

**OMAN TELECOMMUNICATIONS
COMPANY SAOG AND ITS SUBSIDIARY**

**Unaudited Interim consolidated financial statements
for the period ended 30 June 2006**

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**INTERIM CONSOLIDATED INCOME STATEMENT
FOR THE PERIOD ENDED 30 June 2006**

		(Unaudited)	(Unaudited)
	Note	June 2006 RO'000	June 2005 RO'000
Revenue			
Service revenue		138,463	121,724
External administration revenue	6	7,758	6,641
Interconnection income	7(a)	10,095	2,374
Capacity sale		<u>1,263</u>	<u>0</u>
		<u>157,579</u>	<u>130,739</u>
Expenses			
Roaming operator services		(2,258)	(2,003)
Interconnection expense	7(b)	(5,794)	(586)
Cost of content services	8	(777)	(1,238)
External administration expenses	9	(8,408)	(7,846)
Marketing and advertising expenses		(2,372)	(1,672)
Staff costs	10	(15,650)	(13,992)
Operating and maintenance expenses	11	(9,240)	(9,564)
Administrative expenses	12	(3,525)	(4,027)
Depreciation	17	(27,297)	(23,938)
Commission	13	(8,021)	(5,439)
Provision for impairment of receivables		(4,651)	(3,561)
Amortisation of licence fee - net	18	(1,396)	(1,396)
Annual licence fees	18	(830)	(978)
Royalty		<u>(16,797)</u>	<u>(13,052)</u>
		<u>(107,016)</u>	<u>(89,292)</u>
Operating profit		50,563	41,447
Finance (costs)/income – net	14	(1,861)	1,535
Other income		232	68
Share of profit / (loss) from associated companies - net	19	<u>140</u>	<u>80</u>
Profit before taxation		49,074	43,130
Taxation	15	(5,905)	(3,756)
Profit for the period		43,169	39,374
Attributable to:			
Equity holders of the Company		42,936	39,141
Minority interest		233	233
		<u>43,169</u>	<u>39,374</u>
Earnings per share for profit attributable to the equity holders of the company for the period (RO)	16	0.0572	0.0522

The notes on pages 6 to 28 form an integral part of these interim consolidated financial statements.

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INTERIM CONSOLIDATED BALANCE SHEET AS AT 30 June 2006

	Note	(Unaudited) 30 June 2006 RO'000	(Audited) 31 December 2005 RO'000
ASSETS			
Non-current assets			
Property, plant and equipment	17	316,825	320,168
Licences	18	38,212	39,608
Investments in associated companies	19	2,316	2,290
Investments at fair value through profit or loss	20	4,336	4,336
		361,689	366,402
Current assets			
Inventories	21	5,128	5,189
Trade and other receivables	22	30,652	33,845
Cash and cash equivalents	23	40,890	47,564
		76,670	86,598
Total assets		438,359	453,000
EQUITY			
Capital and reserves			
Share capital	24	75,000	75,000
Legal reserve	25	30,218	30,218
Voluntary reserve	26	42,718	42,718
Capital contribution		44,181	44,181
Retained earnings		51,559	8,623
Proposed dividend			52,500
Attributable to equity holders of the company		243,676	253,240
Minority interest		888	655
Total equity		244,564	253,895
LIABILITIES			
Non-current liabilities			
Borrowings	27	50,863	51,527
Deferred tax	28	2,463	2,129
End of service benefits	30	1,735	1,741
		55,061	55,397
Current liabilities			
Borrowings	27	40,250	35,757
Creditors and accruals	31	52,141	58,548
Amount payable to the Government	29	-	2,852
Dividend payable to the Government	32	16,000	-
Dividend payable to minority interest		-	122
Royalty payable	33	24,218	36,821
Taxation		6,125	9,608
		138,734	143,708
Total liabilities		193,795	199,105
Total equity and liabilities		438,359	453,000
Net assets per share (RO)	34	0.325	0.338

The interim consolidated financial statements on pages 2 to 28 were approved and authorised for issue to the shareholders by the Board of Directors on 6 August 2006 and were signed on their behalf by:

CHAIRMAN

DIRECTOR

CHIEF EXECUTIVE OFFICER

The notes on pages 6 to 28 form an integral part of these interim consolidated financial statements.

OMAN TELECOMMUNICATIONS COMPANY SAOG AND ITS SUBSIDIARY

INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 June 2006 (Unaudited)

	Note	Share capital RO'000	Legal reserve RO'000	Voluntary reserve RO'000	Capital contribution RO'000	Retained earnings RO'000	Proposed dividend RO'000	Minority interest RO'000	Total RO'000
At 1 January 2005		75,000	26,508	39,008	44,181	772	78,835	402	264,706
Dividend relating to 2004		-	-	-	-	-	(78,835)	-	(78,835)
Profit for the period		-	-	-	-	39,141	-	233	39,374
Transfer to legal reserve	25	-	2,312	-	-	(2,312)	-	-	-
Transfer to voluntary reserve	26	-	-	2,312	-	(2,312)	-	-	-
At 30 June 2005		75,000	28,820	41,320	44,181	35,289	-	635	225,245
Balance at 1 January 2006		75,000	30,218	42,718	44,181	8,623	52,500	655	253,895
Dividend paid		-	-	-	-	-	(52,500)	-	(52,500)
Profit for the period		-	-	-	-	42,936	-	233	43,169
Transfer to legal reserve	25	-	-	-	-	-	-	-	-
Transfer to voluntary reserve	26	-	-	-	-	-	-	-	-
At 30 June 2006		75,000	30,218	42,718	44,181	51,559	-	888	244,564

The notes on pages 6 to 28 form an integral part of these interim consolidated financial statements.

