

OMAN TELECOMMUNICATIONS COMPANY SAOG

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

1 General information

Oman Telecommunications 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 (the subsidiary or 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 (Note 22).

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 through an initial public offer (the IPO) on 28 July 2005 and the Company became a public joint stock company (SAOG).

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

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

	Percentage shareholding			Principal activities	Place of incorporation
	2009	2008			
	%	%			
Oman Mobile Telecommunications Company LLC (Note 8)	99	99	Subsidiary	Engaged in the establishment, operation, maintenance and development of mobile telecommunication services	Sultanate of Oman
Worldcall Telecom Limited (Note 5)	56.8	-	Subsidiary	Engaged in the provision of Wireless Local loop, Long Distance International Services (LDI), Payphones and cable television services	Pakistan
Worldcall Telecommunications Lanka (Private) Ltd (Note 5)	70.65	-	Subsidiary	Engaged in the operation and maintenance of Payphone network	Sri Lanka
Oman Fiber Optic Company SAOG	25.96	25.96	Associate	Engaged in the manufacture and design of optical fibre and cables	Sultanate of Oman
Infoline LLC	45	45	Associate	Engaged in the provision of IT enabled services	Sultanate of Oman
Omania e-commerce LLC	40	40	Associate	Engaged in the provision of e-commerce services	Sultanate of Oman

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

- 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.
- 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009 (continued)

2 Summary of significant accounting policies (continued)

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

Standards affecting presentation and disclosure

The following new and revised Standards have been adopted in the current period in these financial statements.

- IAS 1 (as revised in 2007) *Presentation of Financial Statements* IAS 1 (2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.
- *Improving disclosures about Financial Instruments (Amendments to IFRS 7 Financial Instruments: Disclosures)* The amendments to IFRS 7 expand the disclosures required in respect of fair value measurements and liquidity risk. The Group has elected not to provide comparative information in the current year in accordance with the transitional reliefs offered in these amendments.

Standards and Interpretations adopted with no effect on the financial statements

The following new and revised Standards and Interpretations have also been adopted in these financial statements. Their adoption has not had any significant impact on the amounts reported in these financial statements but may affect the accounting for future transactions or arrangements.

- IFRS 8 *Operating Segments* IFRS 8 is a disclosure Standard that requires re-designation of the Group's reportable segments based on the segments used by the Chief Operating Decision Maker to allocate resources and assess performance.
- IFRS for SMEs Small and Medium-sized Entities This Standard is available immediately but the adoption has to be decided by the jurisdiction of implementation.
- Amendments to IFRS 2 *Share-based Payment* The amendments clarify the definition of vesting conditions for the purposes of IFRS 2, introduce the concept of 'non-vesting' conditions, and clarify the accounting treatment for cancellations.
- IAS 23 (as revised in 2007) *Borrowing Costs* The principal change to the Standard was to eliminate the option to expense all borrowing costs when incurred.
- Amendments to IAS 32 *Financial Instruments: Presentation* and IAS 1 *Presentation of Financial Statements* The revisions to IAS 32 amend the criteria for debt/equity classification by permitting certain puttable financial instruments and instruments (or components of instruments) that impose on an entity an obligation to deliver to another party a pro-rata share of the net assets of the entity only on liquidation, to be classified as equity, subject to specified criteria being met.
- IFRIC 13 *Customer Loyalty Programmes* The Interpretation provides guidance on how entities should account for customer loyalty programmes by allocating revenue on sale to possible future award attached to the sale.
- IFRIC 15 *Agreements for the Construction of Real Estate* The Interpretation addresses how entities should determine whether an agreement for the construction of real estate is within the scope of IAS 11 *Construction Contracts* or IAS 18 *Revenue* and when revenue from the construction of real estate should be recognised.
- IFRIC 16 *Hedges of a Net Investment in a Foreign Operation* The Interpretation provides guidance on the detailed requirements for net investment hedging for certain hedge accounting designations.
- IFRIC 18 *Transfers of Assets from Customers* (adopted in advance of effective date of transfers of assets from customers received on or after 1 July 2009) The Interpretation addresses the accounting by recipients for transfers of property, plant and equipment from 'customers' and concludes that when the item of property, plant and equipment transferred meets the definition of an asset from the perspective of the recipient, the recipient should recognise the asset at its fair value on the date of the transfer, with the credit recognised as revenue in accordance with IAS 18 *Revenue*.
- Improvements to IFRSs (2008) Amendments to IFRS 5, IAS 1, IAS 16, IAS 19, IAS 20, IAS 23, IAS 27, IAS 28, IAS 29, IAS 31, IAS 36, IAS 38, IAS 39, IAS 40 and IAS 41 resulting from the May and October 2008 *Annual Improvements to IFRSs* majority of which are effective for annual periods beginning on or after 1 January 2009.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009 (continued)

2 Summary of significant accounting policies (continued)

Standards and Interpretations in issue not yet effective

At the date of authorisation of these financial statements, the following new and revised Standards and Interpretations were in issue but not yet effective:

New Standards and amendments to Standards:

	Effective for annual periods beginning on or after
• IFRS 1 (revised) <i>First time Adoption of IFRS</i> and IAS 27 (revised) <i>Consolidated and Separate Financial Statements</i> – Amendment relating to Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	1 July 2009
• IFRS 3 (revised) <i>Business Combinations</i> – Comprehensive revision on applying the acquisition method and consequential amendments to IAS 27 (revised) <i>Consolidated and Separate Financial Statements</i> , IAS 28 (revised) <i>Investments in Associates</i> and IAS 31 (revised) <i>Interests in Joint Ventures</i>	1 July 2009
• IAS 39 (revised) <i>Financial Instruments: Recognition and Measurement</i> – Amendments relating to Eligible Hedged Items (such as hedging Inflation risk and Hedging with options)	1 July 2009
• IFRS 1 (revised) <i>First time Adoption of IFRS</i> – Amendment on additional exemptions for First-time Adopters	1 January 2010
• IFRS 2 (revised) <i>Share-based payment</i> – Amendment relating to cash-settled Share-based payments	1 January 2010
• IAS 32 (revised) <i>Financial Instruments: Presentation</i> – Amendments relating to classification of Rights Issue	1 February 2010
• IAS 24 <i>Related Party Disclosures</i> – Amendment on disclosure requirements for entities that are controlled, jointly controlled or significantly influenced by a Government	1 January 2011
• IFRS 9 <i>Financial Instruments: Classification and Measurement</i> (intended as complete replacement for IAS 39 and IFRS 7)	1 January 2013
• Amendments to IFRS 2, IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 18, IAS 36, IAS 38 and IAS 39 resulting from April 2009 <i>Annual Improvements to IFRSs</i> .	Majority effective for annual periods beginning on or after 1 January 2010

New Interpretations and amendments to Interpretations:

	Effective for annual periods beginning on or after
• IFRIC 17: <i>Distributions of Non-cash Assets to Owners</i>	1 July 2009
• IFRIC 19: <i>Extinguishing Financial Liabilities with Equity Instruments</i>	1 July 2010
• Amendment to IFRIC 14: <i>IAS 19: The limit on a defined Benefit Asset, Minimum Funding Requirement and their interaction</i>	1 January 2011
• Amendment to IFRIC 16: <i>Hedges of a Net Investment in a Foreign Operation</i>	1 July 2009
• Amendment to IFRIC 9 (revised): <i>Reassessment of Embedded Derivatives</i> relating to assessment of embedded derivatives in case of reclassification of a financial asset out of the 'FVTPL' category	1 July 2009

Management anticipates that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group in the period of initial application.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009 (continued)****2 Summary of significant accounting policies (continued)****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 that meet the conditions of recognition under IFRS 3 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 in profit or loss.

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 profit or loss. 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.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

2.2.3 Associated companies

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

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

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

In the parent company's financial statements, the investments in associated companies are stated at cost less impairment.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009 (continued)**

2 Summary of significant accounting policies (continued)

2.2.4 Goodwill

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

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

The Group's policy for goodwill arising on the acquisition of an associate is described at 2.2.3 above.

2.3 Segment reporting

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

2.4 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 profit or loss as an expense is incurred.

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

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

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at each statement of financial position date.

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

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

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009 (continued)****2 Summary of significant accounting policies (continued)****2.5 Investment property**

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

2.6 Intangible assets**Intangible assets acquired separately**

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.

