1 LEGAL INFORMATION AND ACTIVITIES

Oman 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. The Company’s principal place of business is located at Al Mawaleh, Muscat, Sultanate of Oman.

The principal activities of the Company are the establishment, operation, maintenance and development of telecommunication services in the Sultanate of Oman.

The principal activities of the subsidiaries and associated companies of the Group, are set out below.

Name	Place of incorporation	Principal activities		Shareholding directly held by parent (%)	Shareholding directly held by the group (%)
Worldcall Telecom Limited	Pakistan	Engaged in the provision of Wireless Local Loop, Long Distance International Services (LDI), Payphones and cable television services	Subsidiary	56.8	56.8
Wordcall Telecommunications Lanka (Private Ltd.)	Sri Lanka	Engaged in the operations and maintenance of pay phone network	Subsidiary	-	70.65
Oman Data Park LLC	Sultanate of Oman	Engaged in the provision of data services	Subsidiary	60	60
Omania e-commerce LLC	Sultanate of Oman	Engaged in the provision of e-commerce services	Subsidiary	-	100
Omantel France SAS	France	Engaged in provision of wholesale services	Subsidiary	100	100
Oman Fiber Optic Company SAOG	Sultanate of Oman	Engaged in the manufacture and design of optical fibre and cables	Associate	40.96	40.96
Infoline LLC	Sultanate of Oman	Engaged in the provision of IT enablec services	Associate	45	45

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these interim consolidated financial statements are set out below. These policies have been consistently applied to the periods presented, unless otherwise stated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation

(a) Statement of Compliance and Basis of measurement

The interim consolidated financial statements are prepared on the historical cost basis except as disclosed in the accounting policies below. The interim consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") and the disclosure requirements set out in the Rules for Disclosure and Proformas issued by the Capital Market Authority and comply with the requirements of the Commercial Companies Law of 1974, as amended. The accounting policies used in the preparation of the interim consolidated financial statements ("the financial statements") are consistent with those used in the preparation of the annual financial statements for the year ended 31 December 2013.

(b) Use of estimates and judgements

The preparation of interim consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires Management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the interim consolidated financial statements are disclosed in Note 4.

(c) Adoption of new and revised IFRS

For the period ended 30 September 2014, the Group has adopted all of 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 periods beginning on 1 January 2014.

The adoption of those standards and interpretations has not resulted in significant changes to the Group's accounting policies and has not affected the amounts reported for the current and prior periods.

Standards issued but not yet effective
A number of relevant new standards, amendments to standards and interpretations are not yet effective for the period ended 30 September 2014, and have not been applied in preparing these interim consolidated financial statements. None of these are expected to have a material effect on the interim consolidated financial statements of the Group, except for IFRS 9 Financial Instruments, which becomes mandatory for the Group's 2018 consolidated financial statements and could change the classification and measurement of financial assets. The Group does not plan to adopt this standard early and the extent of the impact has not been determined.

2.2 Basis of Consolidation

2.2.1 Subsidiary companies

The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at 30 September 2014. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Basis of Consolidation (continued)

2.2.1 Subsidiary companies (continued)

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee.
- Rights arising from other contractual arrangements.
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of subsidiaries begins when the Group obtains control over the subsidiaries and ceases when the Group loses control of the subsidiaries. Assets, liabilities, income and expenses of subsidiaries acquired or disposed of during the year are included in the statement of income from the date the Group gains control until the date the Group ceases to control the subsidiaries.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of subsidiaries, without a loss of control, is accounted for as an equity transaction. If the Group loses control over subsidiaries, it:

- derecognises the assets (including goodwill) and liabilities of the subsidiaries
- derecognises the carrying amount of any non-controlling interests
- derecognises the cumulative translation differences recorded in equity
- recognises the fair value of the consideration received
- recognises the fair value of any investment retained
- recognises any surplus or deficit in profit or loss
- reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities

2.2.2 Common control transactions

Common control transactions involving the acquisition of a subsidiary are accounted by using the book value method of accounting. Identifiable assets acquired and liabilities and reserves assumed are measured at their pre-acquisition values prevailing at the acquisition date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Basis of Consolidation (continued)

2.2.3 Transactions with non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

2.2.4 Associated companies

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating decisions of the investee but is not control or joint control over these policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of another entity. Investments in associates are initially recognised at cost and subsequently accounted for using the equity method of accounting in the Group’s financial statements.

The Group’s share of its associates’ post-acquisition profits or losses is recognised in the statement of income, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. The Group’s investment in associates includes goodwill identified on acquisition which is included within the carrying amount of the investment and is assessed for impairment as part of that investment.

When the Group’s share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group’s interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

2.2.5 Goodwill

Goodwill arising on the acquisition of a subsidiary represents the excess of the cost of acquisition over the Group’s interest in the net fair value of the identifiable assets and liabilities of the subsidiary recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Basis of Consolidation (continued)

2.2.5 Goodwill (continued)

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

The Group's policy for goodwill arising on the acquisition of an associate is described at 2.2.4 above.

2.3 Segment reporting

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses including revenues and expenses relating to transactions with other components of the same entity, whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. The accounting policies of the reportable segments are the same as the Group's accounting policies described under Note 2. Identification of segments and reporting are disclosed in Note 6.

2.4 Service revenue

Revenue comprises fixed telephone, Global System for Mobile Communication (GSM), internet, telex and telegram revenue, equipment rentals and amounts derived from the sale of telecommunication equipment and other associated services falling within the Group's ordinary activities. Revenue from fixed lines, GSM and internet services is recognised when the services are provided, and is net of discounts and rebates allowed.

Revenue from rentals and installations is based on a time proportion basis and on actual installation of telecommunication equipment, respectively.

Sales of payphone and prepaid cards are recognised as revenue based on the actual utilisation of the payphone and prepaid cards sold.

Sales relating to unutilised payphone and prepaid cards are accounted for as deferred income. Interconnection income and expenses are recognised when services are performed. Subscription revenue from Cable TV, Internet over cable and channels subscription is recognised on provision of services.

Incentives are provided to customers in various forms and are usually offered on signing a new contract or as part of a promotional offering. Where such incentives are provided on connection of a new customer or the upgrade of an existing customer, revenue representing the fair value of the incentive, relative to other deliverables provided to the customer as part of the same arrangement, is deferred and recognised in line with the Group's performance of its obligations relating to the incentive.

In revenue arrangements including more than one deliverable, the arrangement consideration is allocated to each deliverable based on the fair value of the individual element. The Group generally determines the fair value of individual elements based on prices at which the deliverable is regularly sold on a standalone basis.

2.5 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5 Leases (continued)

The Group as lessor

Revenue from granting of IRU on submarine cables classified as a finance lease is recognised at the time of delivery and acceptance by the customer. The cost of IRU is recognised at the amount of the Group's net investment in leases. Amounts due from lessees under other finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Revenues from the sale of transmission capacity on terrestrial and submarine cables are recognised on a straight-line basis over the life of the contract.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

The Group as lessee

Rentals payable under operating leases are charged to the statement of income on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

2.6 Finance income / costs

Net finance income comprises interest income on funds invested, dividend income, foreign exchange gains and losses, unrealised gains and losses arising from fair value adjustments of investments at fair value through profit or loss and held for trading less interest costs on borrowings.

Interest income and expense are recognised using the EIR.

Dividend income is accounted for when the right to receive is established.

2.7 Factoring, collection and distribution fees

Factoring, collection and distribution fees comprise fees payable to factoring and collection agents and agents that sell prepaid cards. Fees payable to factoring agents are accounted for at the time of the assignment of receivables. Fees payable to collection agents are accounted for at the time of collection of the bills. Fees payable to selling agents are accounted for at the time of the sale of cards to the agents.

2.8 Foreign currency

(a) Foreign currency transactions

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the interim consolidated financial statements, the results and financial position of each Group entity are expressed in Rials Omani (RO) which is the functional currency of the Parent Company and the presentation currency for the interim consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the reporting date. Non-monetary items carried at fair value that are denominated in foreign currency are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in the statement of income in the period in which they arise.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Foreign currency (continued)

(b) Foreign operations

For the purpose of presenting interim consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in Rials Omani (RO) using exchange rates prevailing at the reporting date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during the period, in which case exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as a separate component of equity and recognised in the Group's foreign currency translation reserve. Such exchange differences are recognised in the statement of income in the period in which a foreign operation is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

2.9 Property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and identified impairment losses, if any. Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately, including major inspection and overhaul expenditure, is capitalised. Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the item of property, plant and equipment and can be measured reliably. All other expenditure is recognised in the statement of income as an expense as incurred.

The cost of property, plant and equipment is written off in equal instalments over the expected useful lives of the assets. The estimated useful lives are:

	Years
Buildings	3- 20
Cables and transmission equipment	3- 30
Telephone exchanges, power equipment and related software	2 - 20
Telephone, telex and related equipment	1 - 5
Satellite communication equipment	5- 14
Furniture and office equipment	3 - 5
Motor vehicles and equipment	3 - 5

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at each reporting date.

Freehold land is not depreciated as it is deemed to have an indefinite life.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or where shorter, the term of the relevant lease.

