

Corporate Governance Report for the year ended 31 December 2010

First: Principles and Foundations of Organization

The Oman Telecommunications Company SAOG (Omantel) is committed to the highest standards of the Code of Corporate Governance. In pursuit of this goal, the company has applied the various principles of the Code of Corporate Governance with regard to the appointment of members of the Board of Directors, ensuring the adequacy and efficiency of Internal Controls in all aspects of the Company's operations and transparency in all business dealings.

Second: Disclosure Policy

The company is committed to CMA's standards and guidelines on disclosure of material information. Further it is committed to the rules and regulations issued by the Telecommunications Regulatory Authority (TRA). The Board has approved the disclosure policy issued by CMA.

Third: Board of Directors:

1. Composition of the Board of Directors:

The Board of Directors of the Company is composed of eight members; six members are representing the government share, among them the Board Chairman. The other two members were elected by the private sector shareholders at the General Meeting held on 31 August 2008. The composition of the Board is now in the following order:

Name of Board Member	Date of Appointment/ Election	Membership Duration	Position in the Board	Type of Representation	Membership of other Committees	Membership of Boards of other Joint Stock Companies	Whether Attended last AGM
H.E Eng. Sultan bin Hamdoon Al-Harthy	21/9/2010	3 Years	Chairman	Independent, representing Govt. Share	1	Nil	No
Mr. Abdul Kader Askalan	21/9/2010	3 Years	Deputy Chairman	Independent, representing Govt. Share	0	1	Yes
Eng. Mohamed Hamad Al-Maskari	21/9/2010	3 Years	Member	Independent, representing Govt. Share	1	Nil	Yes
Dr. Salim Sultan Al-Ruzaiqi	21/9/2010	3 Years	Member	Independent, representing Govt. Share	1	Nil	Yes
Mr Abdul Rahim bin Salem Al-Harmi	21/9/2010	3 Years	Member	Independent, representing Govt. Share	1	Nil	Yes
Mr. Mehdi bin Mohammed Jawad Al-Abdwani	21/9/2010	3 Years	Member	Independent, representing Govt. Share	2	3	Yes

Name of Board Member	Date of Appointment/ Election	Membership Duration	Position in the Board	Type of Representation	Membership of other Committees	Membership of Boards of other Joint Stock Companies	Whether Attended last AGM
Mr. Saud bin Ahemed Al-Nahari	31/8/2008	3 Years	Member	Independent	3	2	Yes
Sheikh Aimen bin Ahmed Al Hosni	31/08/2008	3 Years	Member (Representing Qurum Business Group)	Independent	3	1	Yes

2. **Profile of Directors and Executive management**

H.E Eng. Sultan bin Hamdoon Al-Harthy is the Chairman of Muscat Municipality. He worked for different government organizations and his last position was Undersecretary of Heritage in the Ministry of Culture and Heritage. He holds a Master's degree in Architecture.

Mr. Abdul Kader Askalan is the Chief Executive Officer of Oman Arab Bank and has vast experience in the banking sector. He is a board member of Oman International Development & Investment Co. SAOG.

Eng. Mohamed bin Hamed Al-Maskari is the Director General of Knowledge Oasis Muscat, and has vast work experience in the field of Management and Information Technology for more than 14 years with a Master Degree in Business Administration

Dr. Salim bin Sultan Al-Ruzaiqi is the Executive President of Information Technology Authority. He has more than 18 years of experience, and he holds a Doctorate in the field of Information and Communication Systems.

Mr. Abdul Rahim bin Salem Al-Harmi is the Director General of Civil Aviation Meteorology in the Ministry of Transport and Communications. He holds a Master's Degree in Business Administration.

Mr. Mehdi bin Mohammed Jawad Al-Abdwani is the Director General of Development Planning in the Ministry of National Economy. He holds a Bachelor's Degree in Economics and post-graduate diploma of Development Planning Techniques (DPT). He is a board member of Al Anwar Holding Company SAOG and Chairman of Computer Stationary Industry Co. SAOG.