Intangible assets acquired in a business combination

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

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

2.7 Impairment of tangible and intangible assets excluding goodwill

At each statement of financial position date, the Group reviews the carrying amounts of its assets (or cash-generating units) to determine whether there is any indication that those assets have 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 profit or loss.

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.

2.8 Investments**Assets at fair value through profit or loss**

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 profit or loss. 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 profit or loss in the period in which they arise.

Investments held for trading

Investments held for trading comprise of marketable securities. 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 are 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 profit or loss in the period in which they arise. The fair values of quoted investments in active markets are based on current bid prices.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009 (continued)****2 Summary of significant accounting policies (continued)****2.8 Investments (continued)****Available-for-sale investments**

Available-for-sale investments are initially recognised at cost, being the fair value of the consideration given. Subsequent to initial recognition these are recognised at fair value unless fair value cannot be reliably measured. The investments for which quoted market price is not available are measured at cost. Changes in carrying value are recognised in other comprehensive income until investment is sold or determined to be impaired at which time the cumulative gain or loss previously recognised in other comprehensive income is included in profit or loss.

Held-to-maturity investments

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

2.9 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.

2.10 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.

2.11 Cash and cash equivalents

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

2.12 Borrowings

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

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

2.13 Retirement and other benefits

End of service benefits are accrued in accordance with the terms of employment of the Group's employees in Oman at the statement of financial position 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 statement of financial position 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 profit or loss as incurred.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009 (continued)****2 Summary of significant accounting policies (continued)****2.13 Retirement and other benefits (continued)**

The Group operates an unfunded defined benefit gratuity plan for all permanent employees of its subsidiary in Pakistan having a service period of more than one year. The subsidiary accrues the obligation on the basis of actuarial valuation carried out annually under the projected unit credit method.

2.14 Trade and other payables

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

2.15 Provisions

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

2.16 Taxation

Tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The current tax payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the statement of financial position date.

Deferred tax

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

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

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

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

2.17 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 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009 (continued)****2 Summary of significant accounting policies (continued)****2.17 Service revenue (continued)**

Interconnection income and expenses are recognised when services are performed.

Subscription revenue from Cable TV, Internet over cable and Channels subscription fee is recognised on provision of services.

2.18 Finance income / costs

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

Interest income and expenses is accounted for under the accrual basis of accounting.

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

2.19 Factoring, collection and distribution fees

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

2.20 Foreign currency

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

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

Exchange differences are recognised in the profit or loss in the year in which they arise.

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

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

2.21 Directors' remuneration

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009 (continued)****2 Summary of significant accounting policies (continued)****2.22 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.

2.23 Derivative financial instruments

The Group entered into a interest rate swap to manage its exposure to interest rate risk. The details of derivative instrument are disclosed in Note 24.

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

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

Hedge accounting

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

Note 24 sets out details of the fair value of the interest rate swap used for hedging purposes. Movements in the hedging reserve in equity are detailed in the statement of changes in comprehensive income.

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

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

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

2.24 Voluntary end of service benefits

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009 (continued)****3 Financial risk management**

Financial instruments carried on the statement of financial position comprise cash and cash equivalents, receivables, payables and borrowings.

3.1 Financial risk factors**Overview**

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

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

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

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

- Credit risk
- Liquidity risk
- Market risk

(i) Credit risk

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

Trade and other receivables

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

The Group has established credit policies and procedures that are considered appropriate for a licensed service provider commensurate with the nature and size of receivables. Credit limit for customers are established based on the amount of receivables and age of debts.

In monitoring customer credit risk, customers are segmented according to their credit characteristics in the following categories:

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

The potential risk in respect of amounts receivable from private customers and corporate customers in Sultanate of Oman are significantly mitigated by factoring these receivables to an external agent. Under the terms of the factoring agreement the agent provides adequate cover in the form of a bank guarantee for the receivables assigned. The assigned receivables are without recourse subject to any exceptions and deviation from the agreed credit control norms. Credit risk on the other trade debtors is limited to their carrying values as Management regularly reviews these balances whose recoverability is in doubt.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009 (continued)****3 Financial risk management (continued)****3.1 Financial risk factors (continued)**

At the statement of financial position date amounts receivable from the factoring agent approximate to 35.8% (2008 - 34.6%) of the Group's total trade debtors. The bank guarantee provided by the factoring agent represents 34% (2008 - 38%) of the amounts due from them at the statement of financial position date.

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

Investments

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

(ii) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

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

(iii) Market risk

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

Foreign currency risk

The Group's main exposure to foreign exchange volatility within shareholder's equity arises from its investment in a company based in Pakistan (Note 5). These investments are not hedged as these currency positions are considered to be long term in nature.

Borrowings are denominated in currencies that match the cash flows generated by the underlying operations of the Group, primarily Rials Omani as well as US Dollars. This provides an economic hedge and no derivatives are entered into.

In respect of other transactions of the Group, they are primarily in Rials Omani and the Group's performance is substantially independent of changes in foreign currency rates as its foreign currency dealings are principally in US Dollars to which the Rials Omani is pegged. There are no significant financial instruments denominated in foreign currency other than US Dollars and consequently Management believes that foreign currency risk on other monetary assets and liabilities is not significant.

Interest rate risk

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009 (continued)

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

Other market price risk

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

Capital management

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

Management is confident of maintaining the current level of profitability by enhancing top line growth and prudent cost management. Neither the Company nor its subsidiary is subject to externally imposed capital requirements.

3.2 Fair value estimation

Investments

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

Derivatives

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

Financial assets and liabilities

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

4 Critical accounting estimates and judgements

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

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

Impairment of accounts receivable

An estimate of the collectible amount of trade accounts receivable is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates.

At the statement of financial position date, trade accounts receivable amounted to RO 100.130 million (2008 : RO 94.341 million), and the provision for doubtful debts is RO 44 million (2008 : RO 43.095 million). Any difference between the amounts actually collected in future periods and the amounts expected to be collected will be recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009 (continued)

4 Critical accounting estimates and judgements (continued)

Impairment of inventories

Inventories are stated at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on historical prices.

At the statement of financial position date, inventories amounted to RO 13.864 million (2008 : RO 10.474 million) with provision for old and obsolete inventories of RO 8.068 million (2008 : RO 7.264 million). Any difference between the amounts actually realised in future periods and the amounts recognised are dealt with in profit or loss.

Useful lives of property, plant and equipment

Depreciation is charged so as to allocate the cost of assets over their estimated useful lives. The calculation of useful lives is based on Management's assessment of various factors such as the operating cycles, the maintenance programs, and normal wear and tear using its best estimates.

5 Acquisition of a subsidiary

(a) Subsidiary acquired

	Principal activity	Date of acquisition	Proportion of shares acquired %	Cost of acquisition RO'000
Worldcall Telecom Limited	Engaged in the provision of Wireless Local Loop, Long Distance International Services (LDI), Payphones and cable television services	2 May 2008	56.8	73,559

The Company acquired 56.8% of the share capital of Worldcall Telecom Limited (WTL) on 2 May 2008. Due to legal, regulatory and WTL Board of Directors issues in Pakistan, the Company had not been able to demonstrate effective control over WTL. Accordingly, the investment in WTL was accounted for as an associate in accordance with IAS 28 – Investments in Associates.

Effective 1 July 2009, on account of resolution of the legal, regulatory and WTL Board of Directors issues, the Group acquired control over Worldcall Telecom Limited. Accordingly the Company is accounted for as a subsidiary in accordance with IFRS 3-Business Combinations with effect from 1 July 2009.

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009 (continued)

5 Acquisition of a subsidiary (continued)

(b) Analysis of assets and liabilities acquired

	Pre acquisition carrying amount and Fair value on acquisition RO'000
Current assets:	
Inventories	2,800
Trade and other receivables	11,151
Other financial assets	737
Prepayments	1,469
Cash and bank balances	1,347
Non-current assets:	
Property, plant and equipment	64,915
Intangible assets	11,060
Investment property	367
Other financial assets	536
Current liabilities:	
Trade and other payables	(16,284)
Borrowings – Bank overdrafts	(3,050)
Non-current liabilities	
Borrowings	(19,178)
Deferred tax liabilities	(2,515)
Retirement benefit obligation	(750)
Other liabilities	(9,764)
	<hr/>
	42,841
Less: minority interest	(18,507)
	<hr/>
Share of net assets acquired	24,334
Less: carrying amount of investment (refer note 12)	(42,827)
	<hr/>
Goodwill on acquisition	18,493
	<hr/> <hr/>
Cash and cash equivalents acquired on acquisition of subsidiary:	
Cash and bank balances	1,347
Less: Bank overdraft	(3,050)
	<hr/>
	(1,703)
	<hr/> <hr/>

(c) Goodwill arising on acquisition

Goodwill arose in the business combination because the cost of the combination included a control premium to acquire Worldcall Telecom Limited. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, and future market development. These benefits are not recognised separately from goodwill as the future economic benefits arising from them cannot reliably be measured.

