

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2007

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 Burj, 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
	June 2007	December 2006	
	%	%	
Oman Mobile Telecommunications Company LLC	99	99	Engaged in the establishment, operation, maintenance and development of mobile telecommunication services.
Oman Fiber 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 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 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 a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.
- (c) At 30 June 2007 the Group had net current liabilities of RO 42.401 million (31 December 2006 - RO 54.350 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 PERIOD ENDED 30 JUNE 2007 (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 period ended 30 June 2007, 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 2007.

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

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 8 - Operating Segments	1 January 2009
IFRIC 11 and IFRS 2 - Company and Treasury Share Transactions	1 March 2007
IFRIC 12 - Service Concession Agreements	1 January 2008

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 Group.

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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2007 (continued)****2 Summary of significant accounting policies (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.

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 proportion 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 income on funds invested, dividend income, foreign exchange gains and losses, unrealised gains and losses arising from fair value adjustments of investments at fair value through profit or loss less interest costs 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 PERIOD ENDED 30 JUNE 2007 (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. Monetary 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	5-30
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.

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 available for 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2007 (continued)****2 Summary of significant accounting policies (continued)****2.10 Licences**

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

2.11.1 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.

2.11.2 Investments held for trading

Investments acquired principally for the purpose of generating a profit from short-term fluctuations in price are classified as trading investments. All purchases and sale of investments recognised on the trade date, which is the date that the group commits to purchase or sell the asset. Trading investments are initially recognised at cost, which includes transaction costs, and are subsequently carried at fair value. Realised and unrealised gains and losses arising from changes in the fair value of trading investments are included in the income statement in the period in which they arise.

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.

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. 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 PERIOD ENDED 30 JUNE 2007 (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 23.06 % (2006 - 36%) of the group's total trade debtors. Bank guarantees provided by the factoring agents represent 33.35 % (2006 - 40%) 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 PERIOD ENDED 30 JUNE 2007 (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 period 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. 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 0.358 million from the Ministry of Information for the period 1 January 2007 to 30 June 2007 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 2.594 million has been made with the Ministry of Information, for the period 2004 to 30 June 2007. The arrangements for settlement of approximately RO 2.15 million for the years 2004 to 2006 have been approved by the Ministry of Information and the Ministry of Finance during July 2007.

Cyclone Damage Loss

The group's properties are insured against damage and destructions. As part of the damage and destruction caused by the cyclone GONU on 6 June 2007, some properties of the group were damaged and destroyed. An insurance consultant has been engaged by the group to pursue insurance claims and obtain appropriate settlement from the insurance company.

5 Segment reporting

At 30 June 2007, 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 period ended 30 June 2007 are as follows:

	Fixed line and other RO'000	Mobile RO'000	Consolidation adjustments RO'000	Total RO'000
Total gross segment revenues	98,428	122,502	(45,012)	175,918
Profit before taxation	62,490	27,247	(33,808)	55,929

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2007 (continued)**

5 Segment reporting (continued)

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	84,796	112,819	(40,036)	157,579
Profit before taxation	52,173	26,577	(29,676)	49,074

Other segment items for the period ended 30 June 2007 included in the income statement are as follows:

	Fixed line and other RO'000	Mobile RO'000	Total RO'000
Depreciation	13,739	16,341	30,080
Amortisation	150	1,248	1,398

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	13,840	13,457	27,297
Amortisation	150	1,246	1,396

The segment assets and liabilities at 30 June 2007 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	365,172	219,220	(124,120)	460,272
Liabilities	129,425	152,342	(99,582)	182,185
Capital expenditures	5,831	10,165	-	15,996

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	217,856	(109,684)	457,308
Liabilities	119,435	141,854	(86,184)	175,105
Capital expenditures	24,702	32,770	-	57,472

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2007 (continued)**

6 Property, plant and equipment

- (a) The movement in property, plant and equipment is set out on pages 27 to 30.
- (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

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	
	30 June 2007 RO'000	31 December 2006 RO'000	30 June 2007 RO'000	31 December 2006 RO'000
At 1 January	6,621	6,921	36,815	39,608
Charge for the period/year	(150)	(300)	(1,398)	(2,793)
Net book amount at	6,471	6,621	35,417	36,815