Mr. Saud bin Ahemed Al-Nahari is the Chief Executive Officer of Port Services Corporation. He has more than 28 years of work experience. He holds a Post-graduate Diploma in Port Management. Mr. Saud is a board member in other two joint stock companies: Oman United Insurance Co. SAOG, and Al Hassan Engineering Co. SAOG.

Sheikh Aimen bin Ahmed Al Hosni is the Director General of Information and Statistics in the Ministry of Civil Service. He holds a Bachelor Degree in Political Science and a Masters Degree in Public Administration. He is the Chairman of Oman National Investment & Engineering Company S.A.O.G.

Dr. Amer bin Awadh Al-Rawas has been the Chief Executive Officer of the Company since March 30th, 2009. He has a PhD in computer science and artificial intelligence from Sussex University, United Kingdom. He was previously the Chief Operating Officer of the Company.

3. **Procedures and Conditions for the Selection of Board Members:**

The appointment of the members of the Company's Board of Directors representing the government share shall be subject to the same procedures followed in the appointment of board members representing the government share in other companies. As for members of the Board representing the private sector, they will be elected at the General Meeting by following the procedures laid down in the Commercial Companies Law, and rules and regulations issued by the Capital Market Authority.

4. **Meetings of the Board of Directors:**

The Board of Directors held **12** meetings during the year 2010, these were in the following order

	Name	1 25 Jan	2 13 Feb	3 4 Apr	4 12 May	4/R 16 May	5 2 Jun	6 22 Jun	7 10 Aug	8 18 Aug	9 29 Sep	10 23 Oct	11 8 Nov	12 20 Dec
1	H.E Eng. Sultan bin Hamdoon Al-Harthy	Yes	Yes	Yes	No	No	No	Yes	Yes	Yes	Yes	Yes	Yes	No
2	Mr.AbdulKader Askalan	Yes	Yes	Yes	Yes	Yes	No	Yes	No	Yes	No	Yes	Yes	Yes
3	Mr. Mehdi bin Mohammed Jawad Al-Abdwani	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
4	Mr. Abdul Rahim bin Salem Al-Harmi	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes
5	Dr. Salim bin Sultan Al-Ruzaiqi	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	No	Yes
6	Eng. Mohamed bin Hamad Al-Maskari	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes
7	Mr. Saud bin Ahemed Al-Nahari	Yes	Yes	Yes	No	Yes	Yes	Yes	No	No	Yes	Yes	Yes	No
8	Sheikh Aimen bin Ahmed Al Hosni	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

Fourth: The Committees stemming from the Board of Directors are:

Executive Committee:

A. Committee meetings: The Executive Committee held 7 Meetings during the year 2010. These were in the following order:

	Name	Position	1 6/2/2010	2 22/2/2010	3 3/4/2010	4 29/6/2010	5 22/9/2010	6 8/11/2010	7 5/12/2010
1	H.E Eng. Sultan bin Hamdoon Al-Harthi	Chairman	Yes	Yes	Yes	Yes	Yes	Yes	Yes
2	Mr. Mehdi bin Mohammed Jawad Al-Abdwani	Member	Yes	Yes	Yes	Yes	Yes	Yes	Yes
3	Dr. Salim Sultan Al-Ruzaiqi	Member	Yes	Yes	Yes	Yes	Yes	No	Yes
4	Mr. Saud bin Ahemed Al-Nahari	Member	Yes	Yes	Yes	Yes	Yes	Yes	Yes
5	Sheikh Aimen bin Ahmed Al Hosni*	Member	-	-	-	-	-	Yes	Yes

* Was appointed as member effective 29 September 2010.

B. The Committee's terms of reference:

1. To review the Company's business plan;
2. To study the Company's annual budget and submit their recommendations to the Board;
3. To study and approve new tariffs;
4. To study and approve the proposed changes to company policies;
5. To take action on the matters submitted by the Board or Chairman of the Board;
6. To take an action on urgent matters submitted by Company's CEO and which fall within the committee's authority;
7. To decide on matters that requires board approval.

