

Independent auditor's report to the shareholders of Oman Telecommunications Company SAOG

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We have audited the accompanying financial statements of **Oman Telecommunications Company SAOG** (the parent company) and **Oman Telecommunications Company SAOG and its subsidiary** (the Group) which comprise of the parent company and consolidated balance sheet as of 31 December 2006, and the parent company and consolidated income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes as set out in pages 3 to 31. The financial statements of the parent company and the Group for the year ended 31 December 2005 were audited by another auditor, whose reports dated 27 February 2007 and 9 March 2006 respectively, expressed unqualified opinions thereon.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Independent auditor's report
to the shareholders of
Oman Telecommunications Company SAOG (continued)**

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Opinion

In our opinion, the financial statements, present fairly in all material respects, the financial position of the parent company and the Group as of 31 December 2006, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Also, in our opinion, the financial statements comply, in all material respects, with the disclosure requirements set out in the Rules for Disclosure and Proformas issued by the Capital Market Authority and those prescribed under the Commercial Companies Law of 1974, as amended, of the Sultanate of Oman.



Deloitte & Touche (M.E.)
Muscat, Sultanate of Oman
27 February 2007



OMAN TELECOMMUNICATIONS COMPANY SAOG

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BALANCE SHEET
AS AT 31 DECEMBER 2006

	Notes	Parent Company		Consolidated	
		2006	2005	2006	2005
		RO'000	RO'000	RO'000	RO'000
ASSETS					
Non-current assets					
Property, plant and equipment	6	169,129	174,491	313,092	320,168
Investment in subsidiary company	7	24,750	24,750	-	-
Licenses	8	6,621	6,921	36,815	39,608
Investments in associated companies	9	2,095	2,095	2,318	2,290
Investments at fair value through profit or loss	10	4,399	4,336	4,399	4,336
Loans to subsidiary company	11	34,631	41,101	-	-
		<u>241,625</u>	<u>253,694</u>	<u>356,624</u>	<u>366,402</u>
Current assets					
Loans to subsidiary company	11	22,665	10,367	-	-
Inventories	12	2,147	3,784	3,418	5,189
Trade and other receivables	13	28,148	22,641	42,461	35,362
Cash and cash equivalents	14	25,557	34,376	54,805	47,564
Receivable from subsidiary company	15	28,994	37,952	-	-
		<u>107,511</u>	<u>109,120</u>	<u>100,684</u>	<u>88,115</u>
Total assets		<u>349,136</u>	<u>362,814</u>	<u>457,308</u>	<u>454,517</u>
EQUITY					
Capital and reserves					
Share capital	16	75,000	75,000	75,000	75,000
Legal reserve	17	25,000	25,000	33,280	30,218
Voluntary reserve	18	37,500	37,500	47,015	42,718
Capital contribution		44,181	44,181	44,181	44,181
Retained earnings		48,020	31,194	81,960	61,123
Equity attributable to equity holders of parent		<u>229,701</u>	<u>212,875</u>	<u>281,436</u>	<u>253,240</u>
Minority interest		-	-	767	655
Total equity		<u>229,701</u>	<u>212,875</u>	<u>282,203</u>	<u>253,895</u>
LIABILITIES					
Non-current liabilities					
Borrowings	19	13,139	51,527	13,139	51,527
Deferred tax	20	5,029	3,197	5,135	2,129
End of service benefits	22	1,573	1,588	1,797	1,741
		<u>19,741</u>	<u>56,312</u>	<u>20,071</u>	<u>55,397</u>
Current liabilities					
Borrowings	19	39,112	35,757	39,112	35,757
Amount payable to the Government	21	853	2,852	853	2,852
Trade and other payables	23	33,777	31,642	63,485	60,065
Dividend payable to minority interest		-	-	-	122
Royalty payable	25	21,848	19,592	43,026	36,821
Taxation		4,104	3,784	8,558	9,608
		<u>99,694</u>	<u>93,627</u>	<u>155,034</u>	<u>145,225</u>
Total liabilities		<u>119,435</u>	<u>149,939</u>	<u>175,105</u>	<u>200,622</u>
Total equity and liabilities		<u>349,136</u>	<u>362,814</u>	<u>457,308</u>	<u>454,517</u>
Net assets per share (RO)	26	<u>RO 0.306</u>	<u>RO 0.284</u>	<u>RO 0.376</u>	<u>RO 0.338</u>

The financial statements on pages 1 to 31 were approved and authorized for issue to the shareholders by the Board of Directors on 27 February 2007 and were signed on their behalf by:


CHAIRMAN


DIRECTOR


CHIEF EXECUTIVE OFFICER

The accompanying notes form an integral part of these financial statements.