

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 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 20).

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	-	Associate	Engaged in the provision of Wireless Local loop, Long Distance International Services (LDI), Payphones and cable television services	Pakistan
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

- (a) The financial statements are prepared on the historical cost basis except as disclosed in the accounting policies below and in accordance with International Financial Reporting Standards (IFRS) and comply with the disclosure requirements set out in the Rules for Disclosure and Proformas issued by the Capital Market Authority of the Sultanate of Oman.
- (b) The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires Management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2009 (continued)

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

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

For the period ended 30 June 2009, the Group has adopted all of the new and revised standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for period beginning on 1 January 2009. The adoption of these standards and interpretations has not resulted in changes to the Group's accounting policies and has not affected the amounts reported for the current or prior periods.

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

	Effective for annual period beginning on or after
IFRIC 17 : Distributions of Non-cash Assets to Owners	1 July 2009
IFRIC 18 : Transfers of Assets from Customers	1 July 2009
IFRS 2 : (Revised) Share-based Payments, amendments resulting from April 2009, <i>annual improvements to IFRS;</i>	1 July 2009
IFRS 3 : (Revised) Business Combinations, <i>comprehensive revision on applying the acquisition method;</i>	1 July 2009
IFRS 5 : (Revised) Non-current Assets Held for Sale and Discontinued Operations, <i>amendments resulting from May 2008 annual improvements to IFRSs;</i>	1 July 2009
IAS 27 : (Revised) Consolidated and separate Financial Statements, <i>consequential amendments arising from amendments to IFRS 3;</i>	1 July 2009
IAS 28 : (Revised) Investments in Associates, <i>consequential amendments arising from amendments to IFRS 3;</i>	1 July 2009
IAS 31 : (Revised) Interest in Joint Ventures, <i>consequential amendments arising from amendments to IFRS 3;</i>	1 July 2009
IAS 39 : (Revised) Financial Instruments: Recognition and Measurement, <i>amendments for eligible hedge;</i>	1 July 2009
IAS 38 : Intangible Assets, <i>amendments resulting from April 2009 annual improvements to IFRSs;</i>	1 July 2009
IAS 17 : Leases, <i>amendments resulting from April 2009 annual improvements to IFRSs;</i>	1 January 2010
IFRS 5 : (Revised) Non-Current Assets held for Sale and Discontinued Operations, <i>amendments resulting from April 2009 annual improvements to IFRSs;</i>	1 January 2010
IAS 1 : Presentation of Financial Statements, <i>amendments resulting from April 2009 annual improvements to IFRSs;</i>	1 January 2010
IAS 7 : Statements of Cash Flows, <i>amendments resulting from April 2009 annual improvements to IFRSs;</i>	1 January 2010
IAS 36 : Impairment of Assets, <i>amendments resulting from April 2009 annual improvements to IFRSs;</i>	1 January 2010
IAS 39 : (Revised) Financial Instruments: Recognition and Measurement, <i>amendments resulting from April 2009 annual improvements to IFRSs;</i>	1 January 2010

The Management anticipates that the adoption of the above standards and interpretations in future periods will have no material impact on the financial statements of the Group.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 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 directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries are changed, where necessary, to ensure consistency with the policies adopted by the Group.

2.2.2 Transactions and minority interests

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the income statement. Acquisitions result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

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 the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. 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 PERIOD ENDED 30 JUNE 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 the income statement 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	5 - 20
Cables and transmission equipment	5 - 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 PERIOD ENDED 30 JUNE 2009 (continued)****2 Summary of significant accounting policies (continued)****2.5 Licences**

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

2.6 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 the income statement.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount and the increase is recognised as income immediately, provided that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised earlier.

2.7 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 the income statement. These assets are subsequently carried at fair value. Gains and losses arising from changes in the fair value of the financial assets at fair value through profit or loss category are included in the income statement in the period in which they arise.

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 the income statement in the period in which they arise. The fair values of quoted investments in active markets are based on current bid prices.

Available for sale investments

Investments such as unlisted shares and interest in mutual fund held by the Group that are not traded in an active market are classified as available for sale.

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.

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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2009 (continued)****2 Summary of significant accounting policies (continued)****2.8 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.

2.9 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.

2.10 Cash and cash equivalents

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

2.11 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.

2.12 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 the income statement as incurred.

2.13 Trade and other payables

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

2.14 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2009 (continued)****2 Summary of significant accounting policies (continued)****2.15 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 period. 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 substantially 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.

2.16 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.

Interconnection income and expenses are recognised when services are performed.