Capital work-in-progress is not depreciated until it is taken to fixed assets when the asset is available for use.

Where the carrying amount of an asset is greater than its estimated recoverable amount it is written down immediately to its recoverable amount.

Gains and losses on disposals of property, plant and equipment are determined by reference to their carrying amounts and are taken into account in determining profit before taxation.

2.10 Intangible assets

Intangible assets acquired separately

Intangible assets acquired separately by the Group and have finite useful life is measured at cost less accumulated amortisation and accumulated impairment losses. They are amortised over their estimated useful lives on a straight line basis.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Intangible assets (continued)

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definitions of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the date of acquisition.

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets acquired separately.

Amortisation

The estimated useful lives for the current and comparative years/period are as follows:

Licences	15 to 25 years
Patents and copyrights	10 years
Software	3-5 years
Indefeasible right to use	15 years

2.11 Investment property

Investment property, which is property held to earn rentals and / or for capital appreciation, is measured initially at its cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value. Gains and losses arising from changes in the fair value of investment property are included in statement of income in the period in which they arise.

When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

2.12 Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined on the first-in, first-out principle and includes expenditure incurred in purchasing stock and bringing it to its existing location and condition. Net realisable value is the price at which stock can be sold in the normal course of business after allowing for the costs of realisation. Provision is made where necessary for obsolete, slow-moving and defective items.

2.13 Financial instruments

(a) Non-derivative financial assets

The group initially recognises loans and receivables on the date they are originated. All other financial assets (including assets designated as at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The group derecognises a financial asset when the contractual rights to the cash flows from the asset expire or it transfers the right to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when and only when the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies non-derivative financial assets into the following categories:

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.13 Financial instruments (continued)

(a) Non-derivative financial assets (continued)

Financial assets at fair value through profit or loss

A financial asset is held in this category if it is classified as held for trading or if so designated by management on initial recognition. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the statement of income. These assets are subsequently carried at fair value. Gains and losses arising from changes in the fair value of the financial assets at fair value through profit or loss category are included in the statement of income in the period in which they arise.

Financial assets designated at fair value through profit or loss comprise equity securities that otherwise would have been classified as available for sale.

Held-to-maturity investments

Investments with fixed or determinable payments and fixed maturity dates that the Group has the positive intent and ability to hold to maturity are classified as held to maturity investments. Held-to-maturity investments are recorded at amortised cost using the EIR method less any impairment, with revenue recognised on an effective yield basis. Held to maturity financial assets comprises debt securities.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to the intial recognition, loans and receivables are recognised at amortised cost using the effective interest method, less any impairment losses. Loans and receivables comprise cash and cash equivalents, trade and other receivables.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short term commitments.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or not classified in any of the above categories of financial assets. Available-for-sale financial assets are initially recognised at cost, being the fair value of the consideration given. Subsequent to initial recognition these are recognised at fair value unless fair value cannot be reliably measured.

The financial assets for which quoted market price is not available are measured at cost less impairment losses, if any. Changes in carrying value, other than impairment loss, are recognised in other comprehensive income until the investment is sold or determined to be impaired at which time the cumulative gain or loss previously recognised in other comprehensive income is included in the statement of income. Available-for-sale financial assets comprise equity securities and debt securities.

(b) Non derivative financial liabilities

(a) Borrowings

Borrowings are initially measured at fair value, net of transaction costs. Subsequent to the initial recognition borrowings are measured at amortised cost using the EIR, with interest expense recognised on an effective yield basis.

The EIR is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the borrowings.

(b) Trade and other payables

Liabilities are recognised for amounts to be paid for goods and services received, whether or not billed to the Group, at amortised cost.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.13 Financial instruments (continued)

(b) Non derivative financial liabilities (continued)

(c) Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in the statement of income immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in the statement of income depends on the nature of the hedge relationship.

A derivative is presented as a noncurrent asset or a noncurrent liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months.

Hedge accounting

At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument that is used in a hedging relationship is highly effective in offsetting changes in cash flows of the hedged item.

The effective portion of the changes in the fair value of the interest rate swap that is designated and qualifies as a cash flow hedge is deferred in equity. The gain or loss relating to the ineffective portion is recognised immediately in the statement of income.

Amounts deferred in equity are recycled in profit or loss in the periods when the hedged item is recognised in the statement of income.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss deferred in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recognised immediately in the statement of income.

2.14 Non-current assets held for sale

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale rather than through continuing use. Such non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of reclassification.

Property, plant and equipment is not depreciated once classified as held for sale.

Property, plant and equipment classified as held for sale is disclosed in Note 5 (b) to the interim consolidated financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.15 Impairment

(a) Non-financial assets

At each reporting date, the Group reviews the carrying amounts of its assets (or cash-generating units) to determine whether there is any indication that those assets have been impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

The loss arising on an impairment of an asset is determined as the difference between the recoverable amount and carrying amount of the asset and is recognised immediately in the statement of income.

Where an impairment loss subsequently reverses other than goodwill, the carrying amount of the asset is increased to the revised estimate of its recoverable amount and the increase is recognised as income immediately, provided that the increased carrying amount does not exceed the carrying amount that would have been determined, net of depreciation / amortisation, had no impairment loss been recognised earlier.

(b) Financial assets

A financial asset not classified at fair value through profit or loss is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that loss events had an impact on the estimated future cash flows of that asset that can be estimated.

Objective evidence that financial assets are impaired include default or delinquency by a debtor, adverse change in the payment status etc. In addition for an investment in equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

2.16 Retirement benefits

End of service benefits are accrued in accordance with the terms of employment of the Group's employees in Oman at the reporting date, having regard to the requirements of the Oman Labour Law. Employee entitlements to annual leave and leave passage are recognised when they accrue to employees and an accrual is made for the estimated liability arising as a result of services rendered by employees up to the reporting date. These accruals are included in current liabilities, while those relating to end of service benefits are disclosed as non-current liabilities.

Contributions to a defined contribution retirement plan and occupational hazard insurance for Omani employees in accordance with the Omani Social Insurances Law of 1991 are recognised as an expense in the statement of income as incurred.

2.17 Voluntary end of service benefits

Voluntary end of service benefits are recognised as expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if it is probable that the offer made by the Group will be accepted, and the number of acceptances can be estimated reliably.

2.18 Provisions

Provisions are recognised when the Group has present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation and a reliable estimate can be made of the amount to settle the obligation. 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 the risk specific to the liability.

2.19 Taxation

Tax expenses comprise current and deferred tax. Current tax and deferred tax are recognised in the statement of income except to the extent it relates to items recognised directly in equity or other comprehensive income. Tax expense represents the sum of the income tax and deferred tax expenses.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.19 Taxation (continued)

Current tax
The current tax payable is based on taxable profit for the period. Taxable profit differs from profit as reported in the statement of income because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are not taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the reporting date.

Deferred tax
Deferred income tax is provided, using the liability method, for all temporary differences arising between the tax base of assets and liabilities and their carrying values for financial reporting purposes. Deferred tax asset is not recognised if the temporary difference arises from goodwill. Currently enacted or substantially enacted tax rates are used to determine deferred income tax.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The principal temporary differences arise from depreciation on fixed assets and provisions for doubtful debts and slow moving stocks.

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 profits will be available to allow all or part of the asset to be recovered.

2.20 Directors' remuneration

Directors' remuneration is computed in accordance with the provisions of the Commercial Companies Law of 1974, as amended and the requirements of the Capital Market Authority in Oman and, in case of subsidiaries, in accordance with the relevant laws and regulations.

2.21 Dividend distribution

The Board adopts a prudent dividend policy, which complies with regulatory requirements applicable in the Sultanate of Oman. Dividends are distributed in accordance with the Company's Memorandum of Association and are subject to the approval of shareholders.

2.22 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

When applicable, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

When there is no quoted price in an active market, the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price i.e. the fair value of the consideration given or received. If the Group determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is supported wholly by observable market data or the transaction is closed out.

3 FINANCIAL RISK MANAGEMENT

Financial instruments carried in the interim consolidated statement of financial position comprise investments, cash and cash equivalents, receivables, payables, borrowings and derivative financial instruments.

3.1 Financial risk factors

Overview
The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has established the Executive Committee which is responsible for developing and monitoring the Group's risk management policies. The Committee reports regularly to the Board of Directors on its activities. The Management team develops methods of monitoring the Group's risk management policies, and reports to the Executive Committee who in return report to the Board of Directors.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Group Audit Committee oversees how Management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

The Group has exposure to the following risks from its use of financial instruments:

(i) Credit risk
(ii) Liquidity risk
(iii) Market risk

(i) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers and investment securities.

Trade and other receivables
The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer.

The Group has established credit policies and procedures that are considered appropriate for a licensed service provider commensurate with the nature and size of receivables. Credit limits for customers are established based on the amount of receivables and age of debts. In monitoring customer credit risk, customers are segmented according to their credit characteristics in the following categories:

- Private individual customers
- Corporate customers
- Government customers
- Amounts due from operators

The potential risk in respect of amounts receivable from private customers and corporate customers in Sultanate of Oman are significantly mitigated by factoring these receivables to an external agent. Under the terms of the factoring agreement the agent provides adequate cover in the form of a bank guarantee for the receivables assigned. The factoring agent has recourse to the Company based on certain agreed credit control norms. Credit risk on other trade debtors is limited to their carrying values as the management regularly reviews these balances whose recoverability is in doubt.