- (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 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	
	30 June 2007 RO'000	31 December 2006 RO'000	30 June 2007 RO'000	31 December 2006 RO'000
Brought forward balance	2,095	2,095	2,318	2,290
Share of profit – net	-	-	97	142
Dividend received	-	-	-	(114)
Carried forward balance	2,095	2,095	2,415	2,318

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2007 (continued)**9 Investments in associated companies (continued)**

(b) The fair value of the parent company's investment in Oman Fiber Optic Company SAOG, which is listed on the Muscat Securities Market, is RO 2,359,108 (31 December 2006 – RO 2,463,125).

(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 listed, and its share of the assets (including goodwill and liabilities) are as follows:

	Assets RO'000	Liabilities RO'000	Revenues RO'000	Profit / (loss) RO'000	% interest held
30 June 2007					
Oman Fiber Optic SAOG	2,016	692	543	86	25.96%
Infoline LLC	422	57	174	63	45%
Omania e-Commerce	343	56	25	(52)	40%
31 December 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%

10(a) Investments at fair value through profit or loss

	Carrying amount as at 31 December 2006 RO'000	Fair value adjustment RO'000	Carrying amount as at 30 June 2007 RO'000
Non-current and unquoted			
Thuraya Telecommunication Company	1,747	422	2,169
Arab Satellite Communications Organisation	2,652	499	3,151
	<u>4,399</u>	<u>921</u>	<u>5,320</u>

10(b) Investments held for trading

Available for trading investments represent quoted marketable securities. These investments are valued at quoted market price at the balance sheet date.

	Carrying amount as at 31 December 2006	Additions RO'000	Fair value adjustment RO'000	Carrying amount as at 30 June 2007 RO'000
Investment in Vision Investment Company portfolio	-	1,501	171	1,672
Investment in National Bank of Oman portfolio	-	472	55	527
	<u>-</u>	<u>1,973</u>	<u>226</u>	<u>2,199</u>

11 Loans to subsidiary

	30 June 2007 RO'000	31 December 2006 RO'000
Repayable within one year	23,247	22,665
Repayable after one year	10,367	34,631
Total loans	<u>33,614</u>	<u>57,296</u>

Loans to subsidiary company comprise:

- A loan balance of RO 21.316 million (2006: 32.700 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 12.298 million (2006: 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 PERIOD ENDED 30 JUNE 2007 (continued)**12 Inventories**

	Parent Company		Consolidated	
	30 June 2007 RO'000	31 December 2006 RO'000	30 June 2007 RO'000	31 December 2006 RO'000
Stores and spares	6,003	5,623	8,795	7,355
Prepaid cards and handsets	858	886	973	1,254
	<u>6,861</u>	<u>6,509</u>	<u>9,768</u>	<u>8,609</u>
Provision for inventory obsolescence	(4,362)	(4,362)	(5,191)	(5,191)
	<u>2,499</u>	<u>2,147</u>	<u>4,577</u>	<u>3,418</u>

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

	Parent Company		Consolidated	
	30 June 2007 RO'000	31 December 2006 RO'000	30 June 2007 RO'000	31 December 2006 RO'000
Brought forward balance	4,362	2,873	5,191	3,372
Charge for the period/year	-	1,489	-	1,819
Carried forward balance	<u>4,362</u>	<u>4,362</u>	<u>5,191</u>	<u>5,191</u>

13 Trade and other receivables

	Parent Company		Consolidated	
	30 June 2007 RO'000	31 December 2006 RO'000	30 June 2007 RO'000	31 December 2006 RO'000
Amounts due from customers	28,290	27,093	31,046	29,208
Amounts due from Oman Investment Finance Company SAOG (OIFC)	14,056	12,794	31,477	29,352
Amounts due from other operators	16,175	13,739	23,216	17,673
Other receivables	2,442	2,360	2,442	2,360
	<u>60,963</u>	<u>55,986</u>	<u>88,181</u>	<u>78,593</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	(29,308)	(26,452)	(41,456)	(37,055)
	<u>(32,687)</u>	<u>(29,831)</u>	<u>(44,835)</u>	<u>(40,434)</u>
Trade and other receivables – (net)	28,276	26,155	43,346	38,159
Prepayments and advances	3,383	1,993	8,035	4,302
	<u>31,659</u>	<u>28,148</u>	<u>51,381</u>	<u>42,461</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 PERIOD ENDED 30 JUNE 2007 (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) Included in the Group's trade receivable balance are debtors with a carrying amount of RO 11.097 million which are past due at the reporting date for which the Group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances. The average age of these receivables is 170 days.

