
Other income	424	337	Reclassification of currency exchange loss/gain to other income
Financing costs	(3,278)	(3,201)	Reclassification of interest income to financing costs. Reclassification of currency exchange loss/gain from general and administrative expense.
	(102,171)	(102,171)	Reclassification of interest income from other income.

These reclassifications have been made to improve the quality of information presented. The reclassifications do not affect the reported profit for the year 2011 and hence have no impact on the statement of financial position. Accordingly, the statement of financial position for 2010 has not been presented.

29 EVENTS AFTER REPORTING PERIOD

In early 2013, the Company signed a new term loan agreement worth USD 234 million (OMR 90 million) for capital expenditure and working capital requirements with a consortium of banks. The loans consists of a term loan worth USD 182 million (OMR 70 million) with a five-year tenure and a revolving credit facility of USD 52 million (OMR 20 million) with a three year tenure.