At the reporting date, trade receivable from the factoring agent approximate to 27.54% (31 December 2013: 27.52%) of the Group's total trade receivables. The factoring agent has provided a bank guarantee of RO 10.5 million to the Group. The bank guarantee provided by the factoring agent represents 29.24% (31 December 2013: 33.31%) of the amounts due from them at the reporting date.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this loss are a specific loss component that relates to individual exposures and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors (continued)

Investments

The Group limits its exposure to credit risk by only investing in liquid securities and only with counterparties which have a good credit rating. Given good credit ratings and liquidity, Management does not expect any counterparty to fail to meet its obligations.

(ii) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivery of cash or another financial asset. The Group’s approach to managing liquidity is to ensure, as far as possible that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group’s reputation.

Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. In addition the Group has access to credit facilities.

(iii) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices which will affect the Group’s income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Foreign currency risk

The Group’s main exposure to foreign exchange volatility within shareholder’s equity arises from its investment in a company based in Pakistan. This investment is not hedged as the related currency positions are considered to be long term in nature.

The subsidiary foreign currency risk arises mainly from receivables, payables and borrowings. The foreign currency payables are substantially hedged against receivables. Foreign currency risk on borrowing is not hedged.

In respect of other transactions of the Group, they are primarily in Rials Omani and the Group’s performance is substantially independent of changes in foreign currency rates as its foreign currency dealings are principally in US Dollars. The US Dollar and Omani Rial exchange rate have remained unchanged since 1986. There are no significant financial instruments denominated in foreign currency other than US Dollars and consequently Management believes that foreign currency risk on other monetary assets and liabilities is not significant.

Interest rate risk

The Group is exposed to interest rate risk as entities in the Group borrow funds at both fixed and floating interest rates. Hedging activities are evaluated by the Group treasury regularly to align with interest rate views and defined risk appetite ensuring that optimal hedging strategies are applied by either positioning the statement of financial position or protecting the interest expense through different interest rate cycles.

Other market price risk

Equity price risk arises from investments held for trading and at fair value through profit or loss. The primary goal of the Group’s investment strategy is to maximise investment returns on surplus cash available. Management is assisted by external advisors in this regard. In accordance with this strategy certain investments are designated at fair value through profit or loss because their performance is actively monitored and they are managed on a fair value basis.

Capital management

The Board’s policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors both the demographic spread of shareholders as well as return on shareholders’ equity.

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

Capital management (continued)
Management is confident of maintaining the current level of profitability by enhancing top line growth and prudent cost management. Neither the Company nor its Oman subsidiary is subject to externally imposed capital requirements, other than the requirements of the Commercial Companies Law of 1974, as amended.

3.2 Fair value estimation

Investments
The fair value of investments is estimated by reference to the current market value of similar instruments or by reference to the discounted cash flows of the underlying net assets.

Derivatives
The fair value of interest rate swaps is measured at the present value of future cash flows estimated as the difference between the contractual interest rate and the applicable LIBOR curve for the residual maturity of the contract and discounted based on the LIBOR curve derived from the yield curve.

Financial assets and liabilities
The fair values of other financial assets and liabilities approximate their carrying amounts as presented in the consolidated statement of financial position.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the financial statements requires Management to make estimates and assumptions that affect the reported amount of financial assets and liabilities at the reporting date and the resultant provisions and changes in fair value. Such estimates are necessarily based on assumptions about several factors involving varying, and possibly significant, degrees of judgment and uncertainty. Actual results may differ from Management's estimates resulting in future changes in estimated liabilities and assets.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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 considered 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 a provision applied according to the length of time past due, based on historical recovery rates.

At the reporting date, trade accounts receivable amounted to RO 130.377 million (31 December 2013: RO 114.545 million), and the provision for doubtful debts is RO 47.264 million (31 December 2013: RO 49.250 million). Any difference between the amounts actually collected in future periods and the amounts expected to be collected will be recognised in the consolidated statement of income.

Impairment of inventories

Inventories are stated 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 prices.

At the reporting date, inventories amounted to RO 14.276 million (31 December 2013: RO 14.242 million) with provision for old and obsolete inventories of RO 3.574 million (31 December 2013: RO 3.406 million). Any difference between the amounts actually realised in future periods and the amounts recognised are dealt with in the statement of income.

Impairment of goodwill
For impairment of goodwill, please refer to note 9.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

Useful lives of property, plant and equipment

Depreciation is charged so as to allocate 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, the maintenance programs, and normal wear and tear using its best estimates. During the period, the Group has revised the useful life of certain equipment which has resulted to a reduction in depreciation charge of RO 1.9 million for the nine month period ended 30 September 2014.

Taxes
Uncertainties exist with respect to the interpretation of tax regulations and the amount and timing of future taxable income. Given the wide range of business relationships and nature of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of finalisation of tax assessments of the Group. The amount of such provisions is based on various factors, such as experience of previous tax assessments and differing interpretations of tax regulations by the taxable entity and the responsible tax authority.

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

5 DISCONTINUED OPERATIONS

a) Worldcall Telecom Limited holds 70.65% of voting securities in Worldcall Telecommunications Lanka (Private) Limited, incorporated in Sri Lanka.

The Group's foreign subsidiary namely Worldcall Telecommunications Lanka (Private) Limited has been reporting losses since last many years as the demand for payphones in Sri Lanka has greatly diminished. Keeping in view, the Sri Lankan market conditions and negative equity of the subsidiary, the management has decided and approved the winding up of the subsidiary. The investment in subsidiary is classified as discontinued operations. This does not have any material impact on the Group's results.

b) The Passive infrastructure (towers, civil works, gensets, etc) of wireless broadband operations of the subsidiary is being classified as held for sale following a commitment in September 2014 by management of the subsidiary in Pakistan. In this behalf, an agreement has been signed subsequent to the reporting date which is subject to due diligence inter alia, No Objection Certificates (NOC) from financial institutions and necessary approvals. The management is of the view that same shall result in major reduction in operational costs of the subsidiary.

Impairment losses of RO 0.921 million for write-downs of the disposal group to the lower of its carrying amount and its fair value less costs to sell have been included in "Other income/ (costs)" (Note 37). The impairment losses have been applied to reduce the carrying amount of property, plant and equipment within the disposal group.

6 SEGMENT REPORTING

Information regarding the Group's operating segments is set out below in accordance with IFRS 8 - Operating segments. IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Chief Operating decision maker in order to allocate resources to the segment and to assess its performance. There has not been a change in segment reporting compared to the previous period as the Group's internal reporting is based on a risks and rewards approach.

6 SEGMENT REPORTING (continued)

Products and services from which reportable segments derive their revenues

At 30 September 2014, the Group is organised into two main business segments:

Fixed line and others

Provision of international and national calls from fixed lines, including rentals and installations of fixed telephones and internet services (fixed lines and other) and services rendered by Wholesale business division. This segment includes the operations of Worldcall Telecom Limited which is engaged in the provision of Wireless Local loop, LDI, Payphones and cable television services in Pakistan.

Mobile

Operation of Global System for Mobile Communication (GSM) for prepaid and post-paid services, equipment rentals and amounts derived from the sale of telecommunication equipment and other associated services falling within the Group's ordinary activities (mobile).

Segment revenues and results

Segment result represents the profit earned by each segment without allocation of finance income and finance costs. This is the measure reported to the Group's Board of Directors for the purposes of resource allocation and assessment of segment performance.

Inter-segment sales are charged at prevailing market prices. The segment results for the period ended 30 September 2014 are as follows:

	Fixed line and other RO'000	*Mobile RO'000*	*Consolidation adjustments RO'000*	*Total RO'000*
Revenue				
External sales	**130,371**	**227,306**	**(109)**	**357,568**
Inter-segment sales	**54,435**	**8,142**	**(62,577)**	**-**
Total revenue	**184,806**	**235,448**	**(62,686)**	**357,568**
Segment result	**33,732**	**66,202**	**-**	**99,934**
Finance income – net				**6,688**
Other non-operating income				**2,675**
Profit before taxation				**109,297**
Taxation				**(18,572)**
Profit for the period				**90,725**

6 SEGMENT REPORTING (continued)

Segment revenues and results (continued)

The segment results for the period ended 30 September 2013 were as follows:

	Fixed line and other RO'000	*Mobile RO'000*	*Consolidation adjustments RO'000*	*Total RO'000*
Revenue				
External sales	128,239	223,376	(78)	351,537
Inter-segment sales	51,767	9,677	(61,444)	-
Total revenue	180,006	233,053	(61,522)	351,537
Segment result	24,763	69,714	-	94,477
Finance income – net				894
Other non-operating income				1,343
Profit before taxation				96,714
Taxation				(9,696)
Profit for the period				87,018

Other segment items for the period ended 30 September 2014 included in the statement of income are as follows:

	Fixed line and other RO'000	***Mobile RO'000***	***Total RO'000***
Depreciation	**31,750**	**22,829**	**54,579**
Amortisation	**2,913**	**2,063**	**4,976**

Other segment items for the period ended 30 September 2013 included in the statement of income are as follows:

	Fixed line and other RO'000	*Mobile RO'000*	*Total RO'000*
Depreciation	29,910	23,478	53,388
Amortisation	2,526	2,325	4,851

The segment assets and liabilities at 30 September 2014 and capital expenditures for the period ended are as follows:

	Fixed line and other RO'000	***Mobile RO'000***	***Consolidation adjustments RO'000***	***Total RO'000***
Assets	**489,714**	**363,998**	**(65,709)**	**788,003**
Liabilities	**226,030**	**65,449**	**(49,377)**	**242,102**
Capital expenditures	**59,012**	**47,479**	**-**	**106,491**

The segment assets and liabilities at 31 December 2013 and capital expenditures for the year then ended are as follows:

	Fixed line and other RO'000	*Mobile RO'000*	*Consolidation adjustments RO'000*	*Total RO'000*
Assets	467,308	333,835	(44,935)	756,208
Liabilities	174,543	57,337	(15,052)	216,828
Capital expenditures	53,221	36,200	-	89,421

6 SEGMENT REPORTING (continued)

Secondary reporting format

Secondary reporting is provided on the basis of geographic regions. Revenue is determined by location of assets which is not different from revenue by location of customer.

