

OMAN TELECOMMUNICATIONS COMPANY SAOG

1

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 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 Telecommunications Company LLC (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 subsidiary and associated companies, which are incorporated in the Sultanate of Oman are set out below.

	Percentage shareholding		Principal activities
	December 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 these consolidated financial statements are set out below. These policies have been consistently applied to the years presented, unless otherwise stated.

2.1 Basis of preparation

- The 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.
- 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 a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.
- At 31 December 2006 the Group had net current liabilities of RO 54.35 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.

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

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(d) Adoption of new and revised International Financial Reporting Standards (IFRS)

For the year ended 31 December 2006, the Group has adopted all of the new and revised standards and interpretations issued by the International Accounting 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 2006.

The adoptions of these standards and interpretations has not resulted in changes to the Company's accounting policies and has not affected the amounts reported for the current or prior years.

At the date of authorisation of these financial statements, the following standards and interpretations were in issue but not yet effective:

	Effective for annual periods beginning on or after
IFRS 7 Financial Instruments: Disclosures	1 January 2007
IFRIC 7 Applying the Restatement Approach under IAS 29, Financial reporting in hyper inflationary economies	1 March 2006
IFRIC 8 Scope of IFRS 2	1 May 2006
IFRIC 9 Reassessment of Embedded Derivatives	1 June 2006
IFRIC 10 Interim Financial Reporting and Impairment	1 March 2006

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

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. Acquisitions 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.

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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006 (continued)****2 Summary of significant accounting policies (continued)****2.2 Consolidation (continued)****2.2.3 Associated companies (continued)**

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.

In the parent company financial statements the investments in associated companies are stated at cost.

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 proportion 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.

Interconnection income and expenses are recognised when services are performed.

2.5 Finance income / costs

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.

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.

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

2 Summary of significant accounting policies (continued)

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 revised estimated useful lives are:

	Years
Buildings	5-20
Cables and transmission equipment	5-30
Telephone exchanges, power equipment and related software	5-20
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 balance sheet date.

During the year the Parent Company revised the estimated useful lives of its fixed assets. The impact of revision in the estimated useful lives of assets is accounted for prospectively. The depreciation expense for the year is lower by RO 1.1 million due to the revision in estimated useful lives of fixed assets.

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.

2.9 Impairment

At each balance sheet date, the company reviews the carrying amounts of its assets (or cash-generating units) to determine whether there is any indication that those assets have suffered an impairment loss. 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 income statement.

Where an impairment loss subsequently reverses, 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 had no impairment loss been recognised earlier.

2 Summary of significant accounting policies (continued)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006 (continued)****2.10 Licences**

Licences acquired from the Telecommunications Regulatory Authority are recognised at fair value less any subsequent accumulated amortisation and 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 of 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 nominal value 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.

During the year the Group revised its estimate of provision for impairment of receivables. The revision is accounted for prospectively. As a result, the provision for impairment of receivables for the current year is lower by RO 1.2 million.

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.

2.15 Borrowings

Borrowings are stated at proceeds received less repayments made.

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 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 income statement as incurred.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006 (continued)****2 Summary of significant accounting policies (continued)****2.17 Trade and other payables**

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

2.18 Taxation

Taxation is provided in accordance with the fiscal regulations in the Sultanate of Oman. 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.

2.19 Directors' remuneration

Directors' remuneration is computed in accordance with the provisions of the Commercial Companies Law and the requirements of Capital Market Authority.

2.20 Dividend distribution

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

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.

(ii) Credit risk

At the balance sheet date amounts receivable from a factoring agent approximate to 36 % (2005 - 39%) of the group's total trade debtors. Bank guarantees provided by the factoring agents represent 40 % (2005 - 43%) 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, management aims to maintain sufficient cash and 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 Financial risk management (continued)

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

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 values of financial assets and liabilities at year end approximate their carrying amounts as stated in the balance sheet.

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 date of the financial statements and the resultant provisions and changes in fair value for the year. 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.

Revenue recognition

Income amounting to approximately RO 0.717 million from the Ministry of Information for the period 1 January 2006 to 31 December 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 to the amount of RO 2.151 million has been made with the Ministry of Information, for the period 2004 to 2006.