The Audit Committee:

A. Committee meetings: The Audit Committee held 6 meetings during the year 2010. These were in the following order:

Sl.No	Name	Position	1 11/1/2010	2 8/2/2010	3 3/4/2010	4 8/5/2010	5 9/8/2010	6 7/11/2010
1	Mr. Saud bin Ahemed Al-Nahari*	Chairman	Yes	Yes	Yes	No	Yes	Yes
2	Mr. Mehdi bin Mohammed Jawad Al-Abduwani	Member	Yes	Yes	Yes	Yes	Yes	Yes
3	Mr. Abdul Kader Askalan**	Member	Yes	Yes	Yes	No	No	-
4	Eng. Mohamed Hamad Al Maskari	Member	Yes	Yes	Yes	Yes	Yes	Yes
5	Sheikh Aimen bin Ahmed Al Hosni	Member	No	Yes	Yes	Yes	Yes	Yes

* Was appointed as Chairman effective 29 September 2010.

** Resigned effective 29 September 2010.

B. The committee's terms of reference:

1. Considering the name of the auditor in the context of their independence (particularly with reference to any other non-audit services), fees and terms of engagement and recommending their name to the board for putting before AGM for appointment.
2. Oversight of the adequacy of the internal control system through the regular reports of the internal and external auditors. They may appoint external consultants if the need arose.
3. Oversight of the internal audit function in general and with particular reference to reviewing of scope of internal audit plan for the year, reviewing the reports of internal auditors pertaining to critical areas, reviewing the efficacy of the internal auditing and reviewing as to whether internal auditors have full access to all relevant documents.
4. Serving as a channel of communication between external auditors and the board and also internal auditors and the board.
5. Checking financial fraud particularly fictitious and fraudulent portions of the financial statement. They should put in place an appropriate system to ensure adoption of appropriate accounting policies and principles leading to fairness in financial statements.
6. Oversight of financial statements in general and with particular reference to review of annual and quarterly financial statements before issue, review of qualifications in the draft financial statements and discussion of accounting principles. In particular, change in accounting policies, principles and accounting estimates in comparison to previous year, any adoption of new accounting policy, any departure from International Financial Reporting Standards (IFRS) and non-compliance with disclosure requirements prescribed by CMA should be critically reviewed.
7. Reviewing risk management policies and looking into the reasons of defaults in payment obligations of the company, if any.
8. Reviewing proposed specific transactions with related parties for making suitable recommendations to the board and setting rules for entering into small value transactions with related parties without obtaining prior approval of audit committee and the board.

HR Committee:

A. Committee meetings: The HR committee held 6 Meetings during the year 2010. These were in the following order:

SL	Name	Position	1 23/1/2010	2 1/5/2010	3 12/6/2010	4 13/7/2010	5 7/11/2010	6 13/12/2010
1	Sheikh Aimen bin Ahmed Al Hosni*	Chairman	Yes	Yes	Yes	No	Yes	Yes
2	Mr. Saud bin Ahemed Al-Nahari	Member	Yes	Yes	Yes	Yes	Yes	Yes
3	Mr. Mehdi bin Mohammed Al-Abduwani**	Member	Yes	Yes	Yes	Yes	-	-
4	Mr. Abdulrahim Salem Al-Harmi	Member	Yes	Yes	Yes	Yes	Yes	Yes

* Was appointed as chairman effective 29 September 2010.

** Resigned effective 29 September 2010.

B. The committee's terms of reference:

1. To review factors and developments which require an amendment to the Organizational Structure of the Company;
2. To review the structure and the level of salaries and compensation before submission to the Board of Directors;
3. To review and recommend strategic plan and policies relating to Human Resources;
4. Any other Takes directed by the Board.