30 September 2014	***Sultanate of Oman RO'000***	***Pakistan RO'000***	***Consolidation adjustments RO'000***	***Total RO'000***
Total gross segment revenue	**350,545**	**7,132**	**(109)**	**357,568**
Assets	**771,518**	**82,194**	**(65,709)**	**788,003**
Capital expenditure	**102,809**	**3,682**	**-**	**106,491**

31 December 2013	*Sultanate of Oman RO'000*	*Pakistan RO'000*	*Consolidation adjustments RO'000*	*Total RO'000*
Total gross segment revenues	450,934	12,120	(188)	462,866
Assets	709,577	91,566	(44,935)	756,208
Capital expenditure	85,363	4,058	-	89,421

7 PROPERTY, PLANT AND EQUIPMENT

(a) The Board of Directors considers that leasehold land made available by the Government for its operations in the Sultanate of Oman will continue to be made available for the Group's use over the useful economic life of the assets that are situated on such leasehold lands.

(b) *Assets pledged as security*

Property, plant and equipment of a subsidiary with a carrying amount of RO 50.656 million (31 December 2013: RO 42.364 million) have been pledged to secure borrowings of the Group.

In addition, the Group's obligations under finance leases (see note 21) are secured by the lessor's title to the leased assets, which have a carrying amount of RO 1.708 million (31 December 2013: RO 2.384 million).

7 PROPERTY, PLANT AND EQUIPMENT (continued)

	Freehold land	Buildings	Network infrastructure and equipment	Furniture and office equipment	Motor vehicles and equipment	Capital work-in- progress	Total
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Cost							
1 January 2014	1,198	72,398	902,253	33,953	3,426	41,937	1,055,165
Additions	-	7	5,330	384	162	100,608	106,491
Transfers	-	2,444	87,210	790	-	(90,444)	-
Transfers to other assets	-	-	-	-	-	(860)	(860)
Transfer to held for sale (Note 5 (b))	-	-	(8,486)	-	-	-	(8,486)
Impairment	-	-	(1,906)	-	-	-	(1,906)
Net foreign currency exchange differences	3	29	3,105	35	17	104	3,293
Disposals	-	(1)	(2,252)	(71)	(426)	-	(2,750)
Reclassification	-	-	-	(142)	-	-	(142)
30 September 2014	1,201	74,877	985,254	34,949	3,179	51,345	1,150,805
Depreciation							
1 January 2014	-	38,382	588,953	29,176	2,255	-	658,766
Charge for the period	-	3,084	49,181	1,941	373	-	54,579
Transfer to held for sale (Note 5 (b))	-	-	(3,185)	-	-	-	(3,185)
Impairment	-	-	(1,469)	-	-	-	(1,469)
Net foreign currency exchange differences	-	13	899	26	(1)	-	937
Disposals	-	(1)	(106)	(69)	(359)	-	(535)
Reclassification	-	-	-	(49)	5	-	(44)
30 September 2014	-	41,478	634,273	31,025	2,273	-	709,049
Net book value at 30 September 2014 (unaudited)	**1,201**	**33,399**	**350,981**	**3,924**	**906**	**51,345**	**441,756**

7 PROPERTY, PLANT AND EQUIPMENT (continued)

	Freehold land RO'000	*Buildings RO'000*	*Network infrastructure and equipment RO'000*	*Furniture and office equipment RO'000*	*Motor vehicles and equipment RO'000*	*Capital work-in- progress RO'000*	*Total RO'000*
Cost							
1 January 2013	1,204	69,705	920,072	32,182	3,725	32,398	1,059,286
Additions	-	23	6,126	836	147	82,289	89,421
Transfers	-	6,967	63,082	980	17	(71,046)	-
Transfer to other assets	-	-	-	-	-	(2,718)	(2,718)
Acquisition of a subsidiary	-	-	-	16	-	-	16
Reclassification	(1)	(4,218)	2,600	644	(7)	1,217	235
Net foreign currency exchange differences	(5)	(44)	(4,477)	(55)	(30)	(203)	(4,814)
Disposals	-	(35)	(85,150)	(650)	(426)	-	(86,261)
31 December 2013	1,198	72,398	902,253	33,953	3,426	41,937	1,055,165
Depreciation							
1 January 2013	-	38,374	604,291	26,557	2,110	-	671,332
Charge for the year	-	4,278	63,922	2,756	549	-	71,505
Reclassification	-	(4,218)	3,914	546	(7)	-	235
Net foreign currency exchange differences	-	(20)	(1,231)	(39)	1	-	(1,289)
Disposals	-	(32)	(81,943)	(644)	(398)	-	(83,017)
31 December 2013	-	38,382	588,953	29,176	2,255	-	658,766
Net book value							
At 31 December 2013 (audited)	1,198	34,016	313,300	4,777	1,171	41,937	396,399

8 INVESTMENT PROPERTY

	Unaudited 30 September 2014 RO'000	*Audited 31 December 2013 RO'000*
Opening balance	**588**	630
Net foreign currency exchange difference	**27**	(42)
	615	588

9 GOODWILL

	Unaudited 30 September 2014 RO'000	*Audited 31 December 2013 RO'000*
Opening balance	**14,370**	15,049
Acquisition of a subsidiary	**-**	311
Effect of foreign currency exchange difference	**633**	(990)
	15,003	14,370

Test for impairment of investment in Worldcall Telecom Limited ("WTL")

As at 30 September 2014, the Group assessed the recoverable amount of goodwill and determined that the recoverable amount is more than the carrying amount.

The recoverable amount of the investment in WTL was assessed by reference to the discounted cash flow projections based on financial forecasts covering a five year period and an annual discount rate of 25.06% (2013: 19.5%). The financial forecasts covers certain recent strategic initiatives adopted by WTL, which are expected to significantly improve the financial performance and position of WTL. Cash flow projections beyond the five year period have been extrapolated using a steady annual growth rate of 4% which is the projected long term average growth rate for the business. Management believes that the calculation is highly sensitive to the cash flow projections and the cost of capital. An increase in the cost of capital to 27% would have resulted in an impairment loss at 30 September 2014 of RO 3.7 million assuming all other variables remain constant.

10 OTHER INTANGIBLE ASSETS

	Licenses RO'000	*Patents and copyrights RO'000*	*Software RO'000*	*Subscriber acquisition costs RO'000*	*Indefeasible right to use RO'000*	*Total RO'000*
Cost						
At 1 January 2013	63,860	8	17,535	-	3,137	84,540
Addition during the year	-	-	2,388	161	-	2,549
Reclassification	-	-	(235)	-	-	(235)
Adjustments	-	-	54	-	-	54
Net foreign currency exchange differences	(590)	-	(3)	-	(257)	(850)
At 31 December 2013 (audited)	63,270	8	19,739	161	2,880	86,058
At 1 January 2014	63,270	8	19,739	161	2,880	86,058
Additions during the period	-	-	728	-	-	728
Transfers	-	-	151	-	-	151
Reclassification	-	-	147	-	-	147
Net foreign currency exchange difference	377	-	3	-	130	510
At 30 September 2014 (unaudited)	**63,647**	**8**	**20,768**	**161**	**3,010**	**87,594**
Amortisation						
At 1 January 2013	28,876	8	14,080	-	393	43,357
Charge for the year	4,055	-	2,198	161	199	6,613
Reclassification	-	-	(235)	-	-	(235)
Net foreign currency exchange difference	(158)	(2)	-	-	(33)	(193)
At 31 December 2013 (audited)	32,773	6	16,043	161	559	49,542
At 1 January 2014	32,773	6	16,043	161	559	49,542
Charge for the period	3,028	-	1,806	-	153	4,987
Reclassification	-	-	49	-	-	49
Net foreign currency exchange differences	115	1	-	-	22	138
At 30 September 2014 (unaudited)	**35,916**	**7**	**17,898**	**161**	**734**	**54,716**
Net book value						
At 30 September 2014 (unaudited)	**27,731**	**1**	**2,870**	**-**	**2,276**	**32,878**
31 December 2013 (audited)	30,497	2	3,696	-	2,321	36,516

The charge for the period includes an amount of RO 11 thousands (30 September 2013: RO 51 thousands) capitalised during the period. Licenses of the subsidiary are assigned to IGI Investment Bank limited, trustee of Term Finance Certificate III (refer note 21). The carrying amount of licences is RO 5.61 million (31 December 2013: RO 5.8 million).