5 Segment reporting

At 31 December 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 operated separately under the subsidiary.

The segment results for the year ended 31 December 2006 are as follows:

	Fixed line and other RO'000	Mobile RO'000	Consolidation adjustments RO'000	Total RO'000
Total gross segment revenues	177,082	228,083	(81,533)	323,632
Profit before taxation	74,763	41,183	(23,827)	92,119

The segment results for the year ended 31 December 2005 are as follows:

	Fixed line and other RO'000	Mobile RO'000	Consolidation adjustments RO'000	Total RO'000
Total gross segment revenues	151,927	186,061	(67,392)	270,596
Profit before taxation	46,988	42,910	(12,118)	77,780

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

5 Segment reporting (continued)

Other segment items for the year ended 31 December 2006 included in the income statement are as follows:

	Fixed line and other RO'000	Mobile RO'000	Total RO'000
Depreciation	30,064	34,484	64,548
Amortisation	300	2,493	2,793

Other segment items for the year ended 31 December 2005 included in the income statement are as follows:

	Fixed line and other RO'000	Mobile RO'000	Total RO'000
Depreciation	29,754	22,623	52,377
Amortisation	300	2,493	2,793

The segment assets and liabilities at 31 December 2006 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	349,136	218,990	(110,818)	457,308
Liabilities	119,435	142,275	(86,605)	175,105
Capital expenditures	24,702	32,777	-	57,479

The segment assets and liabilities at 31 December 2005 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	362,814	206,686	(114,983)	454,517
Liabilities	149,939	141,169	(90,486)	200,622
Capital expenditures	33,011	49,349	-	82,360

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

6 Property, plant and equipment

- (a) The movement in property, plant and equipment during 2006 and 2005 is set out on pages 28 to 31.
- (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).

7 Investment in subsidiary company

The investment in subsidiary company (Oman Mobile Telecommunications Company LLC) is stated at cost less provision for impairment if any.

8 Licences

The movement in licences is as follows:

	Parent Company		Consolidated	
	2006 RO'000	2005 RO'000	2006 RO'000	2005 RO'000
At 1 January	6,921	7,221	39,608	42,401
Charge for the year	(300)	(300)	(2,793)	(2,793)
Net book amount at 31 December	6,621	6,921	36,815	39,608

- (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 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 have determined the fair value of the fixed and mobile licences on an open market basis at approximately RO 44.881 million.

The basis of the valuations 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, have been recognised as a non-distributable capital contribution within equity.

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

9 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:

	Parent Company		Consolidated	
	2006 RO'000	2005 RO'000	2006 RO'000	2005 RO'000
1 January	2,095	1,483	2,290	1,731
Investment during the year	-	612	-	612
Share of profit – net	-	-	142	157
Dividend received	-	-	(114)	(114)
Impairment/amortization of goodwill	-	-	-	(96)
31 December	2,095	2,095	2,318	2,290

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

9 Investments in associated companies (continued)

(b) The movement in the goodwill amount included in the carrying amount of investments in associated companies, is as follows:

	Parent Company		Consolidated	
	2006 RO'000	2005 RO'000	2006 RO'000	2005 RO'000
Cost				
1 January and 31 December	-	480	-	480
Amortisation				
1 January	-	384	-	384
Impairment/amortisation of goodwill	-	96	-	96
31 December	-	480	-	480
Carrying amount 31 December	-	-	-	-

(c) 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 2,463,125 (31 December 2005 – RO 2,586,000).

(d) 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
Year 2006					
Oman Fiber Optic SAOG	2,068	697	991	146	25.96%
Infoline LLC	512	97	538	94	45%
Omania e-Commerce	303	19	27	(122)	40%
Year 2005					
Oman Fiber Optic SAOG	2,130	791	884	156	25.96 %
Infoline LLC	450	126	266	19	45.00 %

10 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 31 December 2006 RO'000
Non-current and unquoted			
Thuraya Telecommunication Company	1,629	118	1,747
Arab Satellite Communications Organisation	2,707	(55)	2,652
	4,336	63	4,399

11 Loans to subsidiary company

Loans to subsidiary company comprises:

- A loan balance of RO 32.7 million which is repayable in equal annual instalments of RO 10.367 million and carries an interest rate of 4.5% per annum.
- A loan balance of RO 24.596 million which is interest free is repayable in equal annual instalments of RO 12.298 million.