(d) Determination of fair value

Pre-acquisition carrying amounts were determined based on applicable IFRS immediately before the acquisition. Management believes that the pre-acquisition carrying amounts approximate fair value of the assets and liabilities acquired as at the date of acquisition.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009 (continued)

6 Segment reporting

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

Products and services from which reportable segments derive their revenues

At 31 December 2009, 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 other). From 1 July 2009, this segment includes the operations of the Worldcall Telecom Limited which is engaged in the provision of Wireless Local loop, Long Distance International Services (LDI), Payphones and cable television services in Pakistan and Sri Lanka.
2. Operation of Global System for Mobile Communication (GSM) for prepaid and post paid services, equipment rentals and amounts derived from the sale of telecommunication equipment and other associated services falling within the Group's ordinary activities (mobile). From 1 March 2004 this segment was operating separately under its subsidiary.

Segment revenues and results

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

Inter-segment sales are charged at prevailing market prices.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009 (continued)

6 Segment reporting (continued)

Segment revenues and results (continued)

The segment results for the year ended 31 December 2009 are as follows:

	Fixed line and other RO'000	Mobile RO'000	Consolidation adjustments RO'000	Total RO'000
Revenue				
External sales	171,550	240,747	-	412,297
Inter-segment sales	56,865	12,370	(69,235)	-
Total revenue	228,415	253,117	(69,235)	412,297
Segment result	78,794	65,211	-	144,005
Finance income - net				1,846
Other non operating expense				(3,218)
Profit before taxation				142,633
Taxation				(17,400)
Profit for the year				125,233

The segment results for the year ended 31 December 2008 are as follows:

Revenue				
External sales	154,725	256,773	-	411,498
Inter-segment sales	68,483	14,355	(82,838)	-
Total revenue	223,208	271,128	(82,838)	411,498
Segment result	87,557	70,419	-	157,976
Finance cost - net				(2,768)
Impairment of investment in associate				(18,880)
Other non operating income				3,408
Profit before taxation				139,736
Taxation				(20,488)
Profit for the year				119,248

Other segment items for the year ended 31 December 2009 included in the income statement are as follows:

	Fixed line and other RO'000	Mobile RO'000	Total RO'000
Depreciation	27,659	37,886	65,545
Amortisation	531	2,493	3,024

Other segment items for the year ended 31 December 2008 included in the income statement are as follows:

	Fixed line and other RO'000	Mobile RO'000	Total RO'000
Depreciation	21,768	30,210	51,978
Amortisation	300	2,493	2,793

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009 (continued)**

6 Segment reporting (continued)

The segment assets and liabilities at 31 December 2009 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	493,577	191,138	8,906	693,621
Liabilities	171,993	80,418	2,450	254,861
Capital expenditures	47,742	49,180	-	96,922

The segment assets and liabilities at 31 December 2008 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	349,804	221,667	19,209	590,680
Liabilities	134,827	111,338	49,545	216,795
Capital expenditures	29,068	35,299	-	64,367

Secondary reporting format

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

31 December 2009	Sultanate of Oman RO'000	Pakistan and Sri Lanka RO'000	Consolidation adjustments RO'000	Total RO'000
Total gross segment revenues	394,582	20,389	(2,674)	412,297
Assets	581,810	102,905	8,906	693,621
Capital expenditure	93,024	3,898	-	96,922

For the year ended 31 December 2008 all gross segment revenues, assets and capital expenditure were from the Sultanate of Oman.

7 Property, plant and equipment

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

(b) **Assets pledged as security**

Property, plant and equipment of a subsidiary with a carrying amount of RO 54.16 million have been pledged to secure borrowings of the Group.

In addition, the Group's obligations under finance leases (see note 26) are secured by the lessor's title to the leased assets, which have a carrying amount of RO 1.141 million.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009 (continued)**

7 Property, plant and equipment (continued)

Consolidated - movement in property, plant and equipment							
	Freehold land RO'000	Buildings RO'000	Network infrastructure and equipment RO'000	Furniture and office equipment RO'000	Motor vehicles and equipment RO'000	Capital work- in- progress RO'000	Total RO'000
Cost							
1 January 2009	713	47,386	577,873	24,868	3,269	33,875	687,984
Additions	-	301	1,588	2,095	550	92,388	96,922
Acquisition through business combination	95	529	53,423	496	402	9,970	64,915
Transfers	413	3,278	96,938	4,563	-	(105,192)	-
Net foreign currency exchange differences	(6)	(35)	(3,574)	(34)	(24)	(587)	(4,260)
Disposals	-	(6)	(1,413)	(53)	(577)	-	(2,049)
31 December 2009	1,215	51,453	724,835	31,935	3,620	30,454	843,512
Depreciation							
1 January 2009	-	26,574	351,525	19,718	2,502	-	400,319
Charge for the year	-	2,515	59,016	3,566	448	-	65,545
Net foreign currency exchange differences	-	(1)	(58)	(1)	(1)	-	(61)
Disposals	-	(1)	(1,166)	(27)	(524)	-	(1,718)
31 December 2009	-	29,087	409,317	23,256	2,425	-	464,085
Net book value At 31 December 2009	1,215	22,366	315,518	8,679	1,195	30,454	379,427

OMAN TELECOMMUNICATIONS COMPANY SAOG

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009 (continued)**

7 Property, plant and equipment (continued)

Consolidated - movement in property, plant and equipment (continued)

	Freehold land RO'000	Buildings RO'000	Network infrastructure and equipment RO'000	Furniture and office equipment RO'000	Motor vehicles and equipment RO'000	Capital work- in- progress RO'000	Total RO'000
Cost							
1 January 2008	713	45,762	537,890	20,471	2,888	16,250	623,974
Additions	-	248	1,260	2,510	450	59,899	64,367
Disposals	-	(1)	(280)	(8)	(68)	-	(357)
Transfers	-	1,377	39,003	1,895	(1)	(42,274)	-
31 December 2008	713	47,386	577,873	24,868	3,269	33,875	687,984
Depreciation							
1 January 2008	-	24,291	304,909	17,222	2,237	-	348,659
Charge for the year	-	2,283	46,859	2,503	333	-	51,978
Reclassification	-	-	(1)	1	-	-	-
Disposals	-	-	(242)	(8)	(68)	-	(318)
31 December 2008	-	26,574	351,525	19,718	2,502	-	400,319
Net book value At 31 December 2008	713	20,812	226,348	5,150	767	33,875	287,665

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009 (continued)**

7 Property, plant and equipment (continued)

Parent - movement in property, plant and equipment

	Freehold land RO'000	Buildings RO'000	Network infrastructure and related 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 2009	665	21,677	330,768	19,720	2,187	11,774	386,791
Additions	-	170	713	1,640	401	40,920	43,844
Transfer from subsidiary company	-	-	-	-	14	-	14
Disposals	-	-	(1,228)	(41)	(449)	-	(1,718)
Transfers	413	405	38,073	297	-	(39,188)	-
31 December 2009	1,078	22,252	368,326	21,616	2,153	13,506	428,931
Depreciation							
1 January 2009	-	12,722	193,787	17,191	1,807	-	225,507
Charge for the year	-	1,064	21,744	1,707	189	-	24,704
Transfer from subsidiary company	-	-	-	-	14	-	14
Disposals	-	-	(1,087)	(17)	(419)	-	(1,523)
31 December 2009	-	13,786	214,444	18,881	1,591	-	248,702
Net book value At 31 December 2009	1,078	8,466	153,882	2,735	562	13,506	180,229

OMAN TELECOMMUNICATIONS COMPANY SAOG

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009 (continued)**

7 Property, plant and equipment (continued)

Parent - movement in property, plant and equipment (continued)

	Freehold land RO'000	Buildings RO'000	Network infrastructure and related 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 2008	665	20,914	306,870	17,963	2,021	9,647	358,080
Additions	-	248	990	1,114	234	26,482	29,068
Disposals	-	(1)	(280)	(8)	(68)	-	(357)
Transfers	-	516	23,188	651	-	(24,355)	-
31 December 2008	665	21,677	330,768	19,720	2,187	11,774	386,791
Depreciation							
1 January 2008	-	11,703	174,887	15,763	1,704	-	204,057
Charge for the year	-	1,019	19,142	1,436	171	-	21,768
Disposals	-	-	(242)	(8)	(68)	-	(318)
31 December 2008	-	12,722	193,787	17,191	1,807	-	225,507
Net book value At 31 December 2008	665	8,955	136,981	2,529	380	11,774	161,284

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009 (continued)**

8 Investment in subsidiaries

The investment in subsidiaries is stated at cost less provision for impairment.