11 INVESTMENT IN ASSOCIATED COMPANIES

(a) The share of post-acquisition profits and the carrying value of the investments in associated companies are as follows:

	Unaudited ***30 September 2014*** ***RO'000***	*Audited* *31 December 2013* *RO'000*
Opening balance	**6,778**	5,191
Share of results	**`2,448**	1,677
Dividend received	**(680)**	(90)
Closing balance	**8,546**	6,778

(b) The fair value of the parent company's investment in Oman Fiber Optic Company SAOG, which is listed on the Muscat Securities Market, is RO 11,184,984 (31 December 2013: RO 9,910,682) as compared to the cost of RO 3,445,511 (31 December 2013: RO 3,445,511).

(c) The summarised financial information of the principal associates are as follows:

	Assets ***RO'000***	***Liabilities*** ***RO'000***	***Revenues*** ***RO'000***	***Profit*** ***RO'000***	***Percentage*** ***shareholding***
30 September 2014					
Oman Fiber Optic Co. SAOG	**30,711**	**14,488**	**17,137**	**5,838**	**40.96**
Infoline LLC	**2,194**	**589**	**2,512**	**126**	**45**
30 September 2013					
Oman Fiber Optic Co. SAOG	28,443	18,237	20,467	2,423	40.96
Infoline LLC	1,978	397	2,000	182	45
31 December 2013					
Oman Fiber Optic Co. SAOG	30,271	18,253	27,056	4,234	40.96
Infoline LLC	1,985	508	2,967	243	45

12 OTHER FINANCIAL ASSETS

	Current		**Non-current**	
	Unaudited ***30 September 2014*** ***RO'000***	*Audited* *31 December 2013* *RO'000*	***Unaudited*** ***30 September 2014*** ***RO'000***	*Audited* *31 December 2013* *RO'000*
Investments at fair value through profit or loss				
Financial assets designated as at fair value through profit or loss (a)	**804**	-	**26,239**	16,299
Held for trading investments (b)	**20,849**	15,163	-	-
Available for sale investment carried at cost				
Mutual fund and unquoted equity (c)	-	-	**1,970**	853
Available for sale investment carried at fair value				
Quoted investments	**298**	305	**295**	241
Held to maturity investments				
Bonds (d)	-	-	**15,791**	15,791
Long term deposits at cost				
Deposits with financial institutions	**2**	79	**4**	3
Margin deposits (e)	**1,467**	489	**-**	-
Fixed deposits with banks (f)	**45,777**	69,755	**6,000**	6,000
Others	**11**	4	**220**	258
Long term receivables				
Trade receivables	-	-	**443**	633
Loans carried at amortised cost				
Loans and advances to employees (g)	**134**	145	**26**	24
	69,342	85,940	**50,988**	40,102

12 OTHER FINANCIAL ASSETS (continued)

(a) Financial assets designated as at fair value through profit or loss

	Carrying amount as at 31 December 2013 RO'000	*Additions during the period RO'000*	*Gains recognised in profit or loss RO'000*	*Carrying amount as at 30 September 2014 RO'000*
Unquoted				
Equities (level 3 financial instruments-refer note 46)	4,327	-	1,656	**5,983**
Mutual funds	10,132	5,923	1,169	**17,224**
	14,459	5,923	2,825	**23,207**
Quoted equity instrument				
Quoted equity investment	1,840	1,389	607	**3,836**
	16,299	7,312	3,432	**27,043**

(b) Held for trading investments

Held for trading investments represent quoted marketable securities. These investments are valued at quoted market price at the reporting date.

(c) Available for sale investment carried at cost

Available for sale investment represents investment in a mutual fund and unquoted equities. The investment is carried at cost less impairment due to unavailability of fair value.

(d) Held to maturity investment

Held to maturity investments represents investment in bonds as set out below:

	***Unaudited* 30 September 2014 RO '000**	*Audited* 31 December 2013 RO'000	***Effective rate of interest (p.a.)***	***Maturity (year)***
Non-current and quoted				
Bonds	**5,771**	5,771	**8%**	**2016**
Subordinated notes	**1,420**	1,420	**5.5%**	**2017**
Non-current and unquoted				
Subordinated notes	**5,000**	5,000	**5.757%**	**2018**
Islamic bonds	**1,000**	1,000	**5%**	**2018**
Subordinated bonds	**600**	600	**4.5%**	**2016**
Subordinated notes	**2,000**	2,000	**6.5%**	**2017**
	15,791	15,791		

(e) Margin deposits

Margin deposits include deposits placed with banks against various guarantees and letters of credit.

(f) Fixed deposits

Fixed deposits are placed with commercial banks. The weighted average annual interest rate on these deposits is 3% (2013: 3%).

(g) Loans and advances to employees

Loans and advances to employees are unsecured and interest free and include advances given to key management personnel of a subsidiary of RO 0.041 million (2013: RO 0.068 million).

13 INVENTORIES

	Unaudited 30 September 2014 RO'000	Audited 31 December 2013 RO'000
Stores and spares	**11,353**	10,954
Prepaid cards and handsets	**2,923**	3,288
	14,276	14,242
Provision for inventory obsolescence	**(3,574)**	(3,406)
	10,702	10,836

The movement in the provision for inventory obsolescence is as follows:

	Unaudited 30 September 2014 RO'000	Audited 31 December 2013 RO'000
Opening balance	**3,406**	3,912
Charge for the period / year	**222**	390
Released during the period/year	**(65)**	-
Write off during the period / year	**-**	(882)
Net foreign currency exchange difference	**11**	(14)
Closing balance	**3,574**	3,406

14 TRADE AND OTHER RECEIVABLES

	Unaudited 30 September 2014 RO'000	Audited 31 December 2013 RO'000
Amounts due from customers	**62,295**	54,834
Amounts due from Oman Investment Finance Company SAOG (OIFC)	**35,904**	31,518
Amounts due from other operators	**30,280**	26,577
Other receivables	**1,898**	1,616
	130,377	114,545
Provision for impairment of receivables	**(47,264)**	(49,250)
	83,113	65,295
Advances	**6,257**	6,514
	89,370	71,809

The movement in provision for impairment of receivables is disclosed in note 42 (b) (ii).

15 SHARE CAPITAL AND DIVIDENDS

The share capital comprises 750,000,000 (31 December 2013 - 750,000,000) authorised and issued, ordinary shares of RO 0.100 (31 December 2013 : RO 0.100) each fully paid. In accordance with the Ministerial decision at their counsel meeting No. 3/2005 dated 18 January 2005, the par value of each share was reduced from RO 1.000 to RO 0.100. Shareholders of the Parent Company who own not less than 10% of the Parent Company's shares at reporting date are as follows:

	30 September 2014		*31 December 2013*	
	Shares held	**%**	Shares held	%
Government of the Sultanate of Oman	**382,500,0000**	**51**	525,000,000	70

For the year 2013, a final cash dividend of RO 0.075 per share (2012: RO 0.075 per share) amounting to RO 56.25 million (2012: RO 56.25 million) was approved by the shareholders at the annual general meeting held on 24 March 2014.

An interim cash dividend of RO 0.040 (2013: RO 0.040) amounting to RO 30 million (2013: RO 30 million) was paid during the period.

On 17 September 2013, the Government announced to sell 19% of the shares through a public offering. As of 30 September 2014, 9.5% of the shareholdings was sold and allocated to qualified institutions and high net worth investors and remaining 9.5% to retail investors.

16 LEGAL RESERVE

In accordance with the Oman Commercial Companies Law of 1974, as amended, annual appropriations of 10% of the profit for the year are made to this reserve until the accumulated balance of the reserve is equal to one third of the value of the respective Omani entity's paid-up share capital. This reserve is not available for distribution.

17 VOLUNTARY RESERVE

In accordance with the Board of Directors' Resolution No.16T/5/2000, the Parent Company transfer 10% of its annual net profits to a distributable voluntary reserve until it becomes equal to one-half of the entity's paid up share capital. As the reserve equals at least half of paid up share capital, the Parent Company has discontinued the transfer.

18 CAPITAL CONTRIBUTION

On 11 February 2004, the Telecommunications Regulatory Authority (TRA) issued licences to the Group for mobile and fixed line telecommunication services at a cost of RO 500,000 and RO 200,000 and for periods of 15 and 25 years, respectively.

The Group engaged an independent firm of consultants to determine the fair value of the licences as at 11 February 2004, who determined the fair value of the fixed and mobile licences as being in the amount of approximately RO 44.881 million.

The basis of the valuation was on an assessed open market value of the licences under their current terms as they would apply to a new company obtaining the licences. The reason for adopting the assumption of a 'new company' was in order to differentiate the value of the licences from the other intangible assets that the Group owns. Accordingly the value attached to the licences is not a 'special value' to the Group of the licences and does not reflect the full value of the intangible assets enjoyed by the Group.