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

12 Inventories

	Parent Company		Consolidated	
	2006 RO'000	2005 RO'000	2006 RO'000	2005 RO'000
Stores and spares	5,623	5,971	7,355	7,940
Prepaid cards and handsets	886	686	1,254	621
	<u>6,509</u>	<u>6,657</u>	<u>8,609</u>	<u>8,561</u>
Provision for inventory obsolescence	(4,362)	(2,873)	(5,191)	(3,372)
	<u>2,147</u>	<u>3,784</u>	<u>3,418</u>	<u>5,189</u>

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

	Parent Company		Consolidated	
	2006 RO'000	2005 RO'000	2006 RO'000	2005 RO'000
At 1 January	2,873	3,779	3,372	4,342
Charged during the year	1,489	-	1,819	209
	<u>4,362</u>	<u>3,779</u>	<u>5,191</u>	<u>4,551</u>
Released during the year	-	(906)	-	(1,179)
At 31 December	<u>4,362</u>	<u>2,873</u>	<u>5,191</u>	<u>3,372</u>

13 Trade and other receivables

	Parent Company		Consolidated	
	2006 RO'000	2005 RO'000	2006 RO'000	2005 RO'000
Amounts due from customers	27,093	27,007	29,208	28,233
Amounts due from Oman Investment Finance Company SAOG (OIFC)	12,794	10,385	29,352	24,700
Amounts due from other operators	7,802	6,984	11,736	10,536
Other receivables	2,360	1,812	2,360	1,812
	<u>50,049</u>	<u>46,188</u>	<u>72,656</u>	<u>65,281</u>
Provision in respect of claims finalized by Ministerial Committee (note (a) below)	(3,379)	(3,379)	(3,379)	(3,379)
Provision for impairment of receivables	(26,452)	(25,157)	(37,055)	(33,111)
	<u>(29,831)</u>	<u>(28,536)</u>	<u>(40,434)</u>	<u>(36,490)</u>
Trade and other receivables – (net)	20,218	17,652	32,222	28,791
Prepayments, advances and staff loans	7,930	4,989	10,239	6,571
	<u>28,148</u>	<u>22,641</u>	<u>42,461</u>	<u>35,362</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.

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

13 Trade and other receivables (continued)

(b) 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.

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

	Parent Company		Consolidated	
	2006	2005	2006	2005
	RO'000	RO'000	RO'000	RO'000
At 1 January	28,536	27,250	36,490	34,372
Charge for the year	3,081	1,286	7,082	5,703
Amount written off during the year	-	-	-	(344)
Amount written back during the year	(1,786)	-	(3,138)	(3,241)
	<u>29,831</u>	<u>28,536</u>	<u>40,434</u>	<u>36,490</u>
At 31 December	<u>29,831</u>	<u>28,536</u>	<u>40,434</u>	<u>36,490</u>

14 Cash and cash equivalents

Short term bank deposits	15,785	5,080	38,368	5,080
Cash at bank and in hand	9,772	29,296	16,437	42,484
	<u>25,557</u>	<u>34,376</u>	<u>54,805</u>	<u>47,564</u>

Short term deposits are placed with commercial banks at interest rates ranging from 4.3% to 5.3 % (2005 - 2.6% to 4.3%) per annum and mature between one and three months from the date of deposit.

15 Receivable from subsidiary company

Amounts receivable from subsidiary company are interest free and are repayable within a period of one year.

16 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 balance sheet date are as follows:

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

17 Legal reserve

In accordance with the Commercial Companies Law of Oman, No. 4, 1974, as amended, 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.

18 Voluntary reserve

In accordance with the Board of Directors' resolution No.16T/5/2000, the parent 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 parent company and its share of the reserve of its subsidiary.