	Parent Company	
	2009 RO'000	2008 RO'000
Oman Mobile Telecommunications Company LLC	24,750	24,750
Worldcall Telecom Limited (Note 5(a) and Note 12)	54,679	-
	<u>79,429</u>	<u>24,750</u>

9 Investment property

	Consolidated	
	2009 RO'000	2008 RO'000
Acquisition through business combination (Note 5(b))	367	-
Net foreign currency exchange difference	(23)	-
	<u>344</u>	<u>-</u>

Investment property comprises commercial property that is rented to Media Times Limited, a related party in Pakistan.

The carrying value of investment property is the fair value of the property as determined by approved independent valuer in Pakistan M/s PEE DEE & Associates. Fair value of the property was last determined as at 31 December 2008. There is no significant change in the fair value from last year. Fair value was determined giving due regard to recent market transactions for similar properties in the same location and condition as the Group's investment property.

10 Goodwill

	Consolidated	
	2009 RO'000	2008 RO'000
Acquisition through business combination (Note 5(b))	18,493	-
Effect of foreign currency exchange difference	(1,191)	-
	<u>17,302</u>	<u>-</u>

Test for impairment of investment in Worldcall Telecom Limited

At the end of the reporting period, the Group assessed the recoverable amount of goodwill and determined that the recoverable amount is more than the carrying amount. The impairment loss recognised on the investment in Worldcall Telecom Limited is nil (2008: RO18.880 million).

The recoverable amount of investment was assessed by reference to the value in use calculation which uses cash flow projections based on financial forecasts covering a five year period and a discount rate of 17% per annum (2008 : 22% per annum). Cash flow projections beyond the five year period have been extrapolated using a steady growth rate of 3% per annum (2008 : 3% per annum) which is the projected long term average growth rate for the business.

Management believes that the value in use calculation is highly sensitive to the cost of capital. An increase in the cost of capital to 18% would result in an impairment loss of RO 4.6 million assuming all other variables remain constant.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009 (continued)

11 Other intangible assets

Consolidated - Movement in other intangible assets

	Licenses RO'000	Patents and copyrights RO'000	Software RO'000	Total RO'000
Cost				
At 1 January 2008 and 31 December 2008	44,881	-	-	44,881
At 1 January 2009	44,881	-	-	44,881
Acquisition through business combination (Note 5(b))	11,035	10	15	11,060
Net foreign currency exchange differences	(714)	-	(1)	(715)
At 31 December 2009	55,202	10	14	55,226
Amortisation				
At 1 January 2008	10,859	-	-	10,859
Charge for the year	2,793	-	-	2,793
At 1 January 2009	13,652	-	-	13,652
Charge for the year	3,158	1	4	3,163
Net foreign currency exchange differences	(10)	-	-	(10)
At 31 December 2009	16,800	1	4	16,805
Net book value				
At 31 December 2009	38,402	9	10	38,421
At 31 December 2008	31,229	-	-	31,229

The charge for the year include an amount of RO 139 thousand (2008: nil) capitalized during the period.

Parent Company - Movement in other intangible assets

The movement in licences is as follows:

	Parent Company	
	2009 RO'000	2008 RO'000
Brought forward balance	6,021	6,321
Charge for the year	(300)	(300)
	5,721	6,021

The following useful lives are used in the calculation of amortisation:

Licences	15 to 25 years
Patents and Copyrights	10 years
Software	5 years

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009 (continued)

12 Investment in associated companies

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

	Parent Company		Consolidated	
	2009 RO'000	2008 RO'000	2009 RO'000	2008 RO'000
Brought forward balance	56,774	2,095	47,294	2,488
Acquisition (Note 5)	-	73,559	-	73,559
Net foreign currency exchange difference (Note 23)	-	-	(647)	(10,234)
Share of (loss) / profit – net	-	-	(531)	559
Impairment loss	-	(18,880)	-	(18,880)
Transfer to Investment in subsidiary	(54,679)	-	(42,827)	-
Dividend received	-	-	(244)	(198)
Carried forward balance	2,095	56,774	3,045	47,294

- (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 3,126,528 (2008 – RO 3,126,528).

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

	Assets RO'000	Liabilities RO'000	Revenues RO'000	Profit / (loss) RO'000	Percentage shareholding
31 December 2009					
Oman Fiber Optic Co. SAOG	10,648	2,683	9,810	1,749	25.96%
Infoline LLC	1,679	298	1,805	174	45%
Omania e-Commerce LLC	666	190	312	(186)	40%
31 December 2008					
Oman Fiber Optic Co. SAOG	9,877	2,755	8,602	2,049	25.96%
Infoline LLC	1,550	273	1,713	195	45%
Omania e-Commerce LLC	774	105	318	(153)	40%
Worldcall Telecom Limited	101,370	44,991	14,990	(1,458)	56.8%

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009 (continued)

13 Other financial assets

	Consolidated			
	Current 2009 RO'000	2008 RO'000	Non current 2009 RO'000	2008 RO'000
Investments at fair value through profit or loss				
Financial assets designated as at fair value through profit or loss (a)	8,674	-	5,169	5,237
Held for trading investments (b)	4,725	2,682	-	-
Available for sale investment carried at cost				
Mutual fund (c)	-	-	192	192
Available for sale investment carried at fair value				
Quoted investments	1,707	-	321	-
Held to maturity investments				
Bonds (d)	-	-	5,771	-
Long term deposits at cost				
Deposits with financial institutions	67	-	16	-
Margin deposits (e)	340	-	-	-
Fixed deposit with banks (f)	58,540	60,295	57,642	10,000
Others	80	-	294	-
Loans carried at amortised cost				
Loans and advances to employees (g)	177	-	-	-
Loans to related parties (h)	130	-	-	-
	<u>74,440</u>	<u>62,977</u>	<u>69,405</u>	<u>15,429</u>

	Parent Company			
	Current 2009 RO'000	2008 RO'000	Non-current 2009 RO'000	2008 RO'000
Investments at fair value through profit or loss				
Financial assets designated as at fair value through profit or loss (a)	8,674	-	5,169	5,237
Held for trading investments (b)	4,725	2,682	-	-
Available for sale investment carried at cost				
Mutual fund (c)	-	-	192	192
Available for sale investment carried at fair value				
Quoted investments	-	-	321	-
Held to maturity investment				
Bonds (d)	-	-	5,771	-
Long term deposits at cost				
Fixed deposit with banks (f)	58,540	60,295	57,642	5,000
	<u>71,939</u>	<u>62,977</u>	<u>69,095</u>	<u>10,429</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009 (continued)

13 Other financial assets (continued)

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

	Parent company and consolidated			Carrying amount as at 31 December 2009 RO'000
	Carrying amount as at 31 December 2008 RO'000	Additions RO'000	Fair value adjustment RO'000	
Non-current and unquoted				
Thuraya Telecommunication Company	2,169	-	(68)	2,101
Arab Satellite Communications Organisation	3,068	-	-	3,068
	<u>5,237</u>	<u>-</u>	<u>(68)</u>	<u>5,169</u>
Current and unquoted				
Investment in structured deposit fund	-	8,707	(33)	8,674
	<u>-</u>	<u>8,707</u>	<u>(33)</u>	<u>8,674</u>

(b) Held for trading investments

Held for trading investments represent quoted marketable securities. These investments are valued at quoted market price at the statement of financial position date.

(c) Available for sale investment carried at cost

Available for sale investment represents investment in mutual fund. The investment is carried at cost.