Fifth: Remunerations

Fees for attending the meetings of the Board of Directors and the committees stemming from it are paid in the following manner:

Meetings of the Board of Directors:

Chairman and Members: RO 500 per meeting

Meetings of the Committees stemming from the Board:

Chairman and Committee Members: RO 400 per meeting

1. The following table shows the details of the financial allocations paid to members of the Board of Directors during 2010:

Name of Board Member	Sitting fee (RO)
H.E Eng. Sultan bin Hamdoon Al-Harthy	6,500
Mr. Abdul Kader Askalan	6,200
Eng. Mohamed Hamed Al-Maskari	7,900
Dr. Salim Sultan Al-Ruzaiqi	6,600
Mr. Abdul Rahim Salem Al-Harmi	7,400
Mr. Mehdi bin Mohammed Jawad Al-Abdwani	10,000
Mr. Saud bin Ahemed Al-Nahari	10,000
Sheikh Aimen bin Ahmed Al Hosni	9,500
Total	64,100

- The company provides telephone service to Board Members.

2. **Director Remuneration:-**

Details	Amount in (R.O)
Total Director remuneration recommended for the Financial Year 2010	135,900
Total Director remuneration paid to members for the year 2009	146,000

3. The following table shows the details of the financial allocations paid to the executive management (top five) during 2010:

Salary and other allowance (R.O)	Bonus (R.O)	Social Security Cost and end of service benefits (R.O)	Other Expenses* (R.O)	Total (R.O)
561,692	375,672	46,740	19,805	1,003,909

*Other expenses represent travel on duty and other reimbursements.

4. All work contracts are in conformity with the requirements of the Omani Labour Law.

Sixth: Details of Non-compliance by the Company;

The Board is pleased to confirm that there were no penalties imposed on the company by the CMA or MSM.

Seventh: Channels and Methods of Communication with Shareholders and Investors:

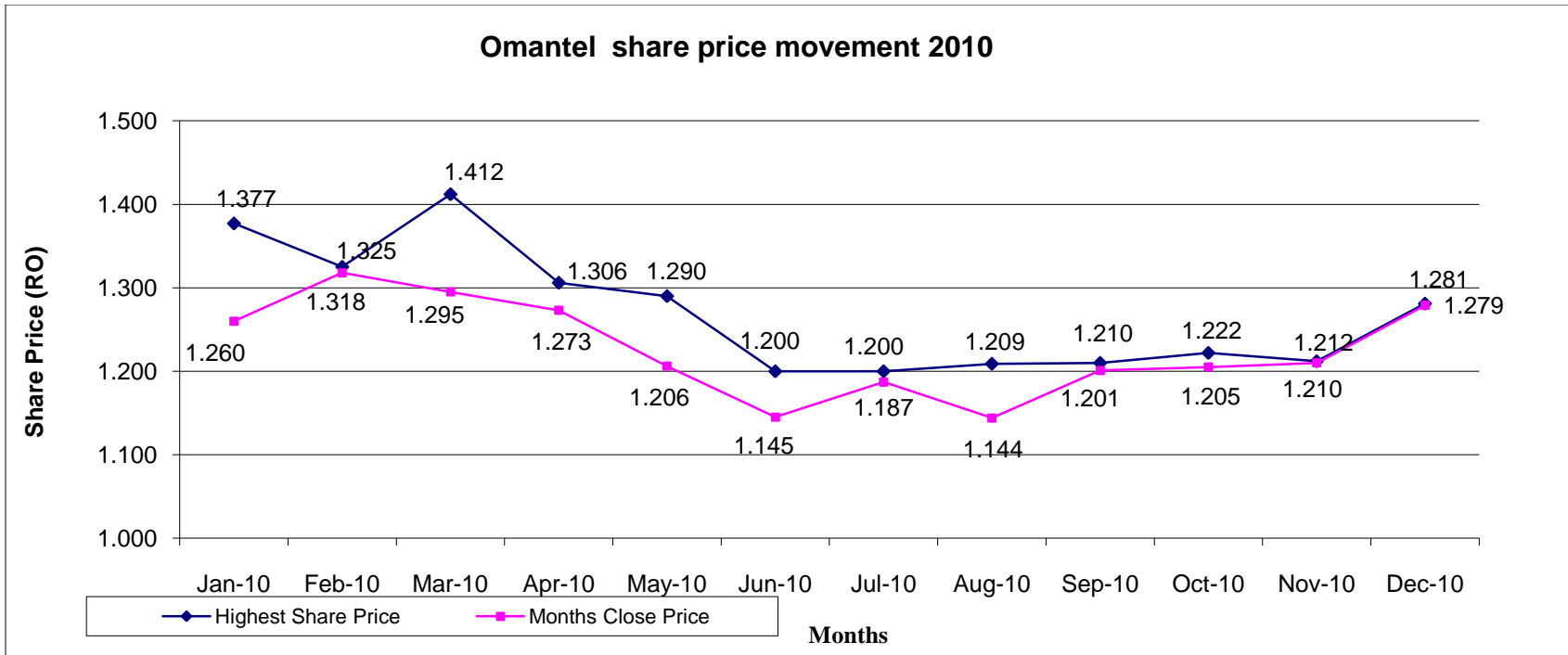
- The Company's quarterly financial reports are published in the local newspapers and are also uploaded to the website of Muscat Capital Market and on the company's website. In addition, the shareholders are notified of the details of the financial results by sending them to the shareholders at their request.
- The Company has a website which includes the Company's profile and the services offered by it. This website is constantly updated.
- The report of the Company's management and governance constitutes a part of its Annual Report.