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

19 Borrowings

	Parent Company		Consolidated	
	2006 RO'000	2005 RO'000	2006 RO'000	2005 RO'000
Non-current				
Government loan and other borrowings	52,251	87,284	52,251	87,284
Current portion included under current liabilities	(39,112)	(35,757)	(39,112)	(35,757)
	<u>13,139</u>	<u>51,527</u>	<u>13,139</u>	<u>51,527</u>
Current				
Current portion of borrowings from Government	39,112	31,197	39,112	31,197
Overdraft		4,560	-	4,560
	<u>39,112</u>	<u>35,757</u>	<u>39,112</u>	<u>35,757</u>
(a) Maturity of non-current borrowings is as follows:				
1 to 2 years	13,139	38,388	13,139	38,388
2 to 5 years	-	13,139	-	13,139
	<u>13,139</u>	<u>51,527</u>	<u>13,139</u>	<u>51,527</u>

(b) 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.

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

20 Deferred tax

Deferred 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:

Consolidated

	1 January	Charged/ (credited)	31	1 January	Charged/ (credited)	31
	2006 RO'000	to income statement RO'000	December 2006 RO'000	2005 RO'000	to income statement RO'000	December 2005 RO'000
Asset						
Tax effect of provisions	(3,625)	(739)	(4,364)	(2,785)	(840)	(3,625)
Liability						
Tax effect of depreciation	5,754	3,745	9,499	4,338	1,416	5,754
	<u>2,129</u>	<u>3,006</u>	<u>5,135</u>	<u>1,553</u>	<u>576</u>	<u>2,129</u>

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

20 Deferred tax (continued)

Parent Company

	1 January 2006 RO'000	Charged/ (credited) to income statement RO'000	31 December 2006 RO'000	1 January 2005 RO'000	Charged/ (credited) to income statement RO'000	31 December 2005 RO'000
Asset						
Tax effect of provisions	(2,463)	(436)	(2,899)	(2,361)	(102)	(2,463)
Liability						
Tax effect of depreciation	5,600	2,268	7,868	4,529	1,071	5,600
Tax effect on amortisation	60	-	60	48	12	60
	<u>3,197</u>	<u>1,832</u>	<u>5,029</u>	<u>2,216</u>	<u>981</u>	<u>3,197</u>

21 Amount payable to the Government

	Parent Company 2006 RO'000	2005 RO'000	Consolidated 2006 RO'000	2005 RO'000
At 1 January	2,852	30,000	2,852	30,000
Payments made during the year	(2,852)	-	(2,852)	-
Transferred to Government loan	-	(30,000)	-	(30,000)
Write back of impaired debt provision	853	2,852	853	2,852
	<u>853</u>	<u>2,852</u>	<u>853</u>	<u>2,852</u>
At 31 December	853	2,852	853	2,852
Less: current portion	(853)	(2,852)	(853)	(2,852)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Non current portion	-	-	-	-

As disclosed in note 25, 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 finalized 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.

22 End of service benefits

The movement in end of service benefits is as follows:

	Parent Company 2006 RO'000	2005 RO'000	Consolidated 2006 RO'000	2005 RO'000
1 January	1,588	1,623	1,741	1,753
Charge for the year	294	147	365	170
Payments during the year	(309)	(182)	(309)	(182)
	<u>1,573</u>	<u>1,588</u>	<u>1,797</u>	<u>1,741</u>

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

23 Trade and other payables

	Parent Company		Consolidated	
	2006	2005	2006	2005
	RO'000	RO'000	RO'000	RO'000
Trade payables	3,527	957	7,284	1,852
Amounts due to other telecommunication administrators	4,776	5,887	8,566	8,365
Retentions payable	7,501	8,780	14,454	18,160
Accruals	14,496	10,380	21,823	16,366
Deferred income	365	1,564	6,225	10,606
Other payables	3,112	4,074	5,133	4,716
	<u>33,777</u>	<u>31,642</u>	<u>63,485</u>	<u>60,065</u>

24 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. Interest at the rate of 5% is payable on the dividend for 2005 from 12 April 2006. In respect of the current year, the Board of Directors propose that a cash dividend of 70% (2005: 70%) be distributed to the shareholders. These dividends are subject to approval by the shareholders at the Annual General Meeting.

25 Royalty payable

In accordance with Article 4(1) of the fixed and mobile licence and as permitted by the TRA, the licensee is required to pay royalty to the TRA at the rate of 10% and 12% respectively of its gross revenue excluding sale of terminal equipment and interconnection expense. During 2005, the TRA permitted the Group to deduct interconnection expenses in respect of local licensed operations.