(d) Held to maturity investment

Held to maturity investment represents investment in bonds issued by Bank Muscat. The bonds return interest at 8% per annum and will mature in May 2016.

(e) Margin deposits

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

(f) Fixed deposits

Fixed deposits are placed with commercial banks. The weighted average interest rate on these deposits is 6% per annum. (2008 - 6% per annum).

(g) Loans and advances to employees

Loans and advances to employees are unsecured and interest free and include advances given to key management personnel of a subsidiary of RO 60 thousand.

(h) Loan to related parties

A subsidiary has provided loans to a related party at rates comparable to average commercial rate of interest. The loan carries an interest rate of 16.5-18 % per annum.

14 Loan to a subsidiary

	Parent Company 2009 RO'000	2008 RO'000
Repayable within one year	-	12,000
	<u>-</u>	<u>12,000</u>

The unsecured loan balance including accrued interest was fully repaid during the year.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009 (continued)

15 Inventories

	Parent Company		Consolidated	
	2009 RO'000	2008 RO'000	2009 RO'000	2008 RO'000
Stores and spares	7,252	6,605	11,970	8,689
Prepaid cards and handsets	874	913	1,894	1,785
	<u>8,126</u>	<u>7,518</u>	<u>13,864</u>	<u>10,474</u>
Provision for inventory obsolescence	(6,480)	(5,720)	(8,068)	(7,264)
	<u>1,646</u>	<u>1,798</u>	<u>5,796</u>	<u>3,210</u>

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

	Parent Company		Consolidated	
	2009 RO'000	2008 RO'000	2009 RO'000	2008 RO'000
Brought forward balance	5,720	4,362	7,264	5,191
Charge for the year	760	1,358	839	2,073
Released during the year	-	-	(35)	-
	<u>6,480</u>	<u>5,720</u>	<u>8,068</u>	<u>7,264</u>

16 Trade and other receivables

Amounts due from customers	28,701	27,655	40,817	28,814
Amounts due from Oman Investment				
Finance Company SAOG (OIFC)	18,438	14,818	35,911	32,608
Amounts due from other operators	15,948	23,737	22,529	31,594
Insurance claim receivable (refer note below)	-	-	-	459
Other receivables	873	866	873	866
	<u>63,960</u>	<u>67,076</u>	<u>100,130</u>	<u>94,341</u>
Provision for impairment of receivables	(30,711)	(31,187)	(44,000)	(43,095)
	<u>33,249</u>	<u>35,889</u>	<u>56,130</u>	<u>51,246</u>
Deposit with tax authorities (refer note 42 (d))	493	-	493	-
Advances	2,803	1,694	6,334	2,259
	<u>36,545</u>	<u>37,583</u>	<u>62,957</u>	<u>53,505</u>

Loss due to exceptional climate disturbances

The Group's properties are insured against damage. As part of the damage caused by the exceptional climate disturbances on 6 June 2007, some properties of the Group were damaged. During the year the insurer accepted a claim of RO 6.1 million in full and final settlement of the claims. In case of the subsidiary, the net book value of the assets at 30 June 2007 of RO 459 thousand has been de-recognised as property, plant and equipment and was recognised as claims receivable. The acceptance of the claim has resulted in an income of RO 3.642 million, including RO 1.142 million for the subsidiary, in the current year.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009 (continued)**

17 Cash and bank balances

	Parent Company		Consolidated	
	2009	2008	2009	2008
	RO'000	RO'000	RO'000	RO'000
Short term bank deposits	-	21,989	-	51,211
Cash at bank and on hand	22,097	11,185	32,042	30,617
	<u>22,097</u>	<u>33,174</u>	<u>32,042</u>	<u>81,828</u>

18 Receivable from subsidiaries

Current				
Oman Mobile Telecommunications Company LLC	22,029	41,196	-	-
	<u>22,029</u>	<u>41,196</u>	<u>-</u>	<u>-</u>
Non-current				
Worldcall Telecom Limited	1,935	-	-	-
	<u>1,935</u>	<u>-</u>	<u>-</u>	<u>-</u>

Amounts receivable from subsidiary companies are unsecured and interest free.

19 Share capital and dividends

The share capital comprises 750,000,000 (2008 - 750,000,000) ordinary shares of RO 0.100 (2008 : 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 statement of financial position date are as follows:

	31 December 2009		31 December 2008	
	Shares held	%	Shares held	%
Government of the Sultanate of Oman	525,000,000	70	525,000,000	70

For the year 2008, a cash dividend of RO 0.100 (for the year 2007 - RO 0.100 per share) amounting to RO 75 million (for the year 2007: RO 75 million) was approved by the shareholders at the Annual General Meeting held on 30 March 2009.

The directors have recommended a dividend of RO 0.100 per share for year 2009 which is subject to the approval of shareholders at the Annual General Meeting.

20 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 its 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 reporting period represents amounts relating to the Company and its share of the legal reserve of a subsidiary. This being achieved, the Company has discontinued the transfer.

21 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 reporting period represents amounts relating to the parent company and its share of the voluntary reserve of a subsidiary. This being achieved, the Company has discontinued the transfer.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009 (continued)****22 Capital contribution**

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

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

23 Foreign currency translation reserve

Exchange differences relating to the translation from the functional currency of the Group's foreign subsidiary into Rials Omani are brought into account by entries made directly to the foreign currency translation reserve.

24 Hedging reserve

The hedging reserve represents hedging losses recognised on the effective portion of cash flow hedges. The cumulative deferred gain or loss in the hedge is recognised in profit or loss when the hedged transaction impacts the profit or loss.

The fair value of interest rate swap is measured at the present value of future cash flows estimated as the difference between the contractual interest rate and the applicable US\$ LIBOR curve for the residual maturity of the contract and discounted based on the spot rates derived from the yield curve. The loss on the cash flow hedge is accounted for as a liability (Note 29 and 31).

Interest rates used for determining fair value

The interest rates used to discount the estimated cash flows where applicable are based on the LIBOR yield curve at the end of the reporting period and is in the range of 0.25% per annum to 1.94% per annum (2008- 1.3882% per annum to 2.2438% per annum).

25 Fair value reserve

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

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009 (continued)

26 Borrowings	Consolidated	Year of maturity	Current 2009 RO'000	2008 RO'000	Non current 2009 RO'000	2008 RO'000
Unsecured- at amortised cost						
Syndicated bank loan	USD	2011 (Note (a))	39,505	19,997	19,739	58,918
Secured-at amortised cost						
Bank loan	USD	2009 (Note (b))	5,805	-	-	-
Term finance certificates-2	PKR	2011	-	-	1,040	-
Term finance certificates-3	PKR	2013	3,001	-	14,137	-
Secured bank loan	PKR	2010	168	-	-	-
Bank overdraft	PKR	-	4,717	-	-	-
Finance lease liabilities	PKR	2010-2011	248	-	84	-
			<u>53,444</u>	<u>19,997</u>	<u>35,000</u>	<u>58,918</u>
Parent Company						
Unsecured- at amortised cost						
Syndicated bank loan	USD	2011 (Note (a))	39,505	19,997	19,739	58,918
Secured-at amortised cost						
Bank loan	USD	2009 (Note (b))	5,805	-	-	-
			<u>45,310</u>	<u>19,997</u>	<u>19,739</u>	<u>58,918</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009 (continued)

26 Borrowings (continued)

(a) Syndicated bank loan

In April 2008, the Company obtained a bridge loan from Mashreq Bank P.S.C for the purpose of financing the acquisition of shares in Worldcall Telecom Limited (a subsidiary). On 25 June 2008 the Company signed a syndicated loan facility with a consortium of banks for USD 205 million. The bridge loan was repaid from the proceeds of syndicated loan on 8 July 2008. The syndicated bank loan is repayable in 8 equal quarterly instalments of RO 9,917 million commencing from 25 September 2009. Interest is charged at a rate of three months LIBOR plus 0.875% and is payable on a quarterly basis.

(b) Bank Loan

The Company raised a loan from Bank Sarasin and Company Ltd for the purpose of financing the investment in structured deposit fund (Refer note 13(a)). The loan is repayable on 8 November 2010. Interest is charged at a rate of three months LIBOR plus 1% and is payable on quarterly basis. The loan is fully secured by way of a pledge on the investment.