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**INTERIM CONSOLIDATED CASH FLOW STATEMENT
FOR THE PERIOD ENDED 30 June 2006**

	(Unaudited)	(Unaudited)
	June 2006	June 2005
	RO'000	RO'000
Operating activities		
Profit before taxation	49,074	43,130
Adjustments for:		
Depreciation	27,297	23,938
Provision for impairment of receivables	4,651	3,561
Amortisation of goodwill	-	48
Amortisation of licences	1,396	1,396
Fair value gains on investments	-	(311)
Dividend income	-	(58)
Finance costs / (income) – net	1,861	(968)
Share of (profit) / loss from associated companies	(140)	(80)
End of service benefits expenses	0	84
Operating profit before payment of end of service benefits and changes in working capital	84,139	70,740
Payment of end of service benefits	(6)	(108)
Working capital changes:		
Inventories	61	409
Trade and other receivables	(1,458)	(10,818)
Royalty payable	(12,603)	(10,921)
Creditors and accruals	(6,275)	(4,831)
Cash generated from operations	63,858	44,471
Tax paid	(9,054)	(10,420)
Net cash generated from / (used in) operating activities	54,804	34,051
Investing activities		
Interest received	360	1,143
Purchase of property, plant and equipment	(23,954)	(28,080)
Net cash used in investing activities	(23,594)	(26,937)
Financing activities		
Repayment of loan	(5,224)	(664)
Dividends paid	(30,274)	(39,417)
Interest paid	(2,386)	-
Net cash used in financing activities	(37,884)	(40,081)
Net change in cash and cash equivalents	(6,674)	(32,967)
Cash and cash equivalents at beginning of the period	47,564	78,782
Cash and cash equivalents at the end of the period	40,890	45,815

The notes on pages 6 to 28 form an integral part of these interim consolidated financial statements.

**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 June 2006**

1 General information

Oman Telecommunication Company SAOG (the parent company or 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 Ministries Street, Al Khuwair, Sultanate of Oman. The company was established under Royal Decree 46/99 dated 18 July 1999 by the transformation of the General Telecommunications Organisation (the Organisation) into the company. The company completed registration as a closed joint stock company in the Sultanate of Oman on 22 April 2000. In accordance with Royal Decree 46/99, effective 1 August 1999, the company was vested with all the assets and liabilities of the Organisation.

Effective 29 February 2004, the company established a subsidiary company, Oman Mobile Telecommunications Company (LLC) (Oman Mobile), the principal activity of which is the provision of mobile telecommunication services. The Government of the Sultanate of Oman (the Government) has established a Telecommunications Regulatory Authority (TRA), which has issued two licences to the company for mobile and other telecommunications services. The licences have been initially accounted for by the group at an aggregate fair value of RO 44.881 million.

Following the issuance of Royal Decree 35/2005, the Ministry of Finance was authorised to dispose of 30% of the Government's interest in the company to new investors. Consequently, the Government sold 30% of its existing shares in the company to the public. The shares were listed on the Muscat Securities Market (the IPO) on 28 July 2005 and the company became a public joint stock company (SAOG).

The principal activities of the company and Oman Mobile (together referred to as the group) are the establishment, operation, maintenance and development of fixed and mobile telecommunication services in the Sultanate of Oman.

The principal activities of the associated companies, which are incorporated in the Sultanate of Oman are set out below.

	Percentage shareholding		Principal activities
	June 2006	December 2005	
	%	%	
Oman Mobile Telecommunications Company (LLC)	99	99	Engaged in the establishment, operation, maintenance and development of mobile telecommunication services.
Oman Fibre Optic Company SAOG	25.96	25.96	Engaged in the manufacture and design of optical fibre and cables.
Infoline LLC	45	45	Engaged in the provision of IT enabled services.
Omania e-commerce LLC	40	40	Engaged in the provision of e-commerce services.

2 Summary of significant accounting policies

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

2.1 Basis of preparation

(a) The interim consolidated financial statements are prepared on the historical cost basis except as disclosed in the accounting policies below and in accordance with International Financial Reporting Standards (IFRS) and comply with the disclosure requirements set out in the Rules for Disclosure and Proformas issued by the Capital Market Authority of the Sultanate of Oman.

(b) The preparation of 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 higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

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**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 June 2006 (continued)**

**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 June 2006 (continued)****2.1 Basis of preparation (continued)**

(c) At 30 June 2006 the company had net current liabilities of RO 61.4 million (2005 - RO 57.1 million). The Directors have reviewed cash flow projections prepared by management and are satisfied that the group will be able to meet its obligations for the next 12 months.

(d) *Standards, interpretations and amendments to published standards that are not yet effective.*

A new standard and amendment to existing standards have been published that are mandatory for the group's accounting periods beginning on or after 1 January 2007 but which the group has not adopted earlier. Management is currently evaluating the impact, if any, of these pronouncements on the group's financial statements for the period ended 30 June 2006:

- IFRS 7, Financial Instruments: Disclosures, and a complementary amendment to IAS 1, Presentation of Financial Statements - Capital Disclosures (effective from 1 January 2007). IFRS 7 introduces new disclosures to improve the information about financial instruments and will require the group to disclose additional qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures and risk management policies including sensitivity analysis to market risk. The group will apply IFRS 7 and the amendment to IAS 1 from annual periods beginning 1 January 2007.