26 Net assets per share

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

	Parent Company		Consolidated	
	2006	2005	2006	2005
	RO'000	RO'000	RO'000	RO'000
Net assets attributable to the equity holders of the company	229,701	212,875	281,436	253,240
Number of shares outstanding at the end of the year	<u>750,000</u>	<u>750,000</u>	<u>750,000</u>	<u>750,000</u>
Net assets per share	<u>0.306</u>	<u>0.284</u>	<u>0.376</u>	<u>0.338</u>

27 External administration revenue

	Parent Company		Consolidated	
	2006	2005	2006	2005
	RO'000	RO'000	RO'000	RO'000
Telephones and GSM	17,904	13,826	17,904	13,826

28 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.

29 Cost of content services

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

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.

30 External administration expenses

	Parent Company		Consolidated	
	2006 RO'000	2005 RO'000	2006 RO'000	2005 RO'000
Telephones and GSM	16,705	16,228	16,705	16,228
Telegrams	-	22	-	22
Telex	-	2	-	2
	<u>16,705</u>	<u>16,252</u>	<u>16,705</u>	<u>16,252</u>

31 Staff costs

Salaries and allowances	22,898	21,489	29,766	26,492
Social security costs	1,437	1,321	1,786	1,561
End of service benefits	294	147	365	170
Other employee benefits	1,412	1,534	2,291	2,002
	<u>26,041</u>	<u>24,491</u>	<u>34,208</u>	<u>30,225</u>

32 Operating and maintenance expenses

Asset maintenance	4,687	4,204	6,884	5,762
Cost of sale of prepaid products	564	720	2,783	4,480
Satellite channels rent	1,988	3,046	3,076	3,898
Office rent	897	837	1,744	1,553
Electricity and water	1,111	1,015	1,544	1,335
Maintenance and hire charges	362	445	1,115	824
Petrol, oil and lubricants	340	326	471	435
Insurance	187	196	256	269
Others	2,881	116	2,909	145
	<u>13,017</u>	<u>10,905</u>	<u>20,782</u>	<u>18,701</u>

33 Administrative expenses

Training costs	1,035	1,528	1,444	1,906
Professional fees for group re-organization	548	686	929	1,676
Professional consultancy fees	966	880	1,755	1,477
Amortization of goodwill on investment in associated companies	-	-	-	96
Administrative services	838	896	959	1,224
Business travel	491	802	723	942
Office supplies and services	501	473	628	586
	<u>4,379</u>	<u>5,265</u>	<u>6,438</u>	<u>7,907</u>

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

34 Commission

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

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 three months until 31 March 2007. The procedures for finalizing the factoring agreement are in progress. The Group and its agents also collect amounts due from private customers. Commission for such collections are deducted from the commission payable to OIFC.

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

35 Finance (costs) / income - net

	Parent Company		Consolidated	
	2006	2005	2006	2005
	RO'000	RO'000	RO'000	RO'000
Interest income	2,012	4,764	1,291	1,570
Dividend income	170	58	170	58
Exchange gain/(loss)	43	98	43	52
Fair value gain on investments at fair value through profit and loss	118	262	118	262
Interest on borrowings	(3,615)	(2,154)	(3,615)	(2,154)
	(1,272)	3,028	(1,993)	(212)

36 Taxation

(a) The tax charge for the year comprises:

	Parent Company		Consolidated	
	2006	2005	2006	2005
	RO'000	RO'000	RO'000	RO'000
Current taxation	3,605	3,224	8,005	9,058
Deferred taxation				
- in respect of current year	1,832	1,152	3,006	747
- in respect of prior years	-	(171)	-	(171)
	1,832	981	3,006	576
	5,437	4,205	11,011	9,634

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

36 Taxation (continued)

(b) The reconciliation of tax on the accounting profit at the applicable rate of 12% after the basic exemption limit of RO 30,000 with the taxation charge in the income statement is as follows:

	Parent Company		Consolidated	
	2006	2005	2006	2005
	RO'000	RO'000	RO'000	RO'000
Tax on accounting profit	8,968	5,635	11,047	9,326
Add / (less) tax effect of:				
Expenses not deductible	35	239	35	1,983
Income not subject to tax (see note below*)	(3,566)	(1,498)	(71)	(1,504)
Deferred tax relating to prior years	-	(171)	-	(171)
	<u>5,437</u>	<u>4,205</u>	<u>11,011</u>	<u>9,634</u>
Tax charge as per profit and loss account	5,437	4,205	11,011	9,634

* Includes tax effect of RO 3.561 million (2005 – RO 1.45 million) on dividends received by the company from its subsidiary.