Eight: Details of Market Shares:

A) Details of Prices for Traded Company Shares:

Following are the details of the Company's shares traded on the Muscat Securities Market (MSM) during the year 2010:

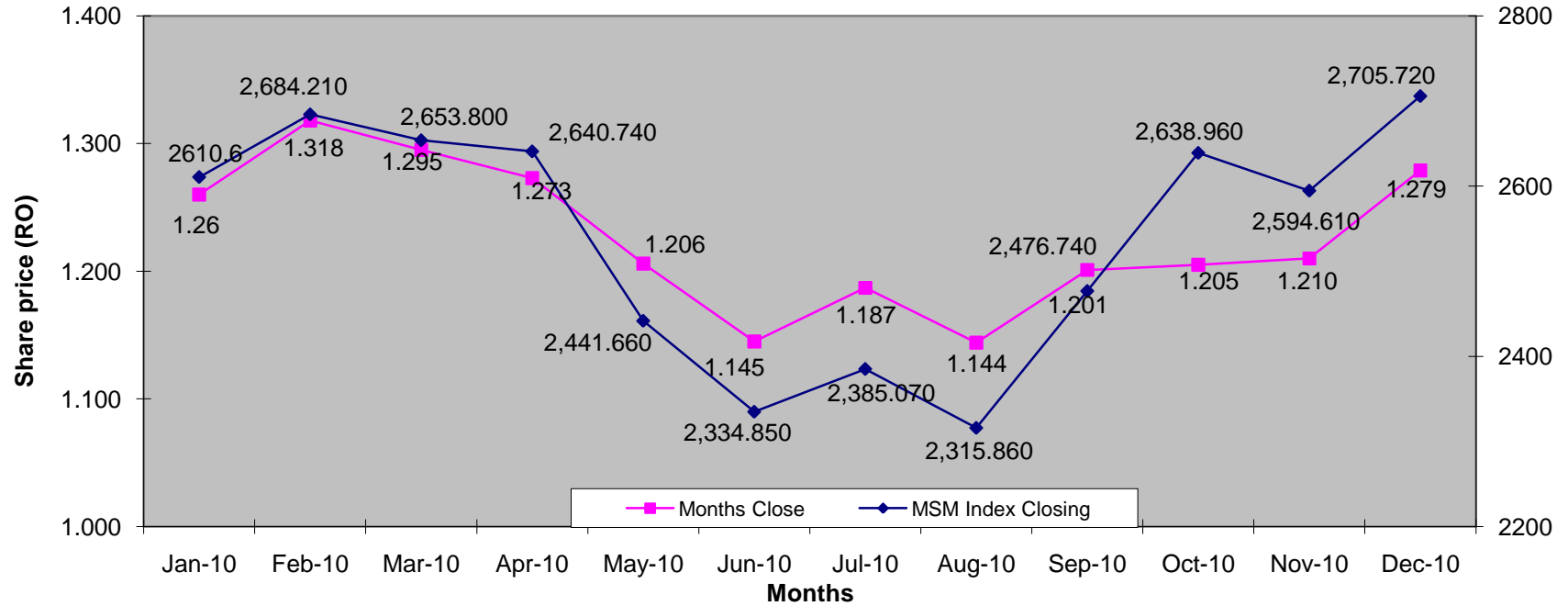
Month	Highest Share Price	Lowest Share Price
January	1.377	1.255
February	1.325	1.250
March	1.412	1.281
April	1.306	1.261
May	1.290	1.190
June	1.200	1.141
July	1.200	1.150
August	1.209	1.140
September	1.210	1.143
October	1.222	1.200
November	1.212	1.160
December	1.281	1.204