2.2 Consolidation**2.2.1 Subsidiary companies**

Subsidiaries are all entities (including special purpose entities) over which the group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date that control ceases. The purchase method of accounting is used to account for the acquisition of subsidiaries by the group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries are changed, where necessary, to ensure consistency with the policies adopted by the group.

2.2.2 Transactions and minority interests

The group applies a policy of treating transactions with minority interests as transactions with parties external to the group. Disposals to minority interests result in gains and losses for the group that are recorded in the income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 June 2006 (continued)****2.2 Consolidation (continued)****2.2.3 Associated companies**

Associates are all entities over which the group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The group's share of its associates' post-acquisition profits or losses is recognised in the income statement, 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.

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. Accounting policies of associates are changed, where necessary, to ensure consistency with the policies adopted by the group.

2.3 Segment reporting

A segment is a distinguishable component of the group that is engaged in providing products or services (business segment) or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

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.

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

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

Sales relating to unutilised payphone and prepaid cards are accounted for as deferred income.

2.5 Finance costs - net

Net finance income comprises interest receivable 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 less interest payable on borrowings.

Interest income is accounted for on the accrual basis.

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

**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 June 2006 (continued)**

2.6 Commission

Commission comprises commission payable to factoring and collection agents and agents that sell prepaid cards. Commission payable to factoring agents is accounted for at the time of the assignment of receivables. Commission payable to selling agents is accounted for at the time of the sale of cards to the agents. Commission payable to collection agents is accounted for at the time of collection of the bills.

2.7 Foreign currency

Items included in the financial statements of each of the group entities are measured using Rials Omani (RO) which is the functional currency of the primary economic environment in which the group operates. The consolidated financial statements are presented in Rials Omani, which is the parent company's functional and presentation currency, rounded off to the nearest thousand.

Foreign currency transactions are translated into Rials Omani at the exchange rate prevailing on the transaction date. Foreign currency assets and liabilities are translated into Rials Omani at the exchange rate prevailing at the balance sheet date. Differences on exchange are dealt with in the income statement.

2.8 Property, plant and equipment

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 income statement 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	5 - 20
Cables and transmission equipment	5 - 25
Telephone exchanges, power equipment and related software	3 - 20
Telephone, telex and related equipment	1 - 5
Satellite communication equipment	5 - 14
Furniture and office equipment	3 - 7
Motor vehicles and equipment	3 - 4

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

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

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

Assets in use awaiting capitalisation are depreciated over their estimated useful lives based on the asset categories to which they relate.

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.

**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 June 2006 (continued)****2.9 Impairment**

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identified cash flows (cash generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.10 Licences

Licences acquired from the Telecommunications Regulatory Authority are recognised at fair value less any subsequent accumulated amortisation costs and any subsequent accumulated impairment losses. The fixed and mobile licences are amortised on a straight line basis over the licence periods of 25 and 15 years, respectively.

2.11 Assets at fair value through profit or loss

Financial assets at fair value through profit or loss principally comprise marketable securities. A financial asset is held in this category if acquired principally for the purpose of short-term profit taking or if so designated by management. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. 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 income statement in the period in which they arise. The fair values of quoted investments in active markets are based on current bid prices.

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 Trade and other receivables

Trade and other receivables are stated at their cost less impairment losses. A provision for impairment of trade receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement within "other operating expenses".

2.14 Cash and cash equivalents

For the purpose of the cash flow statement, all bank balances, including short term deposits with a maturity of three months or less from the date of placement and cash in hand, are considered to be cash and cash equivalents.

**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 June 2006 (continued)****2.15 Borrowings**

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.16 End of service benefits and leave entitlements

End of service benefits are accrued in accordance with the terms of employment of the group's employees at the balance sheet date, having regard to the requirements of the Oman Labour Law, 2003. 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 balance sheet date. These accruals are included in current liabilities, while that relating to end of service benefits is disclosed as a non-current liability.

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 income statement as incurred.

2.17 Creditors and accruals

Liabilities are recognised for amounts to be paid for goods and services received, whether or not billed to the group.

2.18 Deferred income tax

Deferred income tax is provided, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted or substantially enacted tax rates are used to determine deferred income tax.

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

3 Financial risk management

Financial instruments carried on the balance sheet comprise cash and cash equivalents, receivables, payables and borrowings.

The group's activities expose it to a variety of financial risks including the effects of changes in foreign currency exchange rates, interest rates and credit risk. The group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the company. Risk management is carried out by the management under directives approved by the Board.

3.1 Financial risk factors**(i) Interest rate risk**

The group has short term deposits, amounts due to the Government and short term borrowings, which are interest bearing and exposed to changes in market interest rates.

**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 June 2006 (continued)****3 Financial risk management (continued)****3.1 Financial risk factors (continued)****(ii) Credit risk**

At the balance sheet date amounts receivable from a factoring agent approximate to 43% (2005 - 39%) of the group's total trade debtors. Bank guarantees provided by the factoring agents represent 60% (2005 - 60%) of the amounts due from them at the balance sheet date. Credit risk on other trade debtors is limited to their carrying values as management regularly reviews these balances to assess recoverability and makes provision for balances whose recoverability is in doubt.