(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.

37 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.

38 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 Company maintains balances with these related parties which arise in the normal course of business from the commercial transactions, and are entered into at terms and conditions which the management consider to be comparable with those adopted for arm's length transactions with third 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

	2006	2005
	RO'000	RO'000
Entities under significant influence of the parent company	646	1,376
Entities with significant influence over the parent company	10,125	11,264
Entity under the control of the parent company	19,882	18,548
	<u>30,653</u>	<u>31,188</u>

(ii) Sale of goods and services

Entity under the control of the parent company	61,652	64,866
--	--------	--------

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

38 Related parties (continued)

(iii) Remuneration to directors

	2006 RO'000	2005 RO'000
Parent company		
Directors' remuneration - non executive	84	84
Directors' sitting fees - non executive	43	14
Executive directors' basic salaries, allowances, other benefits and social security costs	-	106
	<u>127</u>	<u>204</u>
Subsidiary company		
Directors' remuneration- executive	42	42
Directors' remuneration-non executive	10	10
Directors' sitting fees – executive	23	23
Directors' sitting fees - non executive	6	6
Executive director's basic salaries, allowances, other benefits and social security costs	167	152
	<u>248</u>	<u>233</u>
Consolidation	<u>375</u>	<u>437</u>
Key management compensation (see note below)		
Parent company		
Basic salaries and allowances	350	360
Other benefits and expenses	12	10
Social security costs	9	18
	<u>371</u>	<u>388</u>
Subsidiary company		
Basic salaries and allowances	114	49
Other benefits and expenses	4	1
Social security costs	5	6
End of service benefits	4	-
	<u>127</u>	<u>56</u>
Consolidation	<u>498</u>	<u>444</u>
(iv) Year end balances arising from sales/purchases of goods/services		
Receivable from related parties	<u>2,451</u>	<u>3,956</u>
Payable to related parties	<u>205</u>	<u>28</u>

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

(v) Loans to directors / key management

	2006 RO'000	2005 RO'000
(a) Executives	-	40
Division heads	-	18
	<u>-</u>	<u>58</u>
	<u><u>-</u></u>	<u><u>58</u></u>
(b) The movement in loans to directors/key management is set out as follows:		
1 January	58	-
Loans given	-	151
Loans repayment received	(58)	(93)
	<u>-</u>	<u>58</u>
31 December	-	58
	<u><u>-</u></u>	<u><u>58</u></u>

39 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:

	Parent Company		Consolidated	
	2006 RO'000	2005 RO'000	2006 RO'000	2005 RO'000
Contracted for	22,510	35,223	37,117	64,109
Authorised but not contracted for	19,013	43,472	51,461	58,189
	<u>41,523</u>	<u>78,695</u>	<u>88,578</u>	<u>122,298</u>
	<u><u>41,523</u></u>	<u><u>78,695</u></u>	<u><u>88,578</u></u>	<u><u>122,298</u></u>

At 31 December 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

	Parent Company		Consolidated	
	2006 RO'000	2005 RO'000	2006 RO'000	2005 RO'000
Letters of credit	-	-	-	3,936
	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,936</u>

(c) Contingent liabilities

	Parent Company		Consolidated	
	2006 RO'000	2005 RO'000	2006 RO'000	2005 RO'000
Bank guarantees	115	192	120	192
	<u>115</u>	<u>192</u>	<u>120</u>	<u>192</u>

(d) Claims

- (i) Certain regulatory non-compliance items, due to operational and budgetary constraints, may pose a risk of a 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) An operator has claimed a compensation for loss of revenue, in a case filed against the subsidiary for illegally withdrawing national roaming service for a day in October 2005. The legal and regulatory department of the subsidiary considers this as a low risk case and at this stage, the outcome of the case cannot be estimated and quantified.