B. Comparison of Share Price with MSM Index (service):

The Company does not have any securities or financial instruments transferable to shares issued to the general public or investment establishments or any segment of investors:

Performance compared to MSM Index (Service)



C) The company does not have any securities or financials instruments transferrable to shares issued to the general public or investment establishments or any segment of investors.

D) The Board of Directors and the Audit Committee continuously study operating policies and business-related risks from time to time and then take appropriate measures pertaining to such policies.

Ninth: Distribution of Company's shares

The following table illustrates the distribution of ownership of the Company's shares:

Sl. No	Number of Shares	No. of Shareholders
1	1 – 500	13,658
2	501 – 1,000	5,002
3	1,001 – 5,000	5,689
4	5,001 – 10,000	454
5	10,001 – 15,000	200
6	15,001 – 20,000	94
7	20,001 – 50,000	214
8	50,001 – 800,000	232
9	800,001 – 1,000,000	6
10	1,000,001 – 15,000,000	36
11	15,000,001 and above	3
Total		25,588

Tenth: Professional Background of External Auditors:

External auditor for Omantel and its subsidiary (Oman Mobile Telecommunications LLC)

KPMG is one of the leading accounting firms in Oman. The Oman practice of KPMG, which forms part of KPMG Lower Gulf, was established in 1974 and employs more than 130 people, including 3 partners, 6 directors and 17 managers. KPMG Lower Gulf (UAE and Oman), is a member of the KPMG network of independent firms affiliated with KPMG International Co-operative. The KPMG network operates in 146 countries and employs 140,000 people worldwide. KPMG in Oman is accredited by the Capital Market Authority (CMA) to audit joint stock companies (SAOG's).

The total audit fee paid/payable to the external auditor for the Company including the subsidiary for the financial year 2010 is as follows:

Audit fee	RO
Quarterly Review and annual audit fee.	55,800
Corporate governance Report.	3,200
Tax services.	4,000
Consultancy and training fees.	4,400
Total	67,400

External auditor for Worldcall Telecommunications Limited (Subsidiary)

KPMG Taseer Hadi & Co. was established in 1969, and with 32 partners and directors and more than 1300 professional staff, is one of the leading firms of accountants in Pakistan with offices in Karachi, Lahore and Islamabad. The practice is a member firm of KPMG International and a member of the cohesive business unit that serves the Middle East and South Asia (KPMG's MESA business unit) in response to an environment requiring the resources of a globally aligned organization combined with detailed knowledge of local laws, regulations, markets and competition.

The total audit fee paid/payable to the external auditor for the Company is as follows:

Audit fee	PKR'000
Audit fee	6,500
Half year Review	1,000
Out of pocket expenses	250
Total	7,750

Eleventh: Acknowledgement by the Board of Directors:

The Board of Directors acknowledges:

- Its liability for the preparation of the financial statements in accordance with the applicable standards and rules applicable in the Sultanate of Oman.
- The review of the efficiency and adequacy of internal control system of the company and compliance with internal rules and regulations
- That there are no material things that effect the continuation of the company and its ability to continue its operations during the next financial year.