The excess of the valuation of the Group's licences over the amounts paid to the TRA, representing a fair value gain of RO 44.181 million, has been recognised as a non-distributable capital contribution within equity.

19 FOREIGN CURRENCY TRANSLATION RESERVE

Exchange differences relating to the translation of assets and liabilities on consolidation from the functional currency of the Group's foreign subsidiary into Rials Omani are recorded directly in the foreign currency translation reserve.

20 FAIR VALUE RESERVE

The fair value reserve arises on the revaluation of available-for-sale financial assets. Where a revalued financial asset is sold, the portion of the reserve that relates to that financial asset, and is effectively realised, is recognised in the consolidated statement of income. Where a revalued financial asset is impaired, the portion of the reserve that relates to that financial asset is recognised in the consolidated statement of income.

21 BORROWINGS

				Current		Non-current	
				Unaudited	*Audited*	***Unaudited***	*Audited*
Consolidated	***Currency***	***Nominal interest rate***	***Year of maturity***	***30 September 2014 RO'000***	*31 December 2013 RO'000*	***30 September 2014 RO'000***	*31 December 2013 RO'000*
Secured-at amortised cost							
Bank loan	OMR	**3 months LIBOR+2.5% (floor of 5%p.a)**	**2017 - 2019**	**150**	75	**6,775**	6,282
Bank loan	OMR	**5% p.a**	**2015**	**329**	-	**-**	1,198
Bank loan	OMR	**6% p.a**		**-**	250	**-**	-
Long term loan	USD	**3 months LIBOR+2.95%**	**2018 Note (a)**	**2,753**	1,157	**10,068**	11,732
Long term loan	PKR	**11.45% p.a**	**2016 Note (b)**	**638**	-	**314**	-
Long term loan	PKR	**1 month KIBOR+3% p.a**	**2016**	**138**	-	**75**	-
Convertible preference share	USD	**17.293% p.a**	**Note (c)**	**-**	-	**5,687**	5,540
Term finance certificates-3	PKR	**6 months KIBOR+1.6%**	**2015**	**4,197**	2,008	**2,099**	4,016
Short term borrowings	PKR	**3 to 6 months KIBOR+1.5% to 4%**		**2,972**	3,140	**-**	-
Bank overdraft	OMR	**3 months LIBOR+2.5% (floor of 5%p.a)**	**-**	**6**	48	**-**	-
Bank overdraft	OMR	**6.5% p.a**	**-**	**394**	196	**-**	-
Finance lease liabilities	PKR	**6 months KIBOR+ 2.5%p.a**	**-**	**6**	186	**13**	6
Finance lease liabilities	OMR	**12.695% p.a**	**-**	**78**	50	**304**	360
				11,661	7,110	**25,335**	29,134

(a) Long term Loan

The subsidiary in Pakistan signed a foreign currency syndicated loan facility with Askari Bank Limited Off-Shore Banking Unit, Bahrain, with the lead arranger being Askari Bank Limited in the amount of USD 35 million. Interest is charged at three months average LIBOR plus 1.75% per annum and monitoring fee is payable at the rate of 1.2% per annum of the outstanding balance. To secure the facility an unconditional, irrevocable, first demand stand-by letter of credit has been issued by National Bank of Oman favoring Askari Bank Limited against the corporate guarantee of the Parent Company. The arrangement shall remain effective until all the obligations under the facility are settled. Initially, this loan is re-payable in 20 equal quarterly instalments with two years grace period commencing 6 June 2013. This loan has been rescheduled by Askari Bank Limited and is now repayable in 16 quarterly instalments commencing 6 June 2014.

21 BORROWINGS (continued)

(b) Long term Loan

This represents a term facility of PKR 250 million from Summit Bank Limited which is repayable over a period of 18 equal monthly instalments commencing from 1 October 2014. The loan is secured through lien over term deposits with 10% margin along with initial ranking charge which is to be upgraded to joint pari passu hyphotecation charge with 25% margin within 60 days.

(c) Convertible preference shares

These are denominated in US Dollar, non-voting, cumulative and convertible preference shares (“CPS”, or “Preference Shares”) having a face value of US$ 100 each, held by the Parent company and Habib Bank Limited (Investor) amounting to USD 20 million and USD 15 million respectively issued by the subsidiary in Pakistan.

The conversion option is exercisable by the holder at any time after the 1st anniversary of the issue date but no later than the 5th anniversary. On 5th anniversary, the CPS will be mandatorily converted into ordinary voting common shares. The CPS shall be converted fully or partially in multiples of USD 1 million at the conversion ratio defined in the agreement at 10% discount on share price after first anniversary and thereby increased by 10% additional discount for each completed year of anniversary.

The holders are entitled to a non cash dividend which will be calculated at the rate higher of 5.9% per annum or the dividend declared by the subsidiary for ordinary shareholders whichever is higher.

Omantel (Parent company) has provided a put option to the Investor in USD where the investor can sell its CPS at participation amount along with any accumulated and accrued dividend (put strike price) to Omantel. The put option may be exercised fully or partially in multiples of US$ 1 million from the 3rd anniversary of the CPS till the 5th anniversary or on occurrence of the trigger events as defined in the CPS agreement at any time during the term of the CPS.

22 DEFERRED TAX ASSET/(LIABILITY)

The net deferred tax (asset) / liability and deferred tax charge / (credit) in the statement of income are attributable to the following items:

	1 January 2014 RO'000	***Charged / (credited) to statement of income RO '000***	***Exchange differences RO '000***	***Unaudited 30 September 2014 RO '000***	*1 January 2013 RO'000*	*Charged / (credited) to statement of income RO '000*	*Exchange differences RO '000*	*Audited 31 December 2013 RO '000*
Temporary differences								
Provision for impaired receivables	**(6,418)**	**524**	**(90)**	**(5,984)**	(5,604)	(927)	113	(6,418)
Provision for inventory obsolescence	**(133)**	**(13)**	**(3)**	**(149)**	(198)	59	6	(133)
Retirement benefit obligation	**(420)**	**14**	**(19)**	**(425)**	(527)	80	27	(420)
Fair value gain on investments	**-**	**1,029**	**-**	**1,029**				
Depreciation and amortisation	**19,016**	**275**	**413**	**19,704**	21,292	(1,500)	(776)	19,016
	12,045	**1,829**	**301**	**14,175**	14,963	(2,288)	(630)	12,045
Unused tax losses and credits	**(20,278)**	**(1,657)**	**(704)**	**(22,639)**	(18,027)	(3,368)	1,117	(20,278)
	(8,233)	**172**	**(403)**	**(8,464)**	(3,064)	(5,656)	487	(8,233)

Deferred tax balances are shown as below in the interim consolidated statement of financial position:

	Unaudited 30 September 2014 RO'000	*Audited 31 December 2013 RO'000*
Deferred tax asset relating to subsidiary in Pakistan *	**10,597**	9,332
Deferred tax liability relating to Parent Company	**(2,133)**	(1,099)
	8,464	8,233

*Based on approved business plan of the subsidiary, it is probable that sufficient taxable profit will be available for utilisation of deferred tax.

23 RETIREMENT BENEFIT OBLIGATION

The movement in retirement benefit obligation is as follows:

	Unaudited 30 September 2014 RO'000	*Audited 31 December 2013 RO'000*
Opening balance	**5,671**	5,398
Charge for the period / year (Note 32)	**694**	962
Payments during the period / year	**(1,327)**	(621)
Acquisition of a subsidiary	**-**	21
Recognition of actuarial income on defined benefit plan	**-**	(6)
Foreign exchange difference	**58**	(83)
Closing balance	**5,096**	5,671

24 OTHER LIABILITIES – NON CURRENT

	Unaudited 30 September 2014 RO'000	*Audited 31 December 2013 RO'000*
Long term payables (refer note below)	**3,162**	4,118
Long term deposits	**163**	155
	3,325	4,273
Long term payables		
Payable to Pakistan Telecommunication Authority	**1,872**	2,197
Suppliers	**1,290**	1,921
	3,162	4,118

Payable to Pakistan Telecommunication Authority (PTA)

Payable to PTA represents interest free access promotion charges (APC) for USF payable to PTA. The liability is discounted using effective annual interest rate of 16%.

Suppliers

Amounts payable to suppliers are unsecured and interest free.

25 TRADE AND OTHER PAYABLES

	Unaudited 30 September 2014 RO'000	*Audited 31 December 2013 RO'000*
Trade payables	**17,734**	22,272
Amounts due to other telecommunication administrators	**5,762**	5,842
Retentions payable	**21,387**	18,749
Licence fees payable (refer note (a))	**3,912**	3,744
Accruals	**54,580**	38,285
Deferred income	**22,144**	15,446
Billings in advance	**14,032**	7,215
Accrued interest	**797**	946
Other payables	**11,981**	6,831
	152,329	119,330

(a) Licence fees payable

This represents licence fee payable by a subsidiary to PTA for Wireless Local Loop Licence.