2.17 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2009 (continued)****2 Summary of significant accounting policies (continued)****2.18 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.

2.19 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 period 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 period, 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 period 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.

2.20 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.

2.21 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.

2.22 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 22.

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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2009 (continued)****2 Summary of significant accounting policies (continued)****2.22 Derivative financial instruments (continued)****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 22 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 equity.

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, in the same line of the income statement as the recognised hedged item.

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.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2009 (continued)****3 Financial risk management (continued)****3.1 Financial risk factors (continued)****(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.

At the statement of financial position date amounts receivable from the factoring agent approximate to 36.2% (31 December 2008 - 34.6%) of the Group's total trade debtors. The bank guarantee provided by the factoring agent represents 37% (31 December 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2009 (continued)****3 Financial risk management (continued)****3.1 Financial risk factors (continued)****(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.

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.

Since the investments amount is less than 3% of the Group's total assets, the performance of the investments will not have any material impact on the Group's performance.

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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2009 (continued)****3 Financial risk management (continued)****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 date of the financial statements and the resultant provisions and changes in fair value. Such estimates are necessarily based on assumptions about several factors involving varying, and possibly significant, degrees of judgment and uncertainty. Actual results may differ from Management's estimates resulting in future changes in estimated liabilities and assets.

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

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 92.608 million (31 December 2008 : RO 94.341 million), and the provision for doubtful debts is RO 41.105 million (31 December 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 the income statement.

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 11.082 million (31 December 2008 : RO 10.474 million) with provision for old and obsolete inventories of RO 7.264 million (31 December 2008 : RO 7.264 million). Any difference between the amounts actually realised in future periods and the amounts recognised are dealt with in the income statement.

Impairment of investment in an associate

Determining whether investment in associates is impaired requires an estimation of the recoverable value of the investment which is determined to be its value in use. The value in use calculation requires the Management to estimate the future cash flows expected to arise from the cash generating unit and a suitable discount rate in order to calculate present value. The carrying amount of investment in associate in Pakistan has been impaired after an impairment loss of RO 18.880 million was recognised during 2008. Details of the impairment loss calculation are provided in Note 10 (d).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2009 (continued)**

5 Acquisition of an associate

Associate 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 has not been able to demonstrate effective control over WTL. Accordingly, the investment in WTL is accounted for as an associate in accordance with IAS 28 – Investments in Associates. During the first half of 2009, considerable progress has been achieved towards resolution of legal and WTL Board of Directors issues. It is expected that all issues will be resolved and control will be re-established before the end of 2009. From the date control is achieved, it will be accounted for as a subsidiary in accordance with IFRS 3 – Business Combinations.

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 30 June 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).
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 PERIOD ENDED 30 JUNE 2009 (continued)

6 Segment reporting (continued)

Segment revenues and results (continued)

The segment results for the period ended 30 June 2009 are as follows:

	Fixed line and other RO'000	Mobile RO'000	Consolidation adjustments RO'000	Total RO'000
Revenue				
External sales	78,772	119,725	-	198,497
Inter-segment sales	29,704	5,644	(35,348)	-
Total revenue	108,476	125,369	(35,348)	198,497
Segment result	46,463	32,102	-	78,565
Finance income - net				1,795
Other non operating income / expense				3,400
Profit before taxation				83,760
Taxation				(10,424)
Profit for the period				73,336

The segment results for the period ended 30 June 2008 are as follows:

Revenue				
External sales	75,724	125,356	-	201,080
Inter-segment sales	33,268	7,558	(40,826)	-
Total revenue	108,992	132,914	(40,826)	201,080
Segment result	44,313	38,376	-	82,689
Finance income - net				911
Other non operating income / expense				1,503
Profit before taxation				85,103
Taxation				(9,979)
Profit for the period				75,124

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2009 (continued)**

6 Segment reporting (continued)

Other segment items for the period ended 30 June 2009 included in the income statement are as follows:

	Fixed line and other RO'000	Mobile RO'000	Total RO'000
Depreciation	11,708	17,349	29,057
Amortisation	150	1,248	1,398

Other segment items for the period ended 30 June 2008 included in the income statement are as follows:

	Fixed line and other RO'000	Mobile RO'000	Total RO'000
Depreciation	10,810	14,691	25,501
Amortisation	150	1,248	1,398

The segment assets and liabilities at 30 June 2009 and capital expenditures for the period then ended are as follows:

	Fixed line and other RO'000	Mobile RO'000	Consolidation adjustments RO'000	Total RO'000
Assets	272,803	194,793	106,044	573,640
Liabilities	61,590	83,644	57,329	202,563
Capital expenditures	22,130	24,431	-	46,561

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	284,509	221,667	84,504	590,680
Liabilities	55,912	111,338	49,545	216,795
Capital expenditures	29,068	35,299	-	64,367

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.

