Annual Report 2014

عمانتل
Omantel
معاً
Together

“We offer thanks and praise to the Almighty Allah for the guidance and virtues with which He has endowed us so that we could take this march forward for the building of a modern, well-founded state, advancing in full determination towards a bright future that is promising of progress and prosperity.”

His Majesty Sultan Qaboos bin Said
Speech on November 2014

His Majesty Sultan Qaboos bin Said

As the company that pioneered telecommunications in Oman, Omantel has a rich heritage of being part of the community and growing with it. In an industry described as the window to progress, we are proud of our role in the nation's evolution.

We are uniquely positioned to provide the people of Oman with the most comprehensive set of telecommunications solutions available. Our new enhanced product portfolio will include fixed, mobile and internet solutions for all connectivity needs.

Anywhere in Oman, at any point of time, we keep you connected.

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CHAIRMAN'S REPORT

Chairman
H.E. Eng. Sultan bin Hamdoon Al-Harthi

Respected Shareholders,

We are pleased to present to you a summary of the results of the operations for the year 2014.

Operating performance:

REVENUE

Group **Revenue** for the year ended 31st December 2014 has grown to RO 481.2 million, an increase of 4.0% compared to RO 462.9 million for the corresponding period of year 2013.

Domestic Retail Revenues has recorded a growth of 4.3% and now reached RO 392.6 million compared to RO 376.3 million for the corresponding period of year 2013 mainly contributed by broadband and corporate data services. Fixed Line and Mobile Business retail revenues recorded a growth of 10.9% and 2% respectively. Fixed Broadband, Mobile Broadband and Data services revenues increased by 30.4%, 32.1% and 15.4% respectively. Fixed Broadband subscriber net addition in Year 2014 was the highest ever recorded so far. However, revenues from national, international calls and SMS have continued its declining trend due to Over The Top (OTT) services.

EXPENSES

Group Operating expenses increased by 2.8% to RO 350.8 million compared to RO 341.4 million for the corresponding period of year 2013. The major reasons for increase in operating expenses are attributed to increase in operating & maintenance (O&M), depreciation, employee costs and administrative expenses. The increase in O&M and depreciation is the result of increased investment in network expansion for both mobile and fixed networks to meet the growing demand of broadband services as well as to provide the enhanced customer experience.

NET PROFIT

Group Net Profit after tax is RO 122.4 million compared to RO 119.3 million of the corresponding period of year 2013, which is an increase of 2.6%.

Group Earning per Share (EPS) for the year ended 31 Dec'14 is RO 0.163, which is an increase of 2.6% over the corresponding period of year 2013.

SUBSCRIBER BASE

Total subscriber base has reached 4.296 million as of Dec'14 compared to 4.022 million of the corresponding period of the previous year, a growth of 6.8%. The subscriber base includes WTL subscribers, which has now reached 955 K. The total domestic subscriber base (including mobile and fixed businesses) has reached 3.341 million (excluding Mobile Resellers), recording a growth rate of 7.9% over the last year.

Subsidiary Companies:

1) **Worldcall Telecom Limited:** Omantel has a 56.8% shareholding in Worldcall Telecom Limited (WTL). The total revenue as of Dec'14 is RO 8.9 million, a decrease of 26.2% over the corresponding period, mainly due to reduction in Wireless Local loop (WLL) segment. The company has incurred a net loss of RO 14.1 Mn, as compared to a loss of RO 9.7 Mn in the previous period. Omantel's share of loss is OMR 8 mn compared to OMR 5.5 mn in the previous period. As part of the business turnaround strategies, the company has concluded a network sharing agreement with one of the local companies in Pakistan. Omantel Board of Directors and Management have been working with WTL on several strategic initiatives aimed at improving its operations, financial position as well as its competitive advantages, which is expected to bring improvement in the overall operation of WTL.