26 ROYALTY PAYABLE

In accordance with Article 4(1) of the fixed and mobile licence and as permitted by the TRA, the licencee is required to pay royalty to the TRA at the rate of 7% of its gross revenue excluding sale of terminal equipment and interconnection expenses.

27 NET ASSETS PER SHARE

Net assets per share attributable to equity holders of the Parent Company is calculated by dividing the net assets at the reporting date by the number of shares outstanding:

Net assets attributable to the owners of the parent (RO'000)	**544,330**	533,263
Number of shares outstanding (thousands)	**750,000**	750,000
Net assets per share (RO)	**0.726**	0.711

28 WHOLESALE REVENUE

	9-months ended 30 September 2014 RO'000	***3-months ended 30 September 2014 RO'000***	*9-months ended 30 September 2013 RO'000*	*3-months ended 30 September 2013 RO'000*
External administration revenue (a)	**21,998**	**8,068**	27,767	8,837
Interconnection income (b)	**12,628**	**3,923**	13,144	4,268
Capacity sales	**19,384**	**3,791**	18,564	3,219
Others	**9,793**	**3,605**	6,763	2,221
	63,803	**19,387**	66,238	18,545

a) External administration revenue represents the revenue derived from termination of other international operators traffic on Group's network.

b) Interconnection income represents the revenue derived from licensed local operators for the use of transmission equipment, facilities and the charges for the termination of the operator's traffic on the Group's network.

29 INTERCONNECTION EXPENSE

Interconnection expense represents the charges paid by the Group to licensed local operators for the termination of the traffic on the network of the operator.

30 COST OF CONTENT SERVICES

Cost of content services represents the charges paid by the Group to various content service providers for provision of audio text services and SMS to TV channels etc.

31 EXTERNAL ADMINISTRATION EXPENSE

External administration expense represents the charges paid by the Group to international operators for the termination of the traffic on the network of the operator.

32 STAFF COSTS

	9-months ended 30 September 2014 RO'000	***3-months ended 30 September 2014 RO'000***	*9-months ended 30 September 2013 RO'000*	*3-months ended 30 September 2013 RO'000*
Salaries and allowances	**44,303**	**15,019**	43,185	13,954
Social security costs	**3,418**	**1,271**	3,132	1,025
Retirement benefits (Note 23)	**694**	**208**	643	160
Other employee benefits	**2,862**	**926**	2,411	813
	51,277	**17,424**	49,371	15,952

33 OPERATING AND MAINTENANCE EXPENSES

	9-months ended 30 September 2014 RO'000	***3-months ended 30 September 2014 RO'000***	*9-months ended 30 September 2013 RO'000*	*3-months ended 30 September 2013 RO'000*
Asset maintenance	**18,320**	**6,059**	16,400	4,705
Cost of sales	**7,639**	**1,291**	9,073	1,933
Satellite channels and frequency charges	**9,366**	**3,210**	8,981	2,824
Rent, rates and taxes	**5,364**	**1,726**	5,306	1,795
Electricity and water	**2,525**	**948**	2,590	1,141
Maintenance and hire charges	**2,539**	**890**	2,621	924
Petrol, oil and lubricants	**462**	**147**	421	119
Insurance	**783**	**270**	935	224
Others	**2,847**	**1,294**	1,999	744
	49,845	**15,835**	48,326	14,409

34 ADMINISTRATIVE EXPENSES

	9-months ended 30 September 2014 RO'000	***3-months ended 30 September 2014 RO'000***	*9-months ended 30 September 2013 RO'000*	*3-months ended 30 September 2013 RO'000*
Training costs	**1,433**	**313**	1,533	547
Professional consultancy fees	**1,142**	**505**	1,231	557
Administrative services	**2,006**	**1,014**	1,433	489
Business travel	**1,263**	**424**	1,611	698
Office supplies and services	**1,012**	**321**	895	216
	6,856	**2,577**	6,703	2,507

35 FACTORING, COLLECTION AND DISTRIBUTION FEES

The Group has awarded an agreement to OIFC whereby all amounts due from certain category of customers in Sultanate of Oman are assigned and factored to OIFC.

Amounts due from such customers are also collected by the Group through its own facilities and through its other collection agents. Factoring fees for such collections are deducted from the charges payable to OIFC.

The Group pays factoring fees under the above agreements based on the customer category and the amounts assigned.

In addition, OIFC collects, on behalf of the Group, amounts due in respect of customer bills issued prior to the present assignment, for which factoring fees are paid at rates varying in accordance with the age of the amounts collected.

Distribution fees are also paid to agents selling prepaid cards and other services of the Group.

36 FINANCE INCOME / (COSTS)- NET

	Unaudited 9-months ended 30 September 2014 RO'000	***Unaudited 3-months ended 30 September 2014 RO'000***	*Unaudited 9-months ended 30 September 2013 RO'000*	*Unaudited 3-months ended 30 September 2013 RO'000*
Finance income				
Interest income	**3,994**	**1,105**	2,361	758
Dividend income	**818**	**180**	622	64
Fair value gain on held for trading investments	**1,770**	**1,266**	853	303
Fair value gain on investments at fair value through profit and loss	**3,432**	**2,308**	376	202
Realised gain on held for trading investments – net	**602**	**188**	815	574
Realised gain on investments at fair value through profit or loss	**5**	**-**	-	-
Exchange gain	**891**	**(1,377)**	-	-
	11,512	**3,670**	5,027	1,901
Finance cost				
Exchange loss	**-**	**-**	(2,049)	(1,768)
Impairment losses on available for sale investments	**-**	**-**	(51)	(51)
Interest on borrowings	**(4,824)**	**(1,573)**	(2,033)	(726)
	(4,824)	**(1,573)**	(4,133)	(2,545)
	6,688	**2,097**	894	(644)

37 OTHER INCOME / (COSTS) - net

	Unaudited 9-months ended 30 September 2014 RO'000	***Unaudited 3-months ended 30 September 2014 RO'000***	*Unaudited 9-months ended 30 September 2013 RO'000*	*Unaudited 3-months ended 30 September 2013 RO'000*
Miscellaneous income	**1,084**	**5**	257	169
Impairment loss on held for sale (Refer Note 5 (b))	**(921)**	**(921)**	-	-
Impairment loss on others	**(437)**	**(437)**	-	-
Liability no longer required written back	**501**	**-**	178	60
	227	**(1,353)**	435	229

38 TAXATION

(a) The tax charge for the period comprises:

	Unaudited 9-months ended 30 September 2014 RO'000	***Unaudited 3-months ended 30 September 2014 RO'000***	*Unaudited 9-months ended 30 September 2013 RO'000*	*Unaudited 3-months ended 30 September 2013 RO'000*
Current taxation	**15,052**	**4,836**	13,904	4,405
Tax relating to prior years (refer note (b) below)	**3,348**	**-**	-	-
Deferred taxation (Note 22)	**(938)**	**(513)**	(4,208)	(1,651)
Deferred tax relating to prior year (Note 22)	**1,110**	**696**	-	-
	18,572	**5,019**	9,696	2,754

38 TAXATION (continued)

(b) The reconciliation of tax on the accounting profit with the taxation charge in the statement of income is as follows:

	Unaudited 9-months ended 30 September 2014 RO'000	***Unaudited 3-months ended 30 September 2014 RO'000***	*Unaudited 9-months ended 30 September 2013 RO'000*	*Unaudited 3-months ended 30 September 2013 RO'000*
Tax on accounting profit	**11,999**	**3,207**	9,381	2,397
Add / (less) tax effect of:				
Expenses not deductible	**1,737**	**528**	956	527
Income not subject to tax	**378**	**588**	(641)	(170)
Tax relating to prior years	**3,348**	**-**	-	-
Deferred tax relating to prior years	**1,110**	**696**	-	-
Tax charge as per statement of income	**18,572**	**5,019**	9,696	2,754

(c) Status of tax assessments

Assessments have been completed for tax years up to the taxable year 2007 for the Parent Company.

(d) Prior year tax

Tax relating to prior years include an amount of RO 2.918 million relating to adjustment of amortization of mobile license cost for the tax years 2004-2013 for the parent company.

39 BASIC EARNINGS PER SHARE

The earnings per share has been derived by dividing the profit for the period attributable to the owners of the Parent Company by the weighted average number of shares outstanding.

40 RELATED PARTIES

Related parties comprise the shareholders, directors, key management personnel and business entities in which they have the ability to control or exercise significant influence in financial and operating decisions.

The Group maintains balances with these related parties which arise in the normal course of business from the commercial transactions, and are entered into at mutually agreed terms and conditions.