OMAN TELECOMMUNICATIONS COMPANY SAOG

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 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	-	17	259	738	181	45,366	46,561
Transfers	-	1,107	47,006	652	-	(48,765)	-
Disposals	-	-	(1,228)	(2)	(77)	-	(1,307)
30 June 2009	713	48,510	623,910	26,256	3,373	30,476	733,238
Depreciation							
1 January 2009	-	26,574	351,525	19,718	2,502	-	400,319
Charge for the period	-	1,187	26,197	1,497	176	-	29,057
Disposals	-	-	(1,088)	(2)	(41)	-	(1,131)
30 June 2009	-	27,761	376,634	21,213	2,637	-	428,245
Net book value at 30 June 2009	713	20,749	247,276	5,043	736	30,476	304,993

OMAN TELECOMMUNICATIONS COMPANY SAOG

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 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

OMAN TELECOMMUNICATIONS COMPANY SAOG

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 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	-	15	186	375	181	21,373	22,130
Disposals	-	-	(1,228)	(2)	(52)	-	(1,282)
Transfers	-	138	18,391	369	-	(18,898)	-
30 June 2009	665	21,830	348,117	20,462	2,316	14,249	407,639
Depreciation							
1 January 2009	-	12,722	193,787	17,191	1,807	-	225,507
Charge for the period	-	531	10,255	829	93	-	11,708
Disposals	-	-	(1,088)	(2)	(22)	-	(1,112)
30 June 2009	-	13,253	202,954	18,018	1,878	-	236,103
Net book value							
At 30 June 2009	665	8,577	145,163	2,444	438	14,249	171,536

OMAN TELECOMMUNICATIONS COMPANY SAOG

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 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 PERIOD ENDED 30 JUNE 2009 (continued)

8 Investment in a subsidiary

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

	Parent Company	
	30 June 2009 RO'000	31 December 2008 RO'000
Oman Mobile Telecommunications Company LLC	<u>24,750</u>	<u>24,750</u>

9 Licences

	Parent Company		Consolidated	
	30 June 2009 RO'000	31 December 2008 RO'000	30 June 2009 RO'000	31 December 2008 RO'000
At 1 January	6,021	6,321	31,229	34,022
Charge for the period / year	(150)	(300)	(1,398)	(2,793)
	<u>5,871</u>	<u>6,021</u>	<u>29,831</u>	<u>31,229</u>

10 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	
	30 June 2009 RO'000	31 December 2008 RO'000	30 June 2009 RO'000	31 December 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 21)	-	-	(647)	(10,234)
Share of (loss)/ profit – net	-	-	(737)	559
Impairment loss [note (d)]	-	(18,880)	-	(18,880)
Dividend received	-	-	(199)	(198)
Carried forward balance	<u>56,774</u>	<u>56,774</u>	<u>45,711</u>	<u>47,294</u>

(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 (31 December 2008 – RO 3,126,528). The fair value of the parent company's investment in Worldcall Telecom Limited, which is listed on the Karachi Stock exchange is RO 5,891,557 (31 December 2008 - RO 7,462,000).

(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
30 June 2009					
Oman Fiber Optic Co. SAOG	9,757	2,530	4,693	1,010	25.96%
Infoline LLC	1,685	324	764	84	45%
Omania e-Commerce LLC	756	176	166	(82)	40%
Worldcall Telecom Limited	106,692	51,537	19,346	(253)	56.8%
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 PERIOD ENDED 30 JUNE 2009 (continued)

10 Investment in associated companies (continued)

(d) Test for impairment of investment in Worldcall Telecom Limited

During 2008, the Group assessed the recoverable amount of the investment and determined that its investment in Worldcall Telecom Limited (an associate) was impaired. The main factor contributing to the impairment of the associate was the deterioration in market conditions in Pakistan subsequent to the acquisition of the investment.

The recoverable amount of investment in associate 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 22% per annum. Cash flow projections beyond the five year period have been extrapolated using a steady growth rate of 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 23% would increase the impairment loss by RO 5.5 million. Similarly, a decrease in the cost of capital to 21% would decrease the impairment loss by RO 6.2 million assuming that all other variables remain constant.