2) **Oman Data Park LLC:** this company was established in the year 2011 as a joint venture of Omantel and 4Trust LLC (a subsidiary of National Trading Co). The paid up capital is RO 1 million, split by 60% Omantel and 40% 4Trust LLC. The revenue as of Dec'14 is RO 3.3 Mn an increase of 38.7% compared to RO 2.4 Mn for the corresponding period of year 2013. The company has incurred a loss of RO 0.76 Mn for the year ended December 2014 as compared to a loss of RO 0.83 Mn in the previous period. Within 4th year of operation, the company has achieved EBITDA positive of 3.4% compared to -24.5% of the corresponding period.

3) **Omantel France SAS:** is a 100% Omantel owned company that will be responsible for landing and maintaining the Asia Africa Europe - 1 (AAE-1) cable in France. The setting up of this company gives Omantel a worldwide recognition by becoming the only Middle-east operator to build a presence in European Union (EU) and provide open access into EU to all other owners IN AAE-1 consortium. AAE-1 cable system is expected to be ready for service in 2016.

Associate Companies:

(1) **Oman Fibre Optic Co SAOG (OFOC):** Omantel owns 40.96% shareholding in the OFOC. The Revenue as of Dec'14 decreased by 13.8% to RO 23.314 million compared to RO 27.056 million for the corresponding year of 2013. The company has achieved a net profit after tax of RO 7.873 million for the year ended Dec'14 compared to RO 4.262 million for the corresponding year of 2013. The company has claimed an insurance claim of RO 10.183 mn against the fire incident in Year 2012. The company has received the full claim, of which RO 7.377 Mn in Year 2014 and RO 2.806 Mn in Year 2013 has been recognized.

(2) **Infoline LLC:** Omantel has 45% shareholding in the company. The Revenue as of Dec'14 (9 months period) increased by 6.4% to RO 2.5 million compared to RO 2.4 million for the corresponding year 2013. The Company's net profit after tax for year ended Dec'14 is RO 92.4 K compared to corresponding period profit of RO 179 K a decrease of 48.4%. The decrease in profit is mainly due to increase in employee costs by 20.6%. The company is currently developing an action plan to improve the revenue resources and profit.

Market Share:

Omantel Mobile's network market share (including Mobile Resellers) is estimated at 58.9%. The Fixed Telephone (post & pre-paid) market share is estimated at 82.9%.

Corporate Social Responsibility:

As part of its ongoing commitment to support the society, environment and national economy, Omantel has embarked on number of CSR initiatives and programs and has extended its support to various organizations and events. The below summarizes the major initiatives and events supported during the year 2014.

1. Financing the maintenance and renovation of 21 houses for under-privileged families across the Sultanate as part of Omantel annual Ramadhan campaign

2. Scholarships for students from under-privileged families in collaboration with Oman Chamber of Commerce & Industry.

3. Financial support to various charitable / social institutions (Omar bin Al Khatab Center for Blind People, White Hands Center for Autistic Children.
4. Customized special telecom offers (LANA) for NGOs registered with Ministry of Social Development.
5. Adatee Hayaty Expo for People with Disability.
6. Training elderly people on the use of new technology.
7. Supporting Oman Sustainability Summit.

Moreover, Omantel issued its second sustainability report in 2014 which covers Omantel sustainability efforts and activities.

Awards/ Recognitions:

Omantel efforts have been recognized locally and regionally which was reflected by a number of Awards that were presented to Omantel throughout the year. Among these were:

1. In April 2014, The Emir of the State of Kuwait, conferred Omantel Excellence Award of the second grade on the GCC level which comes in recognition of Omantel major contributions to youth fields.
2. The Golden Gear Award from Ministry of Sports Affairs being the most outstanding supporter of sports activities in the Sultanate in year 2014.
3. Best performing company in MSM from Oman Economic Review for the ninth consecutive year.

Future outlook:

The market dynamics in the Omani telecom market context are changing substantially, similar to what is observed globally. Core telecom markets are saturating, with a slowing voice and messaging market while potential remains in the broadband market. At the same time, competitive pressure is increasing. Historical competitive advantages are eroding and increased presence of international OTT (over-the-top) players leads to market value destruction. Uncertainty on new local licenses adds additional pressure. At the same time, new opportunities are emerging, especially in the emerging IT market.