The nature and amounts of transactions during the period were as follows:

(i) Purchase of goods and services

	Unaudited 30 September 2014 RO'000	*Unaudited 30 September 2013 RO'000*
Associates	**3,472**	4,342
Other related party	**249**	28
Total	**3,721**	4,370
(ii) Directors' sitting fees – non executive	**67**	49

40 RELATED PARTIES (continued)

(iii) Key management compensation

	Unaudited 30 September 2014 RO'000	*Unaudited 30 September 2013 RO'000*
Basic salaries and allowances	**1,205**	1,156
Other benefits and expenses	**1,133**	994
Social security costs	**78**	62
Retirement benefits	**32**	25
Total	**2,448**	2,237

(iv) Balances arising from sales / purchases of goods / services

	Receivables		***Payables***	
	Unaudited 30 September 2014 RO'000	*Audited 31 December 2013 RO'000*	***Unaudited 30 September 2014 RO'000***	*Audited 31 December 2013 RO'000*
Associates	**-**	-	**1,092**	1,066
Other Related Party	**313**	1,539	**38**	39
	313	1,539	**1,130**	1,105

(v) Sale of services-Other related parties	**-**	3

41 COMMITMENTS AND CONTINGENCIES

(a) Commitments

Commitments, for which no provision has been made in these interim consolidated financial statements, in respect of the purchase of fixed assets and investments, are as follows:

	Unaudited 30 September 2014 RO'000	*Audited 31 December 2013 RO'000*
Commitment for fixed capital expenditure	**91,738**	68,085
Investment	**5,250**	10,300

41 COMMITMENTS AND CONTINGENCIES (continued)

(b) Contingent liabilities

Letters of credit	**64**	365
Bank guarantees	**131**	4,268
Bid bonds	**50**	33
Performance bonds	**161**	103

The above letters of credit and bank guarantees were issued in the normal course of business.

(c) Claims

Certain regulatory non-compliance items, due to operational and budgetary constraints, may pose a risk of penalty being imposed by the TRA. However, neither the amount of penalty nor whether the TRA will actually impose a penalty can be determined at present. The legal and regulatory department of the Group considers these as low risk cases and at this stage, the outcome of the cases cannot be quantified or estimated.

The Group's subsidiary in Pakistan is also exposed to certain claims arising out of regulatory, taxation and operational matters. The subsidiary's management believes that none of these claims are expected to have any significant implication on its financial statements.

42 CREDIT RISK

(a) Exposure to credit risk

The gross carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Unaudited 30 September 2014 RO'000	*Audited 31 December 2013 RO'000*
Trade and other receivables	**130,820**	115,179
Other financial assets	**119,888**	125,408
Cash and bank balances	**43,769**	71,843
	294,477	312,430

The maximum exposure to credit risk for trade and other receivables at the reporting date by type of customer was:

	Unaudited 30 September 2014 RO'000	*Audited 31 December 2013 RO'000*
Oman Investment Finance Company SAOG	**35,904**	31,518
Due from other operators	**30,280**	26,577
Government debts	**13,035**	14,368
Agents for prepaid card sales	**10,542**	1,314
Other customers	**41,059**	41,402
	130,820	115,179

42 CREDIT RISK (continued)

(b) The ageing of trade receivables and related impairment loss at the reporting date was:

	Unaudited 30 September 2014		*Audited* ***31 December 2013***	
	Gross RO'000	***Impairment RO'000***	***Gross RO'000***	***Impairment RO'000***
Not past due	**41,699**	**-**	30,510	-
Past due 0 - 180 days	**28,586**	**2,589**	23,296	3,634
Past due 181 – 365 days	**3,946**	**493**	7,640	850
1 - 2 years	**10,728**	**3,261**	7,866	2,318
More than 2 years	**45,861**	**40,921**	45,867	42,448
	130,820	**47,264**	115,179	49,250

(i) Included in the Group's trade receivable balance are debtors with a carrying amount of RO 41.857 million (31 December 2013: RO 35.419 million) which are past due at the reporting date for which the Group has not provided any amount as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances. The average age of these receivables is 180 days.

(ii) The movement in provision for impairment of receivables is as follows:

	Unaudited 30 September 2014 RO'000	*Audited 31 December 2013 RO'000*
Opening balance	**49,250**	47,484
Net foreign currency exchange difference	**356**	(342)
Charge for the period / year	**2,806**	4,019
Written back during the period / year	**(2,082)**	(1,911)
Transfer to Government	**(2,567)**	-
Adjustment	**(499)**	-
Closing balance	**47,264**	49,250

The allowance accounts in respect of trade receivables are used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible; at that point the amount considered irrecoverable is written off against the financial asset directly.

In the event of subsequent recovery of the receivables in respect of which provisions had been established at 31 December 2004, the write back of such bad debt provision will be credited and paid to the Government. The write back in respect of provisions established as at 31 December 2004 is credited to the Government and the remaining balance has been credited to the consolidated statement of income.

43 LIQUIDITY RISK

The following are the contractual maturities of financial liabilities, excluding interest payments:

30 September 2014 (Unaudited)

	Carrying amount RO'000	***6 months or less RO'000***	***6 - 12 months RO'000***	***1 - 2 years RO'000***	***More than 2 years RO'000***
Borrowings	38,086	7,543	4,824	8,699	17,020
Accrued interest	797	797	-	-	-
Trade payables	18,900	15,693	1,917	1,291	-
Amount due to other telecommunication administrators	5,762	5,762	-	-	-
Retention payable	21,387	21,310	77	-	-
Accruals	54,580	54,580	-	-	-
Other payables	14,654	8,760	1,617	828	3,449
Royalty payable	24,057	24,057	-	-	-
Other long term liabilities	163	-	-	-	163
Licence fee payable	3,912	3,912	-	-	-
	182,298	**142,414**	**8,435**	**10,818**	**20,632**

31 December 2013 (Audited)

	Carrying amount RO'000	*6 months or less RO'000*	*6 - 12 months RO'000*	*1 - 2 Years RO'000*	*More than 2 years RO'000*
Borrowings	36,244	3,801	3,309	8,966	20,168
Interest payable	946	946	-	-	-
Trade payables	23,661	20,554	1,185	1,206	716
Amount due to other telecommunication administrators	5,842	5,842	-	-	-
Retention payable	18,749	18,629	120	-	-
Accruals	38,285	38,285	-	-	-
Other payables	7,246	4,752	298	529	1,667
Royalty payable	30,495	30,495	-	-	-
Other long term liabilities	155	-	-	-	155
Licence fee payable	3,744	3,744	-	-	-
	165,367	127,048	4,912	10,701	22,706

44 INTEREST RATE RISK

At the reporting date, the interest rate profile of the Group's interest bearing financial instruments was:

	Unaudited 30 September 2014 RO'000	*Audited 31 December 2013 RO'000*
Floating rate instruments		
Financial liabilities	**(29,252)**	(28,650)
Fixed rate instruments		
Financial assets	**67,568**	99,546
Financial liabilities	**(7,744)**	(7,594)
	59,824	91,952

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

45 FOREIGN CURRENCY RISK

The Group's main exposure to foreign exchange volatility within shareholder's equity arises from its investment in a subsidiary based in Pakistan.

The net exposure to the currency risk as at the reporting date is as follows:

	Unaudited 30 September 2014 Pakistani Rupees PKR '000	*Audited 31 December 2013 Pakistani Rupees PKR '000*
Total assets	**22,192,009**	24,223,539
Goodwill	**3,836,094**	3,836,094
Total liabilities	**(20,944,783)**	(20,330,672)
Non-controlling interest	**(533,005)**	(1,668,842)
	4,550,315	6,060,119

The following significant exchange rates were applied during the period:

	Pakistani Rupees
Average exchange rate from 1 January 2014 to 30 September 2014	255.826
Exchange rate as at 30 September 2014	261.097

A 5% strengthening of Rials Omani against the above currency would have decreased equity by RO 0.830 million (31 December 2013: RO 1.06 million) attributable to equity holders of the parent company. The analysis assumes that all other variables, in particular interest rates remain constant.

A 5% weakening of Rials Omani would have had an equal but opposite effect.

46 FAIR VALUE OF ASSETS AND LIABILITIES

Fair value versus carrying amounts

The fair value of the financial assets and liabilities approximates their carrying value as stated in the statement of financial position except for financial assets which are measured at cost and which are "Held to maturity". Financial assets are measured at cost where there is no reliable measure of fair value.

Fair value measurements recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs). These investments are valued based on share of net assets of investee which approximates to the fair value at the end of the reporting period.

46 FAIR VALUE OF ASSETS AND LIABILITIES (continued)

	Level 1 RO'000	***Level 2 RO'000***	***Level 3 RO'000***	***Unaudited total 30 September 2014 RO'000***
Investments at fair value through profit or loss				
Investment in mutual funds and structured deposits	-	17,224	-	**17,224**
Unquoted equity instruments	-	-	5,983	**5,983**
Quoted equity instruments	3,836	-	-	**3,836**
Held for trading				
Quoted equity instruments	20,849	-	-	**20,849**
Available-for-sale investments at fair value				
Mutual funds	-	295	-	**295**
Quoted equity instruments	298	-	-	**298**
	24,983	**17,519**	**5,983**	**48,485**

	Level 1 RO'000	*Level 2 RO'000*	*Level 3 RO'000*	*Audited Total 31 December 2013 RO'000*
Investments at fair value through profit or loss				
Investment in mutual funds	-	10,139	-	10,139
Unquoted equity instruments	-	-	4,325	4,325
Quoted equity instrument	1,835	-	-	1,835
Held for trading				
Quoted equity and bonds	15,163	-	-	15,163
Available-for-sale investments at fair value				
Mutual funds	-	241	-	241
Quoted equity instruments	305	-	-	305
	17,303	10,380	4,325	32,008

There were no transfers between the levels during the period/year.

47 COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to current period presentation.