(iii) Liquidity risk

In accordance with prudent liquidity risk management, the management aims to maintain sufficient cash and an adequate amounts of committed credit facilities.

(iv) Foreign currency risk

The group's transactions are primarily in Rial 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 to which the Rial Omani is pegged. There are no significant financial instruments denominated in foreign currency other than US Dollars and consequently foreign currency risk is not significant.

3.2 Fair value estimation

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. The fair value of the licences is disclosed in note 18 of these consolidated financial statements.

The face value less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year are assumed to approximate to their fair values.

The fair values of non-current financial assets and liabilities are considered to approximate to their carrying amounts.

4 Critical accounting estimates and judgements

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. The areas requiring a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are set out below:

(a) Revenue recognition

Income amounting to approximately RO 0.36 million from the Ministry of Information the period 1 January 2006 and 30 June 2006 has been recognised based on provision of TV transmission services at rates discussed with the customer and awaiting formalisation. Prior to the IPO, these services were provided but no revenue was realised in the absence of a formal agreement. A formal claim for payment of the amount of RO 1.61 million has been made with the Ministry of Information, for the period 2004 to 2006.

(b) Claims against the group

(i) 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.

(ii) A local licensed mobile operator (the operator) made a claim for retrospective reduction of interconnection charges in relation to international calls charges by the parent company to the operator. The TRA has completed its proceedings and a determination is pending. Management have not made a provision as they believe that the determination will be in favour of the parent company.

**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 June 2006 (continued)**

4 Critical accounting estimates and judgements (continued)

(c) *Income taxes*

There are a number of transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

5 Segment reporting

At 30 June 2006, the group is organized into two main business segments:

1. Provision of international and national calls from fixed lines, including rentals and installations of fixed telephones and internet services; (fixed lines and others).
2. Operation of Global System for Mobile Communication (GSM) for prepaid and postpaid services, equipment rentals and amounts derived from the sale of telecommunication equipment and other associated services falling within the group's ordinary activities (mobile). From 1 March 2004 this segment has started to operate separately under the subsidiary.

The segment results for the period ended 30 June 2006 are as follows:

	Fixed line and other RO'000	Mobile RO'000	Consolidation adjustments RO'000	Total RO'000
Total gross segment revenues	<u>84,797</u>	<u>112,818</u>	<u>(40,036)</u>	<u>157,579</u>
Profit before taxation	<u>22,498</u>	<u>26,576</u>	<u>-</u>	<u>49,074</u>

The segment results for the period ended 30 June 2005 are as follows:

	Fixed line and other RO'000	Mobile RO'000	Consolidation adjustments RO'000	Total RO'000
Total gross segment revenues	<u>71,761</u>	<u>90,326</u>	<u>(31,348)</u>	<u>130,739</u>
Profit before taxation	<u>16,603</u>	<u>26,527</u>	<u>-</u>	<u>43,130</u>

Other segment items for the period ended 30 June 2006 included in the income statement are as follows:

	Fixed line and other RO'000	Mobile RO'000	Total RO'000
Depreciation	<u>13,840</u>	<u>13,457</u>	<u>27,297</u>
Amortisation	<u>150</u>	<u>1,246</u>	<u>1,396</u>

**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 June 2006 (continued)**

5 Segment reporting

Other segment items for the period ended 30 June 2005 included in the income statement are as follows:

	Fixed line and other RO'000	Mobile RO'000	Total RO'000
Depreciation	15,562	8,376	23,938
Amortisation	150	1,246	1,396

The segment assets and liabilities at 30 June 2006 and capital expenditures for the period then ended are as follows:

	Fixed line and other RO'000	Mobile RO'000	Consolidation adjustments RO'000	Total RO'000
Assets	293,444	223,878	(78,963)	438,359
Liabilities	152,076	151,096	(109,377)	193,795
Capital expenditures	6,562	17,392	-	23,954

The segment assets and liabilities at 31 December 2005 and capital expenditures for the period then ended are as follows:

	Fixed line and other RO'000	Mobile RO'000	Consolidation adjustments RO'000	Total RO'000
Assets	361,493	206,686	(115,179)	453,000
Liabilities	148,364	141,169	(90,428)	199,105
Capital expenditures	33,011	49,349	-	82,360

6 External administration revenue

	30 June 2006 RO'000	30 June 2005 RO'000
Telephones and GSM	7,755	6,639
Telegrams	2	(1)
Telex	1	3
	7,758	6,641

7 Interconnection income and expense

(a) Interconnection income represents the revenue derived from a licensed local mobile operator for the use of transmission equipment, facilities and the charges for the termination of the operator's traffic on the group's network.

(b) Interconnection expense represents the charges paid by the group to a licensed local mobile operator for the termination of the traffic on the network of the operator.

**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 June 2006 (continued)**

8 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.