27 Deferred tax

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

	Consolidated		Acquisition through business combination RO '000	Charged / (credited) to income statement RO '000	Exchange differences RO '000	31 December 2009		1 January 2008 RO '000	Reclassification (note below) RO '000	Charged / (credited) to income statement RO '000	31 December 2008 RO '000
	1 January 2009 RO '000	31 December 2009 RO '000				1 January 2008 RO '000	31 December 2008 RO '000				
Temporary differences											
Provision for impaired receivables	(4,380)	(5,462)	(1,279)	112	85	(5,462)	(4,009)	-	-	(371)	(4,380)
Provision for inventory obsolescence	(475)	(562)	-	(87)	-	(562)	(226)	-	-	(249)	(475)
Retirement benefit obligation	-	(278)	(261)	(34)	17	(278)	-	-	-	-	-
Depreciation and amortisation	5,619	20,408	13,740	1,960	(911)	20,408	10,211	(5,603)	(5,603)	1,011	5,619
	764	14,106	12,200	1,951	(809)	14,106	5,976	(5,603)	(5,603)	391	764
Unused tax losses and credits											
	-	(10,643)	(9,685)	(1,617)	659	(10,643)	-	-	-	-	-
	764	3,463	2,515	334	(150)	3,463	5,976	(5,603)	(5,603)	391	764

During 2008, the parent company and Oman Mobile (subsidiary company) claimed excess depreciation for tax purposes for the periods prior to 2008, resulting in a deferred tax asset of RO 5,603 million being classified in provision for taxation.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009 (continued)

27 Deferred tax (continued)

Parent Company

	1 January 2009 RO'000	Charged / (credited) to income statement RO'000	31 December 2009 RO'000	1 January 2008 RO'000	Reclassifi- cation (note below) RO'000	Charged / (credited) to income statement RO'000	31 December 2008 RO'000
Temporary differences							
Provision for impaired receivables	(2,936)	57	(2,879)	(2,692)	-	(244)	(2,936)
Provision for inventory obsolescence	(289)	(91)	(380)	(126)	-	(163)	(289)
Depreciation and amortisation	6,647	497	7,144	10,755	(4,716)	608	6,647
	<u>3,422</u>	<u>463</u>	<u>3,885</u>	<u>7,937</u>	<u>(4,716)</u>	<u>201</u>	<u>3,422</u>

During 2008, the parent company claimed excess depreciation for tax purposes for the periods prior to 2008, resulting in a deferred tax asset of RO 4.716 million being classified in provision for taxation.

28 Retirement benefit obligation

The movement in retirement benefit obligation is as follows:

	Parent Company		Consolidated	
	2009 RO'000	2008 RO'000	2009 RO'000	2008 RO'000
Brought forward balance	2,074	1,714	2,270	2,050
Acquisition through business combination	-	-	750	-
Charge for the year (Note 37)	358	357	701	444
Transferred from subsidiary company	-	210	-	-
Payments during the year	(85)	(207)	(291)	(224)
Foreign exchange difference	-	-	(50)	-
	<u>2,347</u>	<u>2,074</u>	<u>3,380</u>	<u>2,270</u>

29 Other liabilities – non current

Derivative liability-interest rate swap (Note 24)	78	908	78	908
Long term payables – USF (Note (a) below)	-	-	709	-
Long term payables – Suppliers (Note (b) below)	-	-	5,674	-
Long term deposits	-	-	199	-
Others	-	-	421	-
	<u>78</u>	<u>908</u>	<u>7,081</u>	<u>908</u>

(a) Long term payables represent the amount received by Worldcall Telecom Limited (WTL) – subsidiary against a contract for the deployment of network in MTR-I awarded by Universal Service Fund (USF), a company established for the purpose of increasing teledensity in Pakistan.

(b) Amounts payable to suppliers are unsecured, interest free and are due for repayment in 2011.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009 (continued)

30 Amount payable to the Government

	Parent Company		Consolidated	
	2009 RO '000	2008 RO '000	2009 RO '000	2008 RO '000
Brought forward balance	1,363	1,455	2,574	2,190
Payments made	-	(92)	-	(92)
Write back of impaired debt provision [Note 47(b)(ii)]	-	-	-	476
	<u>1,363</u>	<u>1,363</u>	<u>2,574</u>	<u>2,574</u>

31 Trade and other payables

Trade payables	2,001	2,373	9,803	5,813
Amounts due to other telecommunication administrators	2,112	3,385	6,017	12,590
Retentions payable	9,813	7,753	17,650	11,638
Licence fees payable (refer note (a) below)	-	-	4,965	-
Accruals	17,815	12,492	28,830	21,230
Deferred income	-	166	15,718	14,738
Billings in advance	5,103	4,201	5,873	4,201
Accrued interest	67	181	818	181
Derivative liability-interest rate swap (Note 24)	960	645	960	645
Other payables	894	1,290	6,283	3,365
	<u>38,765</u>	<u>32,486</u>	<u>96,917</u>	<u>74,401</u>

(a) Licence fees payable

This represents interest free licence fee payable to PTA for Wireless Local Loop Licence. As per the agreement with Pakistan Telecommunication Authority, the amount is payable by March,2010.

32 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 7% of its gross revenue excluding sale of terminal equipments and interconnection expenses.

33 Net assets per share

Net assets per share attributable to equity holders of the parent company are calculated by dividing the net assets at the statement of financial position date by the number of shares outstanding:

	Parent Company		Consolidated	
	2009	2008	2009	2008
Net assets attributable to the owners of the parent (RO'000)	355,864	299,422	420,520	372,797
Number of shares outstanding (thousands)	750,000	750,000	750,000	750,000
Net assets per share (RO)	<u>0.474</u>	<u>0.399</u>	<u>0.561</u>	<u>0.498</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009 (continued)

34 External administration revenue and expenses**(a) External administration revenue**

	Parent Company		Consolidated	
	2009	2008	2009	2008
	RO'000	RO'000	RO'000	RO'000
Telephones and GSM	31,496	34,672	42,755	34,672

(b) External administration expenses

Telephones and GSM	13,367	17,851	14,705	17,851
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35 Interconnection income and expense

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

36 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.

37 Staff costs

	Parent Company		Consolidated	
	2009	2008	2009	2008
	RO'000	RO'000	RO'000	RO'000
Salaries and allowances	35,157	28,775	44,018	39,481
Social security costs	2,005	1,859	2,377	2,335
Retirement benefits (Note 28)	358	357	701	444
Other employee benefits	1,269	619	1,525	779
	38,789	31,610	48,621	43,039

38 Operating and maintenance expenses

	Parent Company		Consolidated	
	2009	2008	2009	2008
	RO'000	RO'000	RO'000	RO'000
Asset maintenance	9,595	7,918	17,175	12,684
Cost of sale of prepaid products	170	265	3,010	2,590
Satellite channels and frequency charges*	2,786	6,690	5,965	10,053
Rent, rates and taxes	1,609	944	3,575	2,268
Electricity and water	1,196	1,111	2,379	1,616
Maintenance and hire charges	827	567	1,833	1,609
Petrol, oil and lubricants	359	361	607	501
Insurance	723	732	1,307	1,140
Others	749	667	1,018	742
	18,014	19,255	36,869	33,203

Consolidated

Satellite channel and frequency charges of the Group include an amount of RO Nil (2008- RO 3.231 million including penalty of RO 2.241 million) for prior years.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009 (continued)

39 Administrative expenses

	Parent Company		Consolidated	
	2009 RO'000	2008 RO'000	2009 RO'000	2008 RO'000
Training costs	1,241	1,186	1,526	1,905
Professional fees for Group reorganization	-	2,443	-	2,443
Professional consultancy fees	1,760	1,970	2,590	3,560
Administrative services	862	1,006	1,449	1,265
Business travel	1,185	1,249	1,734	1,701
Office supplies and services	506	437	616	580
	<u>5,554</u>	<u>8,291</u>	<u>7,915</u>	<u>11,454</u>

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

40 Factoring, collection and distribution fees

The Group has entered into an agreement with Oman Investment and Finance Company SAOG (OIFC) whereby all amounts due from private customers in Sultanate of Oman are assigned and factored to OIFC. The present contract is effective from 1 July 2007 and is valid for a period of three years ending 30 June 2010.