11 Other financial assets

	Consolidated			
	Current		Non current	
	30 June 2009 RO'000	31 December 2008 RO'000	30 June 2009 RO'000	31 December 2008 RO'000
Investments at fair value through profit or loss				
Financial assets designated as at fair value through profit or loss (a)	-	-	5,169	5,237
Held for trading investments (b)	3,892	2,682	-	-
Available for sale investment carried at cost				
Mutual fund (c)	-	-	192	192
Held to maturity investment				
Bonds (d)	-	-	5,771	-
Long term deposits at cost				
Fixed deposit with bank (e)	42,742	60,295	38,642	10,000
	<u>46,634</u>	<u>62,977</u>	<u>49,774</u>	<u>15,429</u>
	Parent Company			
	Current		Non current	
	30 June 2009 RO'000	31 December 2008 RO'000	30 June 2009 RO'000	31 December 2008 RO'000
Investments at fair value through profit or loss				
Financial assets designated as at fair value through profit or loss (a)	-	-	5,169	5,237
Held for trading investments (b)	3,892	2,682	-	-
Available for sale investment carried at cost				
Mutual fund (c)	-	-	192	192
Held to maturity investment				
Bonds (d)	-	-	5,771	-
Long term deposits at cost				
Fixed deposit with bank (e)	32,742	60,295	38,642	5,000
	<u>36,634</u>	<u>62,977</u>	<u>49,774</u>	<u>10,429</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2009 (continued)

11 Other financial assets (continued)

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

	Carrying amount as at 31 December 2008 RO'000	Fair value adjustment RO'000	Carrying amount as at 30 June 2009 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>(68)</u>	<u>5,169</u>

The financial assets designated at fair value through profit or loss are equity securities that otherwise would have been classified as available for sale.

(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 Oman Tourism Integrated 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) **Fixed deposits**

Fixed deposits are placed with commercial banks. The weighted average interest rate on these deposits is 5.5% per annum. (2008 - 6% per annum).

12 Loan to a subsidiary

	30 June 2009 RO'000	31 December 2008 RO'000
Repayable within one year	-	12,000

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2009 (continued)**13 Inventories**

	Parent Company		Consolidated	
	30 June 2009 RO'000	31 December 2008 RO'000	30 June 2009 RO'000	31 December 2008 RO'000
Stores and spares	7,212	6,605	9,411	8,689
Prepaid cards and handsets	891	913	1,671	1,785
	8,103	7,518	11,082	10,474
Provision for inventory obsolescence	(5,720)	(5,720)	(7,264)	(7,264)
	2,383	1,798	3,818	3,210

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

	Parent Company		Consolidated	
	30 June 2009 RO'000	31 December 2008 RO'000	30 June 2009 RO'000	31 December 2008 RO'000
Brought forward balance	5,720	4,362	7,264	5,191
Charge for the period/year	-	1,358	-	2,073
Carried forward balance	5,720	5,720	7,264	7,264

14 Trade and other receivables

Amounts due from customers	27,903	27,655	28,219	28,814
Amounts due from Oman Investment Finance Company SAOG (OIFC)	15,870	14,818	33,522	32,608
Amounts due from other operators	18,906	23,737	27,905	31,594
Insurance claim receivable (refer note below)	500	-	2,101	459
Other receivables	861	866	861	866
	64,040	67,076	92,608	94,341
Provision for impairment of receivables	(30,980)	(31,187)	(41,105)	(43,095)
	33,060	35,889	51,503	51,246
Deposit with tax authorities (refer note 40 (d))	493	-	493	-
Advances	2,059	1,694	2,575	2,259
	35,612	37,583	54,571	53,505

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 period the insurer accepted a claim of RO 6.1 million in full and final settlement of the claims. A payment of RO 2 million has been received in April 2008. During the period another payment of RO 2 million was received. 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 3.641 million, including RO 1.141 million for the subsidiary, in the current period.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2009 (continued)**

15 Cash and bank balances

	Parent Company		Consolidated	
	30 June 2009 RO'000	31 December 2008 RO'000	30 June 2009 RO'000	31 December 2008 RO'000
Short term bank deposits	-	21,989	-	51,211
Cash at bank and on hand	22,048	11,185	30,967	30,617
	<u>22,048</u>	<u>33,174</u>	<u>30,967</u>	<u>81,828</u>

16 Receivable from a subsidiary

Amounts receivable from Oman Mobile Telecommunications Company LLC, a subsidiary company, are unsecured, interest free and are repayable within a period of one year.

17 Share capital and dividends

The share capital comprises 750,000,000 (31 December 2008 - 750,000,000) ordinary shares of RO 0.100 (31 December 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:

	30 June 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 (2007 – RO 0.100 per share) amounting to RO 75 million (2007: RO 75 million) was approved by the shareholders at the Annual General Meeting held on 30 March 2009.