9 External administration expenses

	30 June 2006	30 June 2005
	RO'000	RO'000
Telephones (fixed and mobile)	8,402	7,842
Telegrams	5	1
Telex	1	3
	<u>8,408</u>	<u>7,846</u>

10 Staff costs

Salaries and allowances	14,362	12,180
Social security costs	815	751
End of service benefits	104	84
Other employee benefits	369	977
	<u>15,650</u>	<u>13,992</u>

11 Operating and maintenance expenses

Asset maintenance	2,712	1,970
Cost of sale of prepaid products	1,414	2,566
Satellite channels rent and frequency charges - net	2,206	2,612
Office rent	1,239	796
Electricity and water	764	687
Maintenance and hire charges	345	-
Petrol, oil and lubricants	202	161
Insurance	236	41
Others	122	731
	<u>9,240</u>	<u>9,564</u>

12 Administrative expenses

Training costs	743	938
Professional fees for group reorganization	876	1,522
Professional consultancy fees	910	238
Amortization of goodwill on investment in associated companies		48
Administrative services	412	546
Business travel	273	500
Office supplies and services	311	235
	<u>3,525</u>	<u>4,027</u>

Professional fees for the group reorganization were incurred in respect of services by a consultant for the enhancement of organizational efficiency and processes.

**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 June 2006 (continued)**

13 Commission

On 25 February 2004, the parent company entered into an agreement with Oman Investments and Finance Company SAOG (OIFC) whereby with effect from 1 January 2004 the parent company has assigned all amounts due from private customers to OIFC.

The agreement with OIFC for the collection of assigned amounts due from private customers has been extended for a period of one year until 31 December 2006.

The group pays commission under the above agreements based on the customer category and the amounts assigned.

For ongoing agreements OIFC assumes the responsibility for settlement of all amounts assigned.

In addition, OIFC endeavours to collect, on behalf of the group, amounts due in respect of customer bills raised prior to assignment, for which commission is paid at rates varying in accordance with the age of the amounts collected.

Commission paid to collection agents against bill collections are reduced from the commission payable to OIFC.

Commission is also paid to agents selling prepaid cards and other services of the group.

14 Finance (costs)/income - net

	30 June 2006	30 June 2005
	RO'000	RO'000
Interest income	230	968
Dividend income	-	58
Exchange gain/(loss)	0	198
Fair value gain on investments at fair value through profit and loss	0	311
Interest on borrowings	(2,091)	-
	<u>(1,861)</u>	<u>1,535</u>
	<u><u>(1,861)</u></u>	<u><u>1,535</u></u>

15 Taxation

(a) The tax charge for the period comprises:

	30 June 2006	30 June 2005
	RO'000	RO'000
Current taxation	5,571	5,314
Deferred taxation		(1,558)
- in respect of current period	334	0
	<u>5,905</u>	<u>3,756</u>
	<u><u>5,905</u></u>	<u><u>3,756</u></u>

**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 June 2006 (continued)**

15 Taxation (continued)

(b) The reconciliation of tax on the accounting profit at the applicable rate of 12% after the basic exemption limit of RO 60,000 with the taxation charge in the income statement is as follows:

	30 June 2006	30 June 2005
	RO'000	RO'000
Tax on accounting profit of RO 49,074 (30 June 2005 – RO 43,130)	5,882	5,146
Add / (less) tax effect of:		
Expenses not deductible	167	231
Income not assessable for tax purposes		(63)
Deferred tax	(144)	(1,558)
	<hr/>	<hr/>
Tax charge as per income statement	5,905	3,756
	<hr/> <hr/>	<hr/> <hr/>

(c) For all years up to 31 December 2005 taxation returns have been filed but have yet to be agreed with the Oman Taxation Authorities. Assessments have been completed up to the year 2001 and a refund has been determined. The group filed an appeal in 2005, in respect of certain disallowances for the period from 1999 to 2001.

16 Earnings per share

The earnings per share has been derived by dividing the profit for the period attributable to the equity holders of the parent company by the weighted average number of shares outstanding.

17 Property, plant and equipment

(a) The movement in property, plant and equipment during 2006 and 2005 is set out on page 27 and 28.

(b) The Board of Directors consider that leasehold lands from the Government 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.

(c) At 1st August 1999, fixed assets having an original cost of approximately RO 430 million and accumulated depreciation of approximately RO 247 million were transferred to the company at their net book value (note 1).

18 Licences

The movement in licences is as follows:

	30 June 2006	31 December 2005
	RO'000	RO'000
At 1 st January	39,608	42,401
Acquired at fair value from Government Authorities	-	-
Charge for the period/ year	(1,396)	(2,793)
	<hr/>	<hr/>
Net book amount at period/ year end	38,212	39,608
	<hr/> <hr/>	<hr/> <hr/>

(a) On 11 February 2004 the 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 a period of 15 years and 25 years respectively.

The group engaged an independent firm of consultants to determine the fair value of the licences as at 11 February 2005, who have determined the fair value of the fixed and mobile licences on an open market basis at approximately RO 44.881 million.

**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 June 2006 (continued)**

18 Licences (continued)

The basis of the valuations was on an assessed open market value of the licences under their current terms and 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 non-distributable capital contribution within equity.

(b) The group is also required to pay an annual licence fee to the TRA.

19 Investments in associated companies

(a) The group's share of post acquisition profits and the carrying value of the investment in associated companies is as follows:

	30 June 2006	31 December 2005
	RO'000	RO'000
At beginning of the period / year	2,290	1,731
Investment during the period / year	-	612
Share of profit – net	140	157
Dividend received	(114)	(114)
Impairment of goodwill	-	(96)
	<hr/>	<hr/>
At end of the period / year	2,316	2,290
	<hr/> <hr/>	<hr/> <hr/>

(b) The fair value of the parent company's investment in Oman Fiber Optic Company SAOG, which is listed on Muscat Securities Market, is RO 2,463,125 (31 December 2005 – RO 2,586,000).