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

	Parent Company		Consolidated	
	30 June 2007 RO'000	31 December 2006 RO'000	31 June 2007 RO'000	31 December 2006 RO'000
Brought forward balance	29,831	28,536	40,434	36,490
Charge for the period / year	2,856	3,081	4,401	7,082
Written back during the period/year	-	(1,786)	-	(3,138)
Carried forward balance	<u>32,687</u>	<u>29,831</u>	<u>44,835</u>	<u>40,434</u>

14 Cash and cash equivalents

Short term bank deposits	22,000	15,785	22,000	37,868
Cash at bank and in hand	7,268	9,772	37,455	16,437
	<u>29,268</u>	<u>25,557</u>	<u>59,455</u>	<u>54,305</u>

Short term deposits are placed with commercial banks at interest rates ranging from 3.85% to 4.75 % (2006 – 4.3% to 5.3%) per annum and mature between one and three months from the date of deposit.

15 Receivable from subsidiary

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 (2006 - 750,000,000) ordinary shares of RO 0.100 (2006 - 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:

	30 June 2007		31 December 2006	
	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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2007 (continued)**

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.

19 Borrowings

	Parent Company		Consolidated	
	30 June 2007 RO'000	31 December 2006 RO'000	30 June 2007 RO'000	31 December 2006 RO'000
Non-current				
Government loan and other borrowings	51,619	52,251	51,619	52,251
Current portion included under current liabilities	(38,480)	(39,112)	(38,480)	(39,112)
	<u>13,139</u>	<u>13,139</u>	<u>13,139</u>	<u>13,139</u>
Current				
Current portion of borrowings from Government	38,480	39,112	38,480	39,112
(a) Maturity of non-current borrowings is as follows:				
1 to 2 years	<u>13,139</u>	<u>13,139</u>	<u>13,139</u>	<u>13,139</u>

(b) Effective 20 June 2006, the rate of interest on Government loan has been reduced to 3% per annum.

20 Deferred tax

Deferred taxes are calculated on all temporary differences under the liability method using a principal tax rate of 12% (2006 - 12%). The net deferred tax liability and deferred tax charge/(credit) in the income statement are attributable to the following items:

Consolidated

	1 January 2007 RO'000	Charged / (credited) to income statement RO'000	30 June 2007 RO'000	1 January 2006 RO'000	Charged / (credited) to income statement RO'000	31 December 2006 RO'000
Asset						
Tax effect of provisions	(4,364)	(343)	(4,707)	(3,625)	(739)	(4,364)
Liability						
Tax effect of depreciation	9,499	1,777	11,276	5,754	3,745	9,499
	<u>5,135</u>	<u>1,434</u>	<u>6,569</u>	<u>2,129</u>	<u>3,006</u>	<u>5,135</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2007 (continued)

20 Deferred tax (continued)**Parent Company**

	1 January 2007 RO'000	Charged / (credited) to income statement RO'000	30 June 2007 RO'000	1 January 2006 RO'000	Charged / (credited) to income statement RO'000	31 December 2006 RO'000
Asset						
Tax effect of provisions	(2,899)	(343)	(3,242)	(2,463)	(436)	(2,899)
Liability						
Tax effect of depreciation	7,868	1,777	9,645	5,600	2,268	7,868
Tax effect on amortisation	60	-	60	60	-	60
	5,029	1,434	6,463	3,197	1,832	5,029