18 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 year 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.

19 Voluntary reserve

In accordance with the Board of Directors' Resolution No.16T/5/2000, the parent company and its subsidiary transfer 10% of their annual net profits to a distributable voluntary reserve until it becomes equal to one-half of the respective entity's paid up share capital. The balance at the end of the year represents amounts relating to the parent company and its share of the voluntary reserve of a subsidiary. This being achieved, the Company has discontinued the transfer.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2009 (continued)****20 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.

21 Foreign currency translation reserve

Exchange differences relating to the translation from the functional currency of the Group's foreign associate into Rials Omani are brought into account by entries made directly to the foreign currency translation reserve (note 10).

22 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 26 and 28).

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 reporting date and is in the range of 0.61% per annum to 2.65% (2008- 1.3882% per annum to 2.2438% per annum).

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NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2009 (continued)

23 Borrowings

	Currency	Nominal interest rate	Year of maturity	Parent Company and Consolidated			
				Current		Non current	
				30 June 2009 RO'000	31 December 2008 RO'000	30 June 2009 RO'000	31 December 2008 RO'000
Unsecured- at amortised cost							
Syndicated bank loan	USD	3 month LIBOR+0.875%	2011	<u>39,505</u>	<u>19,997</u>	<u>39,491</u>	<u>58,918</u>

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 (an associate). 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.

24 Deferred tax

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

Consolidated

	1 January 2009 RO'000	Charged / (credited) to income statement RO '000	30 June 2009 RO '000	1 January 2008 RO'000	Reclassification (note below) RO'000	Charged / (credited) to income statement RO'000	31 December 2008 RO'000
Temporary differences							
Provision for impaired receivables	(4,380)	239	(4,141)	(4,009)	-	(371)	(4,380)
Provision for inventory obsolescence	(475)	-	(475)	(226)	-	(249)	(475)
Depreciation and amortisation	5,619	549	6,168	10,211	(5,603)	1,011	5,619
	<u>764</u>	<u>788</u>	<u>1,552</u>	<u>5,976</u>	<u>(5,603)</u>	<u>391</u>	<u>764</u>

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 PERIOD ENDED 30 JUNE 2009 (continued)

24 Deferred tax (continued)

Parent Company

	1 January 2009 RO'000	Charged / (credited) to income statement RO'000	30 June 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)	25	(2,911)	(2,692)	-	(244)	(2,936)
Provision for inventory obsolescence	(289)	-	(289)	(126)	-	(163)	(289)
Depreciation and amortisation	6,647	377	7,024	10,755	(4,716)	608	6,647
	<u>3,422</u>	<u>402</u>	<u>3,824</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.

25 Retirement benefit obligation

The movement in retirement benefit obligation is as follows:

	Parent Company		Consolidated	
	30 June 2009 RO'000	31 December 2008 RO'000	30 June 2009 RO'000	31 December 2008 RO'000
Brought forward balance	2,074	1,714	2,270	2,050
Charge for the period / year (Note 34)	123	357	149	444
Transferred from subsidiary company	-	210	-	-
Payments during the period / year	(29)	(207)	(30)	(224)
	<u>2,168</u>	<u>2,074</u>	<u>2,389</u>	<u>2,270</u>

26 Other liabilities - non current

Derivative liability – interest rate swap (Note 22)	<u>197</u>	<u>908</u>	<u>197</u>	<u>908</u>
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27 Amount payable to the Government

Brought forward balance	1,363	1,455	2,574	2,190
Payments made	-	(92)	-	(92)
Write back of impaired debt provision [Note 44(b)(ii)]	-	-	-	476
	<u>1,363</u>	<u>1,363</u>	<u>2,574</u>	<u>2,574</u>

As disclosed in Note 29, TRA has permitted the deduction of interconnection expenses in relation to local licensed operators. Any concessions granted by the TRA, in respect of royalty paid for the period 11 February 2004 to 31 December 2004, will be transferred to the Government.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2009 (continued)

28 Trade and other payables

	Parent Company		Consolidated	
	30 June 2009 RO '000	31 December 2008 RO '000	30 June 2009 RO '000	31 December 2008 RO '000
Trade payables	1,603	2,373	5,524	5,813
Amounts due to other telecommunication administrators	3,067	3,385	8,797	12,590
Retentions payable	9,436	7,753	15,085	11,638
Accruals	17,614	12,492	29,367	21,230
Deferred income	-	166	13,597	14,738
Billings in advance	11,881	4,201	9,102	4,201
Accrued interest	55	181	55	181
Derivative liability-interest rate swap (Note 22)	1,222	645	1,222	645
Other payables	931	1,290	1,999	3,365
	<u>45,809</u>	<u>32,486</u>	<u>84,748</u>	<u>74,401</u>