In order to tackle these market dynamics in the best possible way, Omantel has developed a new Corporate Strategy with a focus on maximizing the share of wallet and value per customer, through expansion beyond the current core business and become a key differentiator companion of choice and creator and enabler of digital ecosystems. The execution of this strategy will enable Omantel to maintain its leading position in the market and continue to maximize returns to our shareholders. This is already demonstrated in our continued investments in our network to support the core business and our position as a true Carrier of Carriers within the region.

Thanks and appreciation

We take this opportunity to express our heartfelt thanks to our shareholders and loyal customers for their continued support that enabled us to achieve these excellent results. Also, we appreciate the contribution of the Executive Management and Employees for the remarkable performance in the challenging situation. With your support, we are confident that Oman Telecommunications Company will continue its good performance and will reach new heights of excellence.

We also express our special thanks to the Ministry of Finance, the Ministry of Transport and Communications, the Telecommunications Regulatory Authority and the Capital Market Authority for their valuable co-operation and contributions to our success.

On behalf of the Board of Directors, executive management and the staff, we express our sincere gratitude to His Majesty Sultan Qaboos bin Said for His visionary leadership. We pray to Almighty Allah to shower him with his blessings, and grant him the strength to continue to lead the country on the path of sustainable development.

Eng. SULTAN HAMDOON AL HARTHI
CHAIRMAN, OMANTEL BOARD OF DIRECTORS

Board of Directors

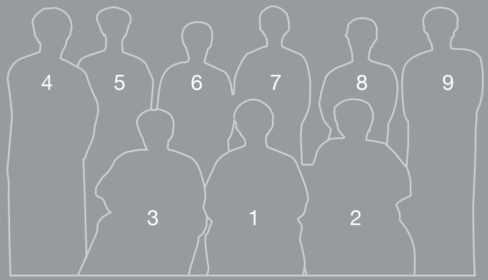
Chairman

H.E. Eng. Sultan bin Hamdoon Al-Harthi

Deputy Chairman

Mr. Saud bin Ahemed Al-Nahari

1. H.E. Eng. Sultan bin Hamdoon Al-Harthi
2. Mr. Saud bin Ahemed Al-Nahari
3. Mr. Abdulkader Askalan
4. Mr.Mehdi bin Mohammed Jawad Al-Abdwani
5. Eng. Mohamed bin Hamad Al-Maskari
6. Mr. AbdulRahim bin Salem Al-Harmi
7. Sheikh Aimen bin Ahmed Al-Hosni
8. Eng. Matar bin Saif Al-Mamari
9. Sayyed. Zaki bin Hilal Al-Busaidi



Corporate Governance Report

Auditor's Report

Building a better
working world

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P. R. No. MH/4

Report of Factual Findings on the corporate governance reporting of Oman Telecommunications Company SAOG and its application of the corporate governance practices in accordance with the CMA code of corporate governance

TO THE SHAREHOLDERS OF OMAN TELECOMMUNICATIONS COMPANY SAOG

We have performed the procedures prescribed in Capital Market Authority (CMA) circular no 16/2003, dated 29 December 2003 with respect to the accompanying corporate governance report of Oman Telecommunications Company SAOG ('the Company') and its application of corporate governance practices in accordance with the CMA code of corporate governance issued under circular no. 11/2002 dated 3 June 2002 and the CMA Rules and Guidelines on disclosure, issued under CMA administrative decision 5, dated 27 June 2007. Our engagement was undertaken in accordance with the International Standard on Related Services applicable to agreed-upon procedures engagements. The procedures were performed solely to assist you in evaluating the extent of the Company's compliance with the code as issued by the CMA.

We report our findings below:

We found that the company's corporate governance report reflects, in all material respects, the company's application of the provisions of the code and is free from any material misrepresentation.