21 Amount payable to the Government

	Parent Company		Consolidated	
	30 June 2007 RO'000	31 December 2006 RO'000	30 June 2007 RO'000	31 December 2006 RO'000
Brought forward balance	853	2,852	853	2,852
Payments made	(400)	(2,852)	(400)	(2,852)
Transferred to Government loan	-	-	-	-
Write back of impaired debt provision	-	853	-	853
Carried forward balance	453	853	453	853
Less: current portion	(453)	(853)	(453)	(853)
Non current portion	-	-	-	-

As disclosed in note 25, TRA has permitted the deduction of interconnection expenses in relation to local licensed operators. 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		Consolidated	
	30 June 2007 RO'000	31 December 2006 RO'000	30 June 2007 RO'000	31 December 2006 RO'000
1 January	1,573	1,588	1,797	1,741
Charge for the period/year	206	294	306	365
Payments during the period/year	(129)	(309)	(139)	(309)
	1,650	1,573	1,964	1,797

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2007 (continued)**23 Trade and other payables**

	Parent Company		Consolidated	
	30 June 2007 RO'000	31 December 2006 RO'000	30 June 2007 RO'000	31 December 2006 RO'000
Trade payables	942	3,527	3,910	7,284
Amounts due to other telecommunication administrators	6,273	4,776	11,847	8,566
Retentions payable	7,127	7,501	13,137	14,454
Accruals	10,738	14,496	23,401	21,823
Deferred income	286	365	8,994	6,225
Other payables	7,535	3,112	9,051	5,133
	<u>32,901</u>	<u>33,777</u>	<u>70,340</u>	<u>63,485</u>

24 Dividend payable

For the year 2006, a dividend of RO 52.5 million was approved by the shareholders at the Annual General Meeting held on 27 March 2007. An amount of RO 18.375 million is payable to the government with interest @ 3% p.a. w.e.f 11 April 2007.

25 Royalty payable

In accordance with Article 4(1) of the fixed and mobile licence and as permitted by the TRA, the licencees are 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. Commencing 2005, 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 period / year end by the number of shares outstanding at the period / year end:

	Parent Company		Consolidated	
	30 June 2007 RO'000	31 December 2006 RO'000	30 June 2007 RO'000	31 December 2006 RO'000
Net assets attributable to the equity holders of the company	<u>235,747</u>	<u>229,701</u>	<u>277,411</u>	<u>281,436</u>
Number of shares outstanding at the end of the period/year	<u>750,000</u>	<u>750,000</u>	<u>750,000</u>	<u>750,000</u>
Net assets per share (RO)	<u>0.314</u>	<u>0.306</u>	<u>0.370</u>	<u>0.375</u>

27 External administration revenue

	Parent Company		Consolidated	
	30 June 2007 RO'000	30 June 2006 RO'000	30 June 2007 RO'000	30 June 2006 RO'000
Telephones and GSM	<u>12,502</u>	<u>7,758</u>	<u>12,502</u>	<u>7,758</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2007 (continued)**

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

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	
	30 June 2007 RO'000	30 June 2006 RO'000	30 June 2007 RO'000	30 June 2006 RO'000
Telephones and GSM	8753	8,407	8,753	8,407
Telex	-	1	-	1
	<u>8,753</u>	<u>8,408</u>	<u>8,753</u>	<u>8,408</u>

31 Staff costs

Salaries and allowances	11,815	10,621	15,124	13,809
Social security costs	773	709	967	815
End of service benefits	206	62	306	104
Other employee benefits	746	743	1,221	922
	<u>13,540</u>	<u>12,135</u>	<u>17,618</u>	<u>15,650</u>

32 Operating and maintenance expenses

Asset maintenance	2,453	1,979	3,169	2,327
Cost of sale of prepaid products	225	243	1,217	1,414
Satellite channels and frequency rent	1,406	1,503	1,748	2,206
Office rent	524	450	1,382	1,239
Electricity and water	531	493	748	764
Maintenance and hire charges	183	107	824	345
Petrol, oil and lubricants	167	113	404	202
Insurance	157	179	236	236
Others	653	430	1,360	507
	<u>6,299</u>	<u>5,497</u>	<u>11,088</u>	<u>9,240</u>