29 Royalty payable

In accordance with Article 4(1) of the fixed and mobile licence and as permitted by the TRA, the licencees are required to pay royalty to the TRA at the rate of 10% and 12% respectively of its gross revenue excluding sale of terminal equipment. Commencing 2005, TRA permitted the Group to deduct interconnection expenses in respect of local licensed operations. In October 2007, the licencees were permitted to pay with effect from 1 January 2007, royalty at the rate of 7% of their gross revenue excluding sale of terminal equipments and interconnection expenses.

30 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	
	30 June 2009	31 December 2008	30 June 2009	31 December 2008
Net assets attributable to the owners of the parent (RO'000)	331,653	299,422	370,323	372,797
Number of shares outstanding (thousands)	750,000	750,000	750,000	750,000
Net assets per share (RO)	<u>0.442</u>	<u>0.399</u>	<u>0.494</u>	<u>0.498</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2009 (continued)

31 External administration

	Parent Company and Consolidated	
	30 June 2009 RO'000	30 June 2008 RO'000
Revenue		
Telephones and GSM	16,965	17,558
	<hr/>	<hr/>
Expense		
Telephones and GSM	6,536	8,964
	<hr/>	<hr/>

32 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.

33 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.

34 Staff costs

	Parent Company		Consolidated	
	30 June 2009 RO'000	30 June 2008 RO'000	30 June 2009 RO'000	30 June 2008 RO'000
Salaries and allowances	17,594	14,629	21,395	20,081
Social security costs	995	911	1,183	1,151
Retirement benefits (Note 25)	123	249	149	305
Other employee benefits	523	164	633	228
	<hr/>	<hr/>	<hr/>	<hr/>
	19,235	15,953	23,360	21,765
	<hr/>	<hr/>	<hr/>	<hr/>

35 Operating and maintenance expenses

Asset maintenance	4,079	3,489	7,340	4,964
Cost of sale of prepaid products	108	135	1,314	1,241
Satellite channels and frequency charges	1,228	1,399	2,447	2,082
Rent, rates and taxes	617	508	1,349	1,076
Electricity and water	521	532	732	786
Maintenance and hire charges	409	306	941	842
Petrol, oil and lubricants	190	134	263	214
Insurance	433	277	678	525
Others	392	323	430	351
	<hr/>	<hr/>	<hr/>	<hr/>
	7,977	7,103	15,494	12,081
	<hr/>	<hr/>	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2009 (continued)

36 Administrative expenses

	Parent Company		Consolidated	
	30 June 2009 RO'000	30 June 2008 RO'000	30 June 2009 RO'000	30 June 2008 RO'000
Training costs	465	581	560	811
Professional fees for Group reorganization	-	1,409	-	1,409
Professional consultancy fees	895	892	1,156	1,469
Administrative services	392	403	515	548
Business travel	623	495	763	694
Office supplies and services	258	234	318	286
	<u>2,633</u>	<u>4,014</u>	<u>3,312</u>	<u>5,217</u>

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

37 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.

38 Finance income - net

	Parent company		Consolidated	
	30 June 2009 RO'000	30 June 2008 RO'000	30 June 2009 RO'000	30 June 2008 RO'000
Interest income	2,448	1,015	2,926	1,184
Exchange loss	(95)	(689)	(95)	(689)
Dividend income	337	332	138	133
Fair value loss on investments at fair value through profit and loss	(68)	-	(68)	-
Fair value gain on held for trading investments	978	713	978	713
Realised (loss) / gain on held for trading investments - net	(533)	229	(533)	229
Interest expense on borrowings	(1,551)	(659)	(1,551)	(659)
	<u>1,516</u>	<u>941</u>	<u>1,795</u>	<u>911</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2009 (continued)

39 Other income

	Parent company		Consolidated	
	30 June 2009	30 June 2008	30 June 2009	30 June 2008
	RO'000	RO'000	RO'000	RO'000
Liability no longer required written back	-	43	-	715
Miscellaneous income	227	550	496	646
	<u>227</u>	<u>593</u>	<u>496</u>	<u>1,361</u>

40 Taxation

(a) The tax charge for the period comprises:

Current taxation	5,797	3,699	9,636	8,158
Deferred taxation (Note 24)	402	1,658	788	1,821
	<u>6,199</u>	<u>5,357</u>	<u>10,424</u>	<u>9,979</u>