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

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

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

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

41 Finance income / (costs) - net

	Parent company		Consolidated	
	2009 RO'000	2008 RO'000	2009 RO'000	2008 RO'000
Interest income	5,229	2,651	5,835	3,212
Exchange gain/(loss)	3	(658)	3	(658)
Dividend income	390	394	146	195
Fair value loss on investments at fair value through profit and loss	(99)	(83)	(99)	(83)
Fair value gain/(loss) on held for trading investments	1,539	(3,045)	1,539	(3,045)
Realised (loss) / gain on held for trading investments - net	(594)	53	(594)	53
Interest expense on borrowings	(3,352)	(2,442)	(4,984)	(2,442)
	<u>3,116</u>	<u>(3,130)</u>	<u>1,846</u>	<u>(2,768)</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009 (continued)

42 Taxation

(a) The tax charge for the year comprises:

	Parent company		Consolidated	
	2009 RO'000	2008 RO'000	2009 RO'000	2008 RO'000
Current taxation	9,048	11,263	17,066	20,097
Deferred taxation (Note 27)	463	201	334	391
	<u>9,511</u>	<u>11,464</u>	<u>17,400</u>	<u>20,488</u>

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

	Parent company		Consolidated	
	2009 RO'000	2008 RO'000	2009 RO'000	2008 RO'000
Tax on accounting profit	16,849	14,277	16,939	16,717
Add / (less) tax effect of:				
Expenses not deductible	340	3,464	652	3,824
Income not subject to tax (see note below*)	(7,678)	(6,277)	(191)	(53)
Tax charge as per income statement	<u>9,511</u>	<u>11,464</u>	<u>17,400</u>	<u>20,488</u>

* Includes tax effect of RO 7.511 million (2008 - RO 6.224 million) on dividend from the subsidiary.

(c) Status of tax assessments

Assessments have been completed for tax years up to the taxable year 2007 for the parent company. For the tax year 2004, the parent company received a demand for RO 11.378 million considering the spin off of mobile business from the parent company to Oman Mobile on its formation in 2004 as a taxable transaction.

The Company has filed an objection with the Secretary General for Taxation to treat it as a non taxable transaction. Based upon further review, the demand was reduced to RO 4.627 million. The Company has preferred an appeal with the tax committee. Based on legal advice and opinions from the tax advisors, management believes that the liability is remote.

Assessments of Oman Mobile, have been completed up to taxable year 2007 and a refund of RO 1.052 million has been determined. The refund has arisen primarily on account of the tax effect of amortization of the fair valued mobile license that was transferred from the parent company in 2004. The refund is not recognized as income in order to maintain consistency with the position taken by the parent company, which has represented to the Secretary General for Taxation that the transfer of business and assets to Oman Mobile, including the mobile license, is not a taxable transaction.

(d) Withholding tax

During 2008, the parent company received a notice of demand for RO 0.5 million for non deduction of withholding tax on payments made relating to Satellite transponder capacity for the years 1999 to 2001. The Company has lodged an objection with the Secretary General of Taxation which was decided against the Company. The Company has preferred an appeal with the tax committee and deposited the amount demanded with the tax authorities pending disposal of the appeal. Based on legal advice, Management is confident that the matter will be decided in favour of the Company.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009 (continued)

43 Basic earnings per share

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

44 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 nature and amounts of transactions during the year were as follows:

Parent company

(i) Purchase of goods and services

	2009 RO'000	2008 RO'000
Subsidiaries	13,234	14,355
Associates	5,443	2,247
Other related parties	777	306
	<u>19,454</u>	<u>16,908</u>

(ii) Sale of services

Subsidiaries	<u>56,001</u>	<u>68,483</u>
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(iii) Interest income on loan to a subsidiary

	<u>193</u>	<u>581</u>
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(iv) Sitting fees and remuneration to directors

Directors' sitting fees - non executive	<u>54</u>	<u>55</u>
Director's remuneration - non executive	<u>146</u>	<u>145</u>
Total	<u>200</u>	<u>200</u>

(v) Key management compensation

	2009 RO'000	2008 RO'000
Basic salaries and allowances	287	551
Other benefits and expenses	56	35
Social security costs	7	37
Retirement benefits	7	-
	<u>357</u>	<u>623</u>

On account of restructuring of the Group, the composition of key management personnel and the basis of allocation of their compensation was revised with effect from 1 January 2009. Hence the figures for current year are not comparable with previous year.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009 (continued)

44 Related parties (continued)

Parent company (continued)

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

	Receivables		Payables	
	2009 RO'000	2008 RO'000	2009 RO'000	2008 RO'000
Subsidiaries	23,964	41,196	-	-
Associates	-	-	753	538
Other related parties	-	-	-	-
	<u>23,964</u>	<u>41,196</u>	<u>753</u>	<u>538</u>

	2009 RO'000	2008 RO'000
(vii) Loan to a subsidiary	-	12,000
	<u>-</u>	<u>12,000</u>

Consolidated

(i) Purchase of goods and services

	2009 RO'000	2008 RO'000
Associates	5,443	2,247
Other related parties	1,435	561
	<u>6,878</u>	<u>2,808</u>

(ii) Sitting fees and remuneration of directors

	2009	2008
Directors' sitting fees – non executive	92	86
Directors' remuneration – non executive	308	311
	<u>400</u>	<u>397</u>

(iii) Key management compensation

	2009	2008
Basic salaries and allowances	1,242	905
Other benefits and expenses	124	336
Social security costs	16	53
Retirement benefits	65	28
	<u>1,447</u>	<u>1,322</u>

On account of restructuring of the Group, the composition of key management personnel and the basis of allocation of their compensation was revised with effect from 1 January 2009. Hence the figures for current year are not comparable with previous year.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009 (continued)

44 Related parties (continued)

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

	Receivables		Payables	
	2009 RO'000	2008 RO'000	2009 RO'000	2008 RO'000
Associates	-	-	752	537
Other related parties	-	-	34	133
	<u>-</u>	<u>-</u>	<u>786</u>	<u>670</u>

45 Cash and cash equivalents

	Parent company		Consolidated	
	2009 RO'000	2008 RO'000	2009 RO'000	2008 RO'000
Cash and bank balances (Note 17)	22,097	33,174	32,042	81,828
Bank overdraft (Note 26)	-	-	(4,717)	-
	<u>22,097</u>	<u>33,174</u>	<u>27,325</u>	<u>81,828</u>

46 Commitments

(a) Commitments

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	
	2009 RO'000	2008 RO'000	2009 RO'000	2008 RO'000
Commitment for fixed capital expenditure	16,133	33,372	45,593	70,111
Investment	1,621	1,737	1,621	1,737

At 31 December 2009, the aggregate capital commitment made by the Group on behalf of the Government of Sultanate of Oman amounted to RO 1.6 million (2008 - RO 1.6 million). The Group is entitled to recover these amounts from the Government when they fall due for payment.

(b) Contingent liabilities

	Parent Company		Consolidated	
	2009 RO'000	2008 RO'000	2009 RO'000	2008 RO'000
Letters of credit	-	-	58	4,735
Bank guarantees	-	322	3,607	327

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

(c) Claims

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009 (continued)

47 Credit risk

(a) Exposure to credit risk

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

	Parent Company		Consolidated	
	2009	2008	2009	2008
	RO'000	RO'000	RO'000	RO'000
Loan to a subsidiary	-	12,000	-	-
Trade and other receivables	63,960	67,076	100,130	94,341
Other financial assets	141,034	73,406	143,845	78,406
Cash and bank balances	22,097	33,174	32,042	81,828
Receivables from subsidiaries	23,964	41,196	-	-
	<u>251,055</u>	<u>226,852</u>	<u>276,017</u>	<u>254,575</u>

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

	Parent Company		Consolidated	
	2009	2008	2009	2008
	RO'000	RO'000	RO'000	RO'000
Oman Investment Finance Company SAOG	18,438	14,818	35,911	32,608
Due from other operators	15,948	23,737	22,529	31,594
Insurance claim receivable	-	-	-	459
Government debts	8,565	6,907	8,586	7,088
Agents for prepaid card sales	-	-	760	942
Other customers	21,009	21,614	32,344	21,650
	<u>63,960</u>	<u>67,076</u>	<u>100,130</u>	<u>94,341</u>

(b) The age of trade receivables and related impairment loss at the statement of financial position date was:

Consolidated

	2009		2008	
	Gross	Impairment	Gross	Impairment
	RO'000	RO'000	RO'000	RO'000
Not past due	21,371	-	21,701	-
Past due 0 - 180 days	22,771	1,387	15,480	678
Past due 181 - 365 days	8,810	2,756	11,130	4,472
1 - 2 years	6,446	3,105	5,048	2,667
More than 2 years	40,732	36,752	40,982	35,278
	<u>100,130</u>	<u>44,000</u>	<u>94,341</u>	<u>43,095</u>

Parent company

	2009		2008	
	Gross	Impairment	Gross	Impairment
	RO'000	RO'000	RO'000	RO'000
Not past due	8,187	-	12,664	-
Past due 0 - 180 days	14,744	1,131	11,130	545
Past due 181 - 365 days	6,276	1,091	8,776	2,946
1 - 2 years	4,368	2,026	3,929	2,467
More than 2 years	30,385	26,463	30,577	25,229
	<u>63,960</u>	<u>30,711</u>	<u>67,076</u>	<u>31,187</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009 (continued)

47 Credit risk (continued)

(i) Included in the Group's trade receivable balance are debtors with a carrying amount of RO 34.759 million (2008 : RO 29.545 million) which are past due at the statement of financial position date for which the Group has not provided any amount as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances. The average age of these receivables is 180 days.