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 June 2006 (continued)**19 Investments in associated companies (continued)**

(c) The group's share of the results of its principal associates, all of which are incorporated in the Sultanate of Oman and one of which is unlisted, and its share of the assets (including goodwill and liabilities) are as follows:

Name	Assets RO'000	Liabilities RO'000	Revenues RO'000	Profit / (loss) RO'000	% interest held
Period ended 30 June 2006					
Oman Fiber Optic SAOG	2,068	809	436	34	25.96%
Infoline LLC	423	57	124	17	45.00%
Omania e-Commerce	297	17	5	(64)	40.00%
Year 2005					
Oman Fiber Optic SAOG	2,130	791	884	156	25.96%
Infoline LLC	450	126	266	19	45.00%

i. The information provided above relates to the unaudited results of the six months period ended 30 June 2006.

20 Investments at fair value through profit or loss

	Carrying amount as at 31 December 2005 RO'000	Fair value adjustment RO'000	Carrying amount as at 30 June 2006 RO'000
Non-current and unquoted			
Thuraya Telecommunication Company	1,629	-	1,629
Arab Satellite Communications Organisation	2,707	-	2,707
	<u>4,336</u>	<u>-</u>	<u>4,336</u>

21 Inventories

	30 June 2006 RO'000	31 December 2005 RO'000
Stores and spares	6,785	7,940
Prepaid cards and handsets	1,715	621
	<u>8,500</u>	<u>8,561</u>
Provision for inventory obsolescence	(3,372)	
	<u>5,128</u>	<u>5,189</u>

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

	30 June 2006 RO'000	31 December 2005 RO'000
At beginning of period / year	3,372	4,342
Charged during the period / year	-	209
	<u>3,372</u>	<u>4,551</u>
Released during the period	-	
At end of the period / year	<u>3,372</u>	<u>3,372</u>

**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 June 2006 (continued)**

22 Trade and other receivables

	30 June 2006	31 December 2005
	RO'000	RO'000
Amounts due from customers		28,233
Amounts due from OIFC		24,700
Amounts due from other operators		9,019
Other receivables		1,812
	<u> </u>	<u> </u>
		63,764
Provision in respect of claims finalised by Ministerial Committee (note (a) below)		
Provision for impairment of receivables	<u> </u>	<u> </u>
Trade and other receivables - (net)		27,274
Prepayments, advances and staff loans		6,571
	<u> </u>	<u> </u>
		33,845
	<u> </u>	<u> </u>

(a) During 2000, a Ministerial Committee was formed to review OIFC's claims against the parent company. The Ministerial Committee at its meeting held on 31 March 2001 examined OIFC's claims for the period up to 30 November 1999 amounting to RO 17.74 million and resolved that RO 6.16 million should be borne by the company with the balance amount being borne by OIFC. The Ministerial Committee also resolved that any amounts subsequently collected in respect of the claims should be shared equally between OIFC and the company.

(b) In the event of subsequent recovery of the receivables in respect of provisions had been established at 31 December 2004, the write back of such bad debt provision will be credited and paid to the Government (see note 29).

(c) The movement in provision for impairment is as follows:

	30 June 2006	31 December 2005
	RO'000	RO'000
At 1 January	36,490	34,372
Charge for the period / year	6,121	5,703
Amount written off during the period / year	-	
Amount written back during the period / year	(1,470)	
	<u> </u>	<u> </u>
At end of the period / year	41,141	36,490
	<u> </u>	<u> </u>

23 Cash and cash equivalents

Short term bank deposits	-	5,080
Cash at bank and in hand	40,890	42,484
	<u> </u>	<u> </u>
	40,890	47,564
	<u> </u>	<u> </u>

Short term deposits are placed with commercial banks at interest rates ranging from 2.6% to 4.3% per annum during 2005 and mature between one and three months from the date of deposit.

**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 June 2006 (continued)**

24 Share capital

The share capital comprises 750,000,000 (2005 - 750,000,000) ordinary shares of RO 0.100 (2005 - 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 31 March are as follows:

	2006		2005	
	Shares held	%	Shares held	%
Government of the Sultanate of Oman	525,000,000	70	525,000,000	70

25 Legal reserve

In accordance with the Commercial Companies Law of Oman, No. 4, 1974, annual appropriations of 10% of the profit for the year of the company and subsidiary are made to this reserve until the accumulated balance of the reserve is equal to one third of the value of the respective entity's paid-up share capital. This reserve is not available for distribution. The balance at the end of the year represents amounts relating to the company and its share of the legal reserve of its subsidiary. The transfer to legal reserve will be made at the end of the year.

26 Voluntary reserve

In accordance with the Board of Directors' resolution No.16T/5/2000, the company and its subsidiary transfer 10% of their annual net profits to a distributable voluntary reserve until it becomes equal to one-half of the respective entity's paid up share capital. The balance at the end of the year represents amounts relating to the company and its share of the reserve of its subsidiary. The transfer to voluntary reserve will be made at the end of the year.

27 Borrowings

	30 June 2006 RO'000	31 December 2005 RO'000
Non-current		
Government loan and other borrowings	91,113	87,284
Current portion included under current liabilities	(40,250)	(35,757)
	50,863	51,527
	=====	=====
Current		
Current portion of borrowings from Government	40,250	31,197
Overdraft	-	4,560
	40,250	35,757
	=====	=====
(a) Maturity of non-current borrowings is as follows:		
1 to 2 years	37,724	38,388
2 to 5 years	13,139	13,139
	50,863	51,527
	=====	=====

**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 June 2006 (continued)**

27 Borrowings (continued)

(b) The Government loan, which was interest free until 31 July 2005, represents draw downs from the Government, under an agreement between the group and the Ministry of Finance, for financing development projects approved in the Third Five Year Plan of the Sultanate of Oman. During the year, RO 30 million from amounts due to the Government (see note 29) and dividends payable to the Government, respectively were transferred to the Government loan.