Because the above procedures do not constitute either an audit or a review made in accordance with International Standards on Auditing or International Standards on Review Engagements, we do not express any assurance on the corporate governance report.

Had we performed additional procedures or had we performed an audit or review of the corporate governance report in accordance with International Standards on Auditing or International Standards on Review Engagements, other matters might have come to our attention that would have been reported to you.

Our report is solely for the purpose set forth in the first paragraph of this report and for your information and is not to be used for any other purpose. This report relates only to the accompanying corporate governance report of the company to be included in its annual report for the year ended 31 December 2014 and does not extend to any financial statements of the Oman Telecommunications Company SAOG, taken as a whole.

Ernst & Young

15 February 2015
Muscat

CORPORATE GOVERNANCE

First: Principles and Foundations of Organization

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

Second: Disclosure Policy

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

Third: Board of Directors

1. Composition of the Board of Directors:

The Board of Directors of the Company is composed of nine members; five members are representing the government share including the Board Chairman. The other four members were elected by the AGM. The composition of the Board is in the following order:

Name of Board Member	Date of Appointment/ Election	Membership Duration	Position in the Board	Type of Representation	Membership of other Committees	Membership of Board of other Joint Stock Companies	Whether Attended last AGM
H.E Eng. Sultan bin Hamdoon Al-Harthi	24/3/2014	3 Years	Chairman	Non-Executive, Independent, representing Govt. Share	1	Nil	Yes
Mr. Saud bin Ahmed Al-Nahari	24/3/2014	3 Years	Deputy Chairman	Non-Executive, Independent, from share holders	2	3	Yes
Mr. Abdul Kader Askalan	24/3/2014	3 Years	Member	Non-Executive, Independent, representing Govt. Share	1	1	Yes
Mr. Mehdi bin Mohammed Jawad Al-Abdwani	24/3/2014	3 Years	Member	Non-Executive, Independent, from share holders	4	2	Yes
Mr. Abdul Rahim bin Salem Al-Harmi	24/3/2014	3 Years	Member	Non-Executive, Independent, representing Govt. Share	2	Nil	No
Eng. Matar bin Saif Al-Mamari	24/3/2014	3 Years	Member	Non-Executive, Independent, representing Govt. Share	2	Nil	Yes
Eng. Mohamed Hamad Al-Maskari	24/3/2014	3 Years	Member	Non-Executive, Independent, representing Govt. Share	2	Nil	Yes
Sheikh Aimen bin Ahmed Al Hosni	24/3/2014	3 Years	Member	Non-Executive, Independent, representing Qurum Business Group	3	2	Yes
Sayyed. Zaki bin Hilal Al-Busaidi	24/3/2014	3 Years	Member	Non-Executive, Independent, from share holders	2	1	No

2. Profile of Directors and Executive Management

H.E Eng. Sultan bin Hamdoon Al-Harthi is an Advisor at the Supreme Council for Planning. He worked for different government organizations and his last position was the Chairman of Muscat Municipality. He holds a Master's degree in Architecture.

Mr. Saud bin Ahmed Al-Nahari is the Chief Executive Officer of Port Services Corporation SAOG. He holds a Post-graduate Diploma in Port Management. He is a board member in other three joint stock companies: Oman United Insurance Co. SAOG, Al Hassan Engineering Co. SAOG and Oman Al Arabi Fund.

Mr. Abdul Kader Askalan was the Chief Executive Officer of Oman Arab Bank until 31 December 2013 and has a vast experience in the banking sector. He is a board member of Oman International Development & Investment Co. SAOG.

Mr. Mehdi bin Mohammed Jawad Al Abduwani is the Executive Officer of National Ferry Company. He holds a Bachelor's Degree in Economics and post-graduate diploma in Development Planning Techniques (DPT). He is the Chairman of Computer Stationery Industry Co. SAOG and is a board member of Al Anwar Holding Company SAOG.