33 Administrative expenses

Training costs	597	649	872	743
Professional fees for group re-organization	107	456	107	876
Professional consultancy fees	532	521	720	921
Administrative services	370	286	426	389
Business travel	303	185	465	285
Office supplies and services	174	235	271	311
	<u>2,083</u>	<u>2,332</u>	<u>2,861</u>	<u>3,525</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 FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2007 (continued)**

34 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 four months until 31 July 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 income / (costs) – net

	Parent company		Consolidated	
	30 June 2007	30 June 2006	30 June 2007	30 June 2006
	RO'000	RO'000	RO'000	RO'000
Interest income	1,030	891	712	230
Exchange gain	46	-	46	-
Fair value gain on investments at fair value through profit and loss and held for trading investments	1,147	-	1,147	-
Interest on borrowings	(887)	(2,091)	(887)	(2,091)
	<u>1,336</u>	<u>(1,200)</u>	<u>1,018</u>	<u>(1,861)</u>

36 Taxation

(a) The tax charge for the period comprises:

	Parent company		Consolidated	
	30 June 2007	30 June 2006	30 June 2007	30 June 2006
	RO'000	RO'000	RO'000	RO'000
Current taxation	2,510	2,247	5,780	5,571
Deferred taxation	1,434	346	1,434	334
	<u>3,944</u>	<u>2,593</u>	<u>7,214</u>	<u>5,905</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2007 (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	
	30 June 2007 RO'000	30 June 2006 RO'000	30 June 2007 RO'000	30 June 2006 RO'000
Tax on accounting profit	7,495	6,257	6,708	5,885
Add / (less) tax effect of:				
Expenses not deductible	18	44	128	164
Income not subject to tax (see note below*)	(3,947)	(3,564)	-	-
Deferred tax relating to prior years	378	(144)	378	(144)
Tax charge as per income statement	3,944	2,593	7,214	5,905

* Includes tax effect of RO 3.933 million (2006 – RO 3.561 million) on dividends received by the company from its subsidiary.

- (c) For all years up to 31 December 2006 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 Group 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 were as follows:

(i) Purchase of goods and services

	30 June 2007 RO'000	30 June 2006 RO'000
Entities under significant influence of the parent company	623	14
Entities with significant influence over the parent company	8,457	9,627
Entity under the control of the parent company	11,868	9,854
	20,948	19,495

(ii) Sale of goods and services

Entity under the control of the parent company	33,144	30,181
--	---------------	---------------

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2007 (continued)

38 Related parties (continued)

(iii) Remuneration to directors

	30 June 2007 RO'000	30 June 2006 RO'000
Parent company		
Directors' remuneration – non executive	20	15
Executive directors' basic salaries, allowances, other benefits and social security costs	-	-
	<u>20</u>	<u>15</u>
Subsidiary company		
Directors' remuneration– executive	10	8
Directors' remuneration-non executive	-	-
Executive director's basic salaries, allowances, other benefits and social security costs	-	-
	<u>10</u>	<u>8</u>
Consolidation	<u>30</u>	<u>23</u>

Key management compensation (see note below)

Parent company		
Basic salaries and allowances	170	144
Other benefits and expenses	24	13
Social security costs	13	13
	<u>207</u>	<u>170</u>
Subsidiary company		
Basic salaries and allowances	109	62
Other benefits and expenses	3	-
Social security costs	9	6
End of service benefits	5	-
	<u>126</u>	<u>68</u>
Consolidation	<u>333</u>	<u>238</u>

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

	30 June 2007 RO'000	31 December 2006 RO'000
Receivable from related parties	<u>3,968</u>	<u>2,451</u>
Payable to related parties	<u>328</u>	<u>205</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2007 (continued)

38 Related parties (continued)**(v) Loans to directors / key management**

	30 June 2007	31 December 2006
	RO'000	RO'000
(a) Executives	-	-
Division heads	-	-
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>
(b) The movement in loans to directors/key management is set out as follows:		
Brought forward balance	-	58
Loans given	-	-
Loans repayment received	-	(58)
	<u>-</u>	<u>-</u>
Carried forward balance	<u>-</u>	<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	
	30 June	31 December	30 June	31 December
	2007	2006	2007	2006
	RO'000	RO'000	RO'000	RO'000
Contracted for	14,542	22,510	22,892	37,117
Authorised but not contracted for	29,124	19,013	118,621	51,461
	<u>43,666</u>	<u>41,523</u>	<u>141,513</u>	<u>88,578</u>