(c) Effective 1 August 2005, the Government started to charge 5% interest per annum on the balance of the Government loan. However, effective 20 June 2006, the rate of interest has been reduced to 3% per annum. Interest at the rate of 5% is payable on the dividend for 2005 from 1 May 2006.

(d) Borrowings as at 31 December 2005 also include an overdraft facility extended by local bank. The overdraft has been repaid during the current period. The effective interest rate during 2005 was 4.25% per annum).

28 Deferred tax

Deferred income taxes are calculated on all temporary differences under the liability method using a principal tax rate of 12% (2005 - 12%). The net deferred tax liability and deferred tax charge/(credit) in the income statement are attributable to the following items:

	1 January 2006 RO'000	Charged/(credited) to income statement RO'000	30 June 2006 RO'000
Asset			
Tax effect of provisions	(3,440)	(261)	(3,701)
Liability			
Tax effect of depreciation	5,569	595	6,164
	2,129	334	2,463
	2,129	334	2,463
	1 January 2005 RO'000	Charged/(credited) to income statement RO'000	31 December 2005 RO'000
Asset			
Tax effect of provisions	(2,600)	(840)	(3,440)
Liability			
Tax effect of depreciation	4,153	1,416	5,569
	1,553	576	2,129
	1,553	576	2,129

**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 June 2006 (continued)**

29 Amount payable to the Government

	30 June 2006	31 December 2005
	RO'000	RO'000
At 1 January	-	30,000
Transferred to Government loan (note 27)	-	(30,000)
Write back of impaired debt provision (note 22(b))	2,852	2,852
Amount paid in current period	(2,852)	
	<hr/>	<hr/>
At end of the period/ year	-	2,852
Less: current portion	-	(2,852)
	<hr/>	<hr/>
Non current portion	-	-
	<hr/> <hr/>	<hr/> <hr/>

As disclosed in note 33, during the year, the TRA has permitted the deduction of interconnection expenses in relation to local licensed operators which is applicable retrospectively. As the determination of royalty payable for the year 2004 is in the process of being finalised by the TRA, any concessions granted by the TRA, in respect of royalty paid for the period 11 February 2004 to 31 December 2004, will be transferred to the Government.

30 End of service benefits

The movement in end of service benefits is as follows:

	30 June 2006	31 December 2005
	RO'000	RO'000
At 1 January	1,741	1,753
Charge for the period / year	63	170
Payments during the period / year	(69)	(182)
	<hr/>	<hr/>
At end of the period / year	1,735	1,741
	<hr/> <hr/>	<hr/> <hr/>

31 Creditors and accruals

Trade payables, Retentions payable, Accruals, Other payables	40,379	41,094
Amounts due to other telecommunication administrators	4,201	6,848
Deferred income	7,561	10,606
	<hr/>	<hr/>
	52,141	58,548
	<hr/> <hr/>	<hr/> <hr/>

Retentions payable include approximately RO 819,660 (2005 - RO 2,855,000) due after one year.

32 Dividend payable

For the year 2005, a dividend of RO 52.5 million was approved by the shareholders at the Annual General Meeting held on 28 March 2006. The balance of RO 16 million represents amounts payable to the government in November 2006.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 June 2006 (continued)**33 Royalty payable**

In accordance with Article 4 (1) of the fixed and mobile licences referred to in note 1, the licensee is required to pay royalty to the TRA at the rates of 10% and 12% respectively of its gross revenue as royalty. During the year 2005 the TRA has permitted the group to deduct interconnection expenses in respect of local licensed operators which is applicable to years 2004 and 2005. Accordingly, payments have been made for the years 2004 and 2005.

34 Net asset per share

Net assets per share attributable to equity holders of the company is calculated by dividing the net assets at period / year end by the number of shares outstanding at the period / year end:

		30 June 2006	31 December 2005
Net assets attributable to the equity holders of the company	(RO'000)	<u>243,676</u>	<u>253,240</u>
Number of shares outstanding at period / year end	('000)	<u>750,000</u>	<u>750,000</u>
Net assets per share	(RO)	<u><u>0.325</u></u>	<u><u>0.338</u></u>

35 Related parties

The group enters into transactions in the normal course of business with concerns in which certain directors of the parent company are interested. The nature and amounts of transactions during the period/ year were as follows:

(i) Purchase of goods and services

	30 June 2006	30 June 2005
	RO'000	RO'000
Entities under significant influence of the parent company	<u>14</u>	<u>790</u>
Entities with significant influence over the parent company	<u><u>9,627</u></u>	<u><u>9,650</u></u>

(ii) Remuneration to directors

	RO	RO
Parent company		
Directors' sitting fees - non executive	15,300	-
Executive directors' basic salaries, allowances, other benefits and social security costs	<u>-</u>	<u>18,246</u>
	<u><u>15,300</u></u>	<u><u>18,246</u></u>

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 June 2006 (continued)