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

	Parent company		Consolidated	
	30 June 2009	30 June 2008	30 June 2009	30 June 2008
	RO'000	RO'000	RO'000	RO'000
Tax on accounting profit	13,591	11,722	10,044	10,205
Add / (less) tax effect of:				
Expenses not deductible	159	18	420	(74)
Income not subject to tax (see note below*)	(7,551)	(6,383)	(40)	(152)
Deferred tax relating to prior years	-	-	-	-
Tax charge as per income statement	<u>6,199</u>	<u>5,357</u>	<u>10,424</u>	<u>9,979</u>

* Includes tax effect of RO 7.511 million (30 June 2008 - RO 6.223 million) on dividend from the subsidiary.

(c) Status of tax assessments

Assessments have been completed for tax years up to the taxable year 2004 for the parent company. There was no additional tax liability for tax years 2002 and 2003. For the tax year 2004, the parent company received a demand for RO 11.348 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 on legal advice and opinions from the tax advisors, management believes that the liability is remote.

Assessments of the subsidiary, 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

OMAN TELECOMMUNICATIONS COMPANY SAOG

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NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2009 (continued)

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 PERIOD ENDED 30 JUNE 2009 (continued)

41 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.

42 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 period were as follows:

(i) Purchase of goods and services

	30 June 2009 RO'000	30 June 2008 RO'000
Entities under significant influence of the parent company	2,498	1,168
Entities with significant influence over the parent company	20,799	14,075
Entity under the control of the parent company	5,644	7,559
	28,941	22,802

(ii) Sale of goods and services

Entity under the control of the parent company	29,704	33,268
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(iii) Sitting fees and remuneration to directors

Parent company		
Directors' sitting fees - non executive	31	31
Subsidiary company		
Director's sitting fees- non executive	19	17
Consolidated	50	48

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2009 (continued)

42 Related parties (continued)**(iv) Key management compensation**

	30 June 2009 RO'000	30 June 2008 RO'000
Parent company		
Basic salaries and allowances	142	143
Other benefits and expenses	23	22
Social security costs	3	16
Retirement benefits	5	-
	<u>173</u>	<u>181</u>
Subsidiary company		
Basic salaries and allowances	138	187
Other benefits and expenses	26	9
Social security costs	4	6
Retirement benefits	3	23
	<u>171</u>	<u>225</u>
Consolidated	<u><u>344</u></u>	<u><u>406</u></u>

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

	30 June 2009 RO'000	31 December 2008 RO'000
Receivable from related parties	6,564	6,907
Payable to related parties	<u>500</u>	<u>564</u>

43 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	
	30 June 2009 RO'000	31 December 2008 RO'000	30 June 2009 RO'000	31 December 2008 RO'000
Commitment for fixed capital expenditure	<u>23,655</u>	<u>33,372</u>	<u>64,606</u>	<u>70,111</u>
Investment	<u>1,737</u>	<u>1,737</u>	<u>1,737</u>	<u>1,737</u>

At 30 June 2009, the aggregate capital commitment made by the Group on behalf of the Government of Sultanate of Oman amounted to RO 1.5 million (31 December 2008 - RO 1.6 million). The Group is entitled to recover these amounts from the Government when they fall due for payment.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2009 (continued)

43 Commitments (continued)

(b) Contingent liabilities

	Parent Company		Consolidated	
	30 June 2009 RO'000	31 December 2008 RO'000	30 June 2009 RO'000	31 December 2008 RO'000
Letters of credit	225	-	291	4,735
Bank guarantees	-	322	5	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.

44 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	
	30 June 2009 RO'000	31 December 2008 RO'000	30 June 2009 RO'000	31 December 2008 RO'000
Loans to a subsidiary	-	12,000	-	-
Trade and other receivables	64,040	67,076	92,608	94,341
Other financial assets	86,408	73,406	96,408	78,406
Cash and bank balances	22,048	33,174	30,967	81,828
Dividend receivable from subsidiary	43,590	-	-	-
Receivable from a subsidiary	31,860	41,196	-	-
	247,946	226,852	219,983	254,575

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	
	30 June 2009 RO'000	31 December 2008 RO'000	30 June 2009 RO'000	31 December 2008 RO'000
Oman Investment Finance Company SAOG	15,870	14,818	33,522	32,608
Due from other operators	18,906	23,737	27,905	31,594
Insurance claim receivable	500	-	2,101	459
Government debts	6,564	6,907	6,756	7,088
Agents for prepaid card sales	-	-	67	942
Other customers	22,200	21,614	22,257	21,650
	64,040	67,076	92,608	94,341