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

	Parent Company		Consolidated	
	2009 RO'000	2008 RO'000	2009 RO'000	2008 RO'000
Brought forward balance	31,187	29,151	43,095	39,992
Acquired through business combination	-	-	2,521	-
Net foreign currency exchange difference	-	-	(168)	-
Charge for the year	551	2,684	1,501	4,227
Written back during the year payable to Government (Note 30)	-	-	-	(476)
Written back during the year	(1,027)	(648)	(2,949)	(648)
Carried forward balance	30,711	31,187	44,000	43,095

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

In the event of subsequent recovery of the receivables in respect of which provisions had been established at 31 December 2004, the write back of such bad debt provision will be credited and paid to the Government. The write back in respect of provisions established as at 31 December 2004 has been credited to the Government (Note 30) and the remaining balance has been credited to the income statement.

48 Liquidity risk

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

31 December 2009

(a) Consolidated

	Carrying amount RO'000	6 months or less RO'000	6 - 12 months RO'000	1 - 2 years RO'000	More than 2 years RO'000
Borrowings	88,444	25,094	28,350	25,239	9,761
Accrued interest	818	818	-	-	-
Amounts payable to Government	2,574	2,574	-	-	-
Trade payables	9,803	8,667	1,136	-	-
Amount due to other telecommunication administrators	6,017	6,017	-	-	-
Retention payable	17,650	13,944	3,706	-	-
Accruals	28,830	28,830	-	-	-
Other payables	6,283	6,283	-	-	-
Royalty payable	34,610	34,610	-	-	-
Other long term liabilities	7,003	-	-	6,804	199
Licence fee payable	4,965	4,965	-	-	-
Derivative liability-interest rate swap	1,038	636	324	78	-
	208,035	132,438	33,516	32,121	9,960

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009 (continued)

48 Liquidity risk (continued)

31 December 2009

(b) Parent company

	Carrying amount RO'000	6 months or less RO'000	6 – 12 months RO'000	1 – 2 years RO'000	More than 2 years RO'000
Borrowings	65,049	19,753	25,557	19,739	-
Accrued interest	67	67	-	-	-
Amounts payable to Government	1,363	1,363	-	-	-
Trade payables	2,001	2,001	-	-	-
Amount due to other telecommunication administrators	2,112	2,112	-	-	-
Retention payable	9,813	8,267	1,546	-	-
Accruals	17,815	17,815	-	-	-
Other payables	894	894	-	-	-
Derivative liability – interest rate swap	1,038	636	324	78	-
Royalty payable	19,654	19,654	-	-	-
	<u>119,806</u>	<u>72,562</u>	<u>27,427</u>	<u>19,817</u>	<u>-</u>

31 December 2008

(a) Consolidated

Borrowings	78,915	-	19,997	39,830	19,088
Accrued interest	181	181	-	-	-
Amounts payable to Government	2,574	2,574	-	-	-
Trade payables	5,813	5,813	-	-	-
Amount due to other telecommunication administrators	12,590	12,590	-	-	-
Retention payable	11,638	9,980	1,658	-	-
Accruals	21,230	21,230	-	-	-
Other payables	3,365	3,365	-	-	-
Royalty payable	35,779	35,779	-	-	-
Derivative liability-interest rate swap	1,553	237	408	796	112
	<u>173,638</u>	<u>91,749</u>	<u>22,063</u>	<u>40,626</u>	<u>19,200</u>

(b) Parent company

Borrowings	78,915	-	19,997	39,830	19,088
Accrued interest	181	181	-	-	-
Amounts payable to Government	1,363	1,363	-	-	-
Trade payables	2,373	2,373	-	-	-
Amount due to other telecommunication administrators	3,385	3,385	-	-	-
Retention payable	7,753	7,268	485	-	-
Accruals	12,492	12,492	-	-	-
Other payables	1,290	1,290	-	-	-
Derivative liability - interest rate swap	1,553	237	408	796	112
Royalty payable	20,634	20,634	-	-	-
	<u>129,939</u>	<u>49,223</u>	<u>20,890</u>	<u>40,626</u>	<u>19,200</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009 (continued)

49 Interest rate risk

At the statement of financial position date the interest rate profile of the Group's interest bearing financial instruments was:

	Parent company		Consolidated	
	2009	2008	2009	2008
	RO'000	RO'000	RO'000	RO'000
Floating rate instruments				
Financial liabilities	65,049	78,915	83,395	78,915
Fixed rate instruments				
Financial assets	121,953	87,284	121,953	121,506
Financial liabilities	-	-	(4,717)	-
	<u>121,953</u>	<u>87,284</u>	<u>117,236</u>	<u>121,506</u>

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for floating rate instruments

The parent company entered into an interest rate swap at a contracted fixed rate of interest of 2.75% p.a. to hedge its LIBOR denominated borrowings. Under the swap, the Company agrees to exchange the difference between the fixed and floating rate interest amounts calculated on agreed notional principal amounts. The swap is designated to mitigate the risk of changing interest rates on the cash flow exposures on the issued variable debt. The swap served as a perfect hedge for the LIBOR denominated borrowings during the year and as such change in the interest rates at the statement of financial position date would not affect profit or loss.

50 Foreign currency risk

The Group's main exposure to foreign exchange volatility within shareholder's equity arises from its investment in a subsidiary based in Pakistan (Note 5).

The net exposure to the currency risk as at 31 December 2009 is as follows:

	Pakistani Rupees PKR '000
Total assets	22,814,968
Goodwill	3,836,094
Less: Total liabilities	(11,435,910)
Less: Minority interest	(3,812,407)
	<u>11,402,745</u>

The following significant exchange rates were applied during the year :

	Pakistani Rupees
Exchange rate at the date of acquisition	207.43
Average exchange rate from 1 July 2009 to 31 December 2009	216.82
Exchange rate as at 31 December 2009	221.71

A 5% strengthening of Rials Omani against the above currency would have decreased equity by RO 2.449 million attributable to equity holders of parent company by the amounts shown above. The analysis assumes that all other variables, in particular interest rates remain constant.

A 5% weakening of Rials Omani would have had the equal but would have had opposite effect on the above currencies.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009 (continued)

51. Fair value of assets and liabilities

Fair value versus carrying amounts

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

Fair value measurements recognised in the statement of financial position

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

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1 RO	Level 2 RO	Level 3 RO	Total 2009 RO
<i>Investments at fair value through profit or loss</i>				
Investment in structured deposit fund	-	8,674	-	8,674
Quoted equity instruments	4,725	-	-	4,725
Unquoted equity instruments	-	-	5,169	5,169
	<u>4,725</u>	<u>8,674</u>	<u>5,169</u>	<u>18,568</u>
<i>Available-for-sale investments at fair value</i>				
Mutual funds	321	-	-	321
Quoted equity instruments	1,707	-	-	1,707
	<u>2,028</u>	<u>-</u>	<u>-</u>	<u>2,028</u>

There were no transfers between the levels during the year.

52. Voluntary end of service

To enhance the internal efficiency and achieve right sizing of the Group, the company has announced in October 2009 the implementation of the Voluntary End of Service Scheme for employees in Parent Company and its subsidiary company, Oman Mobile. Under the scheme, employees fulfilling certain criteria will be paid a lump sum amount based on the length of service.

53. Comparative amounts

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