Mr. Abdul Rahim bin Salem Al-Harmi is an Advisor to the Minister of Transport and Communications for Meteorology Affairs. He has extensive experience in the field of civil aviation and meteorology. His last position was Director General of Civil Aviation and Meteorology at the Ministry of Transport and Communications. He holds a Master's Degree in Business Administration.

Eng. Matar bin Saif Al-Mamari is working in the field of telecommunications and information technology since 1989 and participated in several government committees in the same field. He holds a Master's Degree in Business Administration from the University of Lincoln and Bachelor's Degree in Electrical and Electronic Engineering from Widener University of USA. He is a Board member of Information Technology Authority.

Eng. Mohamed bin Hamed Al-Maskari is the Director General of Knowledge Oasis Muscat, and has vast work experience in the field of Management and Information Technology for more than 18 years with a Master Degree in Business Administration. He is a board member in the Research Council.

Sheikh Aimen bin Ahmed Al Hosni is the Director General of Muscat International Airport. He holds a Bachelor Degree in Political Science and a Master's Degree in Public Administration. He is the Chairman of Oman National Investment & Engineering Company SAOG. and Member of HSBC Bank Oman SAOG.

Sayyed. Zaki bin Hilal Al-Busaidi is the Director General of the Institute of Public Administration, he has a long experience in the field of management. He holds Master Degree in Public Administration and he is a Board Member of Port Services Corporation SAOG.

Mr. Talal Said Al Mamari is the Chief Executive Officer of Omantel since 29 June 2014. He has a bachelor degree in Business Administration from Duquesne University, Pittsburgh – Pennsylvania. Prior to his appointment as CEO, he held several leadership positions including his last position as Chief Financial Officer of Omantel. He has 22 years of experience in the Telecommunications sector. He has had played an instrumental role in different initiatives and projects, carried out by the company.

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

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

4. Meetings of the Board of Directors

The Board of Directors held 15 meetings during the year 2014. These were in the following order:

A. Board Meetings:

Name of the Board Member	Number and date of meeting														
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
	14/1/14	2/2/14	11/2/14	2/3/14	23/3/14	24/3/14	12/5/14	29/6/14	9/7/14	13/8/14	24/9/14	12/11/14	17/11/14	20/11/14	19-20/12/14
H.E Eng. Sultan bin Hamdoon Al-Harthi	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes
Mr. Saud bin Ahemed Al-Nahari	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Mr. AbdulKader Ahmed Askalan	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	No	Yes	Yes	Yes	No	Yes	Yes
Mr. Mehdi bin Mohammed Al-Abdwani	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes
Mr. Abdul Rahim bin Salem Al-Harmi	Yes	Yes	Yes	Yes	Yes	No	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Eng. Matar Saif Al-Mamari	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	No	Yes	No	No	Yes
Eng. Mohamed bin Hamad Al-Maskari	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes
Sheikh Aimen bin Ahmed Al Hosni	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes
***Sayyed. Zaki bin Hilal Al-Busaidi**	-	-	-	-	-	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

* Was elected at last AGM held on 24/3/2014

Fourth: The Committees stemming from the Board of Directors

1. Executive Committee

A. Committee meetings

The Executive Committee held 6 Meetings during the year 2014. These were in the following order:

Name of the committee member	Position	Number and date of meeting					
		1	2	3	4	5	6
		2/2/14	23/3/14	23/6/14	18/8/14	23/11/14	11/12/14
H.E Eng. Sultan bin Hamdoon Al-Harthi	Chairman	Yes	Yes	Yes	No	Yes	Yes
Mr. Saud bin Ahmed Al-Nahari	D. Chairman	Yes	Yes	Yes	Yes	Yes	Yes
Mr. Mehdi bin Mohammed Al-Abdwani	Member	Yes	Yes	Yes	Yes	Yes	Yes
Eng. Matar bin Saif Al-Mamari	Member	Yes	Yes	Yes	Yes	No	Yes
Sheikh Aimen bin Ahmed Al Hosni	Member	Yes	Yes	No	Yes	Yes	Yes