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2009 (continued)

44 Credit risk (continued)

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

Consolidated

	30 June 2009		31 December 2008	
	Gross RO'000	Impairment RO'000	Gross RO'000	Impairment RO'000
Not past due	28,601	-	27,188	-
Past due 0 - 180 days	12,691	722	13,687	1,178
Past due 181 - 365 days	5,630	892	6,690	2,057
1 - 2 years	7,389	2,192	5,267	3,916
More than 2 years	38,297	37,299	41,509	35,944
	<u>92,608</u>	<u>41,105</u>	<u>94,341</u>	<u>43,095</u>

Parent company

	30 June 2009		31 December 2008	
	Gross RO'000	Impairment RO'000	Gross RO'000	Impairment RO'000
Not past due	19,644	-	17,822	-
Past due 0 - 180 days	8,780	722	10,037	1,178
Past due 181 - 365 days	3,358	833	5,507	1,978
1 - 2 years	3,509	1,388	3,603	3,112
More than 2 years	28,749	28,037	30,107	24,919
	<u>64,040</u>	<u>30,980</u>	<u>67,076</u>	<u>31,187</u>

(i) Included in the Group's trade receivable balance are debtors with a carrying amount of RO 22.902 million (31 December 2008 : RO 24.058 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	
	30 June 2009 RO'000	31 December 2008 RO'000	30 June 2009 RO'000	31 December 2008 RO'000
Brought forward balance	31,187	29,151	43,095	39,992
Charge for the period / year	1,060	2,684	1,176	4,227
Written back during the period / year payable to Government (Note 27)	-	-	-	(476)
Written back during the period / year	(1,267)	(648)	(3,166)	(648)
	<u>30,980</u>	<u>31,187</u>	<u>41,105</u>	<u>43,095</u>

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 27) and the remaining balance has been credited to the income statement.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2009 (continued)

45 Liquidity risk

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

30 June 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	78,996	19,752	19,752	39,492	-
Accrued interest	55	55	-	-	-
Amounts payable to Government	2,574	2,574	-	-	-
Trade payables	5,524	5,524	-	-	-
Amount due to other telecommunication administrators	8,797	8,797	-	-	-
Retention payable	15,085	12,632	2,453	-	-
Accruals	29,367	29,367	-	-	-
Other payables	1,999	1,999	-	-	-
Royalty payable	20,993	-	20,993	-	-
Derivative liability-interest rate swap	1,419	759	463	197	-
	<u>164,809</u>	<u>81,459</u>	<u>43,661</u>	<u>39,689</u>	<u>-</u>

(a) Parent company

Borrowings	78,996	19,752	19,752	39,492	-
Accrued interest	55	55	-	-	-
Amounts payable to Government	1,363	1,363	-	-	-
Trade payables	1,603	1,603	-	-	-
Amount due to other telecommunication administrators	3,067	3,067	-	-	-
Retention payable	9,436	8,943	493	-	-
Accruals	17,614	17,614	-	-	-
Other payables	931	931	-	-	-
Derivative liability – interest rate swap	1,419	759	463	197	-
Royalty payable	13,472	-	13,472	-	-
	<u>127,956</u>	<u>54,087</u>	<u>34,180</u>	<u>39,689</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	1,567	91	-
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>21,972</u>	<u>40,717</u>	<u>19,200</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2009 (continued)

45 Liquidity risk (continued)

(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	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	394	91	-
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>20,799</u>	<u>40,717</u>	<u>19,200</u>

46 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	
	30 June 2009 RO'000	31 December 2008 RO'000	30 June 2009 RO'000	31 December 2008 RO'000
Floating rate instruments				
Financial liabilities	<u>78,996</u>	<u>78,915</u>	<u>78,996</u>	<u>78,915</u>
Fixed rate instruments				
Financial assets	<u>77,155</u>	<u>87,284</u>	<u>87,155</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 period and as such change in the interest rates at the statement of financial position date would not affect profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2009 (continued)

47 Foreign currency risk

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

The net exposure to the currency risk as at 30 June 2009 is as follows:

	Pakistani Rupees PKR '000
Carrying amount of investment in the associate	8,883,615

The following significant exchange rates were applied during the period :

	Pakistani Rupees
Exchange rate at the date of acquisition	166.14
Exchange rate as at 31 December 2008	204.39
Exchange rate as at 30 June 2009	207.43

A 5% strengthening of Rials Omani against the above currency would have decreased equity by RO 2.039 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.

48 Comparative amounts

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