35 Related parties (continued)

	30 June 2006 RO	30 June 2005 RO
Subsidiary company		
Directors' sitting fees – executive	8,000	6,600
Directors' sitting fees - non executive		400
	<u>8,000</u>	<u>7,000</u>
Consolidation	23,300	25,246
	<u><u> </u></u>	<u><u> </u></u>
(iv) Key management compensation (see note below)		
Parent company		
Basic salaries and allowances	143,547	55,766
Other benefits and expenses	12,976	490
Social security costs	13,601	4,138
	<u>170,124</u>	<u>60,394</u>
Subsidiary company		
Basic salaries and allowances	62,000	25,318
Other benefits and expenses	-	-
Social security costs	6,000	1,150
	<u>68,000</u>	<u>26,468</u>
Consolidation	238,124	86,862
	<u><u> </u></u>	<u><u> </u></u>

The figures for June 2006 include compensation and allowances of Division Heads which were not reflected in the comparative period.

(iv) Period/ year end balances arising from sales/purchases of goods/services

	30 June 2006 RO'000	31 December 2005 RO'000
Receivable from related parties	3,665	3,956
	<u><u> </u></u>	<u><u> </u></u>
Payable to related parties	1	28
	<u><u> </u></u>	<u><u> </u></u>

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 June 2006 (continued)

35 Related parties (continued)

(v) Loans to directors / key management

	30 June 2006 RO	31 December 2005 RO
(a) Executives	-	40,128
Division heads	-	18,240
	<u>-</u>	<u>58,368</u>
(b) The movement in loans to directors/key management is set out as follows:		
Beginning of the period / year	58,368	-
Loans given	-	151,104
Loans repayment received	(58,368)	(92,736)
End of period / year	-	58,368

36 Commitments

(a) Capital commitments

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

	30 June 2006 RO'000	31 December 2005 RO'000
Contracted for	80,561	64,109
Authorised but not contracted for	114,787	58,189
	<u>195,348</u>	<u>122,298</u>

At 30 June 2006, the aggregate capital commitment made by the group on behalf of the Government amounts to RO 1.77 million (2005 - RO 1.77 million). The Group is entitled to recover these amounts from the Government when they fall due for payment.

(b) Operational commitments

	30 June 2006 RO'000	31 December 2005 RO'000
Letters of credit	-	3,936

(c) Contingent liabilities

Bank guarantees	-	192
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OMAN TELECOMMUNICATIONS COMPANY SAOG AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 June 2006 (continued)

Movement in property, plant and equipment (note 17)

	Freehold land RO'000	Buildings RO'000	Cables and transmission equipment RO'000	Telephone exchanges, power equipment and related software RO'000	Telephone, telex and related equipment RO'000	Satellite communicatio n equipment RO'000	Furniture and office equipment RO'000	Motor vehicles and equipment RO'000	Capital work in progress RO'000	Assets in use but awaiting capitalisation RO'000	Total RO'000
Cost											
1 January 2006	677	21,155	160,799	200,206	6,654	6,612	18,278	2,931	29,270	98,013	544,595
Additions	-	6	70	184	49	114	131	82	10,508	12,810	23,954
Transfers	-	353	1,050	15,138	68	-	223	51	(1,085)	(15,798)	
30 June 2006	677	21,514	161,919	215,528	6,771	6,726	18,632	3,064	38,693	95,025	568,549
Depreciation											
1 January 2006	-	10,383	71,176	106,656	5,229	4,292	13,511	2,066	-	11,114	224,427
Charge for the period	-	803	5,843	13,856	552	230	1,689	280	-	4,044	27,297
Disposals											
30 June 2006	-	11,186	77,019	120,512	5,781	4,522	15,200	2,346	-	15,158	251,724
Net book amount											
At 30 June 2006	677	10,328	84,900	95,016	990	2,204	3,432	718	38,693	79,867	316,825

OMAN TELECOMMUNICATIONS COMPANY SAOG AND ITS SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006 (continued)

Movement in property, plant and equipment (note 17)

	Freehold land RO'000	Buildings RO'000	Cables and transmission equipment RO'000	Telephone exchanges, power equipment and related software RO'000	Telephone, telex and related equipment RO'000	Satellite communicatio n equipment RO'000	Furniture and office equipment RO'000	Motor vehicles and equipment RO'000	Capital work in progress RO'000	Assets in use but awaiting capitalisation RO'000	Total RO'000
Cost											
1 January 2005	668	17,532	151,822	142,866	6,378	5,434	14,849	2,564	57,716	62,430	462,259
Additions	3	106	1,009	289	261	212	1,232	201	(14,688)	93,735	82,360
Transfers	6	3,517	7,968	57,051	15	966	2,197	190	(13,758)	(58,152)	-
Disposals	-	-	-	-	-	-	-	(24)	-	-	(24)
31 December 2005	677	21,155	160,799	200,206	6,654	6,612	18,278	2,931	29,270	98,013	544,595
Depreciation											
1 January 2005	-	8,739	58,952	75,594	4,097	3,706	9,996	1,530	-	9,460	172,074
Charge for the year	-	1,644	12,224	31,062	1,132	586	3,515	560	-	1,654	52,377
Disposals	-	-	-	-	-	-	-	(24)	-	-	(24)
31 December 2005	-	10,383	71,176	106,656	5,229	4,292	13,511	2,066	-	11,114	224,427
Net book amount											
At 31 December 2005	677	10,772	89,623	93,550	1,425	2,320	4,767	865	29,270	86,899	320,168