B. The Committee's terms of reference:

1. To review the Company's business plan;

2. To study the Company's annual budget and submit their recommendations to the Board;

3. To study and approve new tariffs;

4. To study and approve the proposed changes to Company policies;

5. To take action on the matters submitted by the Board or Chairman of the Board;

6. To take an action on urgent matters submitted by Company's CEO and which fall within the committee's authority;

7. To decide on matters that require board approval.

2. The Audit Committee

A. Committee meetings

The Audit Committee held 6 meetings during the year 2014. These were in the following order:

Name of the committee member	Position	Number and date of meeting					
		1	2	3	4	5	6
		9/2/14	7/5/14	11/8/14	15/10/14	9/11/14	23/11/14
Sheikh Aimen bin Ahmed Al Hosni	Chairman	Yes	Yes	Yes	Yes	Yes	Yes
Mr. Mehdi bin Mohammed Al-Abduwani	D. Chairman	Yes	Yes	Yes	Yes	Yes	Yes
Eng. Mohamed Hamad Al-Maskari	Member	Yes	Yes	Yes	Yes	Yes	Yes
***Mr. Abdul Rahim bin Salem Al-Harmi**	Member	-	Yes	Yes	Yes	Yes	Yes
***Sayyed. Zaki bin Hilal Al-Busaidi**	Member	-	No	No	Yes	Yes	Yes
***Mr. Saud bin Ahmed Al-Nahari**		Yes	-				

* as per the new composition of the committee, Mr. Abdul Rahim and Sayyed Zaki joined the committee;
* Mr. Saud Al-Nahari left the committee.

B. The committee's terms of reference:

1. Considering the name of the auditor in the context of their independence (particularly with reference to any other non-audit services), fees and terms of engagement and recommending their name to the Board for putting before AGM for appointment.

2. Oversight of the adequacy of the internal control system through the regular reports of the internal and external auditors. The committee may appoint external consultants if the need arose.

3. Oversight of the internal audit function in general and with particular reference to reviewing of scope of internal audit plan for the year, reviewing the reports of internal auditors pertaining to critical areas, reviewing the efficacy of the internal auditing and reviewing as to whether internal auditors have full access to all relevant documents.

4. Serving as a channel of communication between external auditors and the Board and also internal auditors and the Board.

5. Checking financial fraud particularly fictitious and fraudulent portions of the financial statement. The committee should put in place an appropriate system to ensure adoption of appropriate accounting policies and principles leading to fairness in financial statements.

6. Oversight of financial statements in general and with particular reference to review of annual and quarterly financial statements before issue, review of qualifications in the draft financial statements and discussion of accounting principles. In particular, change in accounting policies, principles and accounting estimates in comparison to previous year, any adoption of new accounting policy, any departure from International Financial Reporting Standards (IFRS) and non-compliance with disclosure requirements prescribed by CMA should be critically reviewed.

7. Reviewing risk management policies and looking into the reasons of defaults in payment obligations of the Company, if any.

8. Reviewing proposed specific transactions with related parties for making suitable recommendations to the Board and setting rules for entering into small value transactions with related parties without obtaining prior approval of audit committee and the Board.

3. HR Committee

A. Committee meetings

The HR committee held 6 meetings during the year 2014. These were in the following order:

Name of the committee member	Position	Number and date of meeting					
		1	2	3	4	5	6
		5/2/14	10/4/14	1/6/14	6/7/14	19/8/14	15/12/14
Mr. Mehdi bin Mohammed Al-Abduwani	Chairman	Yes	Yes	Yes	Yes	Yes	Yes
Sheikh Aimen bin Ahmed Al Hosni	D. Chairman	Yes	Yes	Yes	Yes	Yes	Yes
Mr. Abdulrahim Salem Al-Harmi	Member	Yes	Yes	Yes	Yes	Yes	Yes
***Mr. Abdulkader Ahmed Askalan**