At 30 June 2007, the aggregate capital commitment made by the group on behalf of the Government amounted to RO 1.37 million (2006 – 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	
	30 June	31 December	30 June	31 December
	2007	2006	2007	2006
	RO'000	RO'000	RO'000	RO'000

(c) Contingent liabilities

Bank guarantees	<u>321</u>	<u>115</u>	<u>326</u>	<u>120</u>
-----------------	-------------------	------------	-------------------	------------

(d) Claims

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.

40 Comparative amounts

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

OMAN TELECOMMUNICATIONS COMPANY SAOG

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2007 (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	Total RO'000
Cost										
1 January 2007	696	29,299	207,852	302,437	6,854	6,887	21,185	3,073	23,700	601,983
Additions	-	7	323	8,299	1	-	372	83	6,911	15,996
Transfers	-	177	2,942	685	16	8	240	-	(4,068)	-
Disposals	-	-	-	-	-	-	-	(37)	-	(37)
30 June 2007	696	29,483	211,117	311,421	6,871	6,895	21,797	3,119	26,543	617,942
Depreciation										
1 January 2007	-	12,857	86,708	158,480	6,215	4,814	17,400	2,417	-	288,891
Charge for the period	-	1,228	6,242	20,758	280	254	1,178	140	-	30,080
Disposals	-	-	-	-	-	-	-	(37)	-	(37)
30 June 2007	-	14,085	92,950	179,238	6,495	5,068	18,578	2,520	-	318,934
Net book amount										
At 30 June 2007	696	15,398	118,167	132,183	376	1,827	3,219	599	26,543	299,008

OMAN TELECOMMUNICATIONS COMPANY SAOG

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2007 (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	160,799	200,206	6,654	6,612	18,278	2,931	29,270	98,013	544,595
Additions	7	443	566	15,338	56	114	500	175	29,417	10,856	57,472
Transfers	12	7,701	46,487	86,893	144	161	2,407	51	(34,987)	(108,869)	-
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	71,176	106,656	5,229	4,292	13,511	2,066	-	11,114	224,427
Charge for the year	-	2,474	15,532	51,824	986	522	3,889	435	-	(11,114)	64,548
Disposals	-	-	-	-	-	-	-	(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 PERIOD ENDED 30 JUNE 2007 (continued)

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

	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 2007	648	20,564	203,346	78,470	6,798	6,501	19,186	2,226	10,537	-	348,276
Additions	-	3	2	62	1	-	178	42	5,543	-	5,831
Transfers	-	177	2,942	685	16	8	240	-	(4,068)	-	-
Disposals	-	-	-	-	-	-	-	(37)	-	-	(37)
30 June 2007	648	20,744	206,290	79,217	6,815	6,509	19,604	2,231	12,012	-	354,070
Depreciation											
1 January 2007	-	10,760	85,531	53,676	6,179	4,650	16,383	1,968	-	-	179,147
Charge for the period	-	537	5,800	5,988	276	174	914	50	-	-	13,739
Disposals	-	-	-	-	-	-	-	(37)	-	-	(37)
30 June 2007	-	11,297	91,331	59,664	6,455	4,824	17,297	1,981	-	-	192,849
Net book value											
At 30 June 2007	648	9,447	114,959	19,553	360	1,685	2,307	250	12,012	-	161,221

OMAN TELECOMMUNICATIONS COMPANY SAOG

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2007 (continued)**

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

	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	16,707	160,363	63,890	6,598	6,337	16,534	2,209	4,286	46,087	323,658
Additions	-	79	163	92	56	114	229	50	10,937	12,982	24,702
Transfers	1	3,778	42,820	14,488	144	50	2,423	51	(4,686)	(59,069)	-
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	-	9,510	71,000	38,405	5,199	4,223	12,941	1,784	-	6,105	149,167
Charge for the year	-	1,250	14,531	15,271	980	427	3,442	268	-	(6,105)	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