OMAN TELECOMMUNICATIONS COMPANY SAOG

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

Consolidated - Movement in property, plant and equipment (note 6)

	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 communication 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	163,137	200,206	6,654	6,612	18,278	2,931	29,270	95,675	544,595
Additions	7	443	566	15,338	56	114	500	175	29,417	10,856	57,472
Transfers	12	7,701	44,149	86,893	144	161	2,407	51	(34,987)	(106,531)	-
Disposals	-	-	-	-	-	-	-	(84)	-	-	(84)
31 December 2006	696	29,299	207,852	302,437	6,854	6,887	21,185	3,073	23,700	-	601,983
Depreciation											
1 January 2006	-	10,383	73,517	106,656	5,229	4,292	13,511	2,066	-	8,773	224,427
Charge for the year	-	2,474	13,191	51,824	986	522	3,889	435	-	(8,773)	64,548
Disposal	-	-	-	-	-	-	-	(84)	-	-	(84)
31 December 2006	-	12,857	86,708	158,480	6,215	4,814	17,400	2,417	-	-	288,891
Net book amount											
At 31 December 2006	696	16,442	121,144	143,957	639	2,073	3,785	656	23,700	-	313,092

OMAN TELECOMMUNICATIONS COMPANY SAOG

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

Consolidated - Movement in property, plant and equipment (note 6) (continued)

	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 communication 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

OMAN TELECOMMUNICATIONS COMPANY SAOG

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

Parent - Movement in property, plant and equipment (note 7)

	Freehold land RO'000	Buildings RO'000	Cables and transmission equipment RO'000	Telephone exchanges and power equipment RO'000	Telephone, telex and related equipment RO'000	Satellite communication 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	647	16,713	162,624	63,980	6,598	6,337	16,601	2,209	4,286	43,663	323,658
Additions	-	79	163	92	56	114	229	50	10,937	12,982	24,702
Transfers	1	3,772	40,559	14,398	144	50	2,356	51	(4,686)	(56,645)	-
Disposals	-	-	-	-	-	-	-	(84)	-	-	(84)
31 December 2006	648	20,564	203,346	78,470	6,798	6,501	19,186	2,226	10,537	-	348,276
Depreciation											
1 January 2006	-	9,516	73,261	38,495	5,199	4,223	13,008	1,784	-	3,681	149,167
Charge for the year	-	1,244	12,270	15,181	980	427	3,375	268	-	(3,681)	30,064
Disposals	-	-	-	-	-	-	-	(84)	-	-	(84)
31 December 2006	-	10,760	85,531	53,676	6,179	4,650	16,383	1,968	-	-	179,147
Net book value At 31 December 2006	648	9,804	117,815	24,794	619	1,851	2,803	258	10,537	-	169,129

OMAN TELECOMMUNICATIONS COMPANY SAOG

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

Parent - Movement in property, plant and equipment (note 7) (continued)

	Freehold land RO'000	Buildings RO'000	Cables and transmission equipment RO'000	Telephone exchanges and power equipment RO'000	Telephone, telex and related equipment RO'000	Satellite communication 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	647	15,131	151,496	49,343	6,333	5,394	14,392	2,182	13,807	31,946	290,671
Additions	-	43	1,005	122	250	157	776	51	(44)	30,651	33,011
Transfers	-	1,533	7,862	14,425	15	786	1,366	-	(9,477)	(16,510)	-
Disposals	-	-	-	-	-	-	-	(24)	-	-	(24)
31 December 2005	647	16,707	160,363	63,890	6,598	6,337	16,534	2,209	4,286	46,087	323,658
Depreciation											
1 January 2005	-	8,363	58,815	28,390	4,074	3,703	9,685	1,388	-	5,019	119,437
Charge for the year	-	1,147	12,185	10,015	1,125	520	3,256	420	-	1,086	29,754
Disposals	-	-	-	-	-	-	-	(24)	-	-	(24)
31 December 2005	-	9,510	71,000	38,405	5,199	4,223	12,941	1,784	-	6,105	149,167
Net book value At 31 December 2005	647	7,197	89,363	25,485	1,399	2,114	3,593	425	4,286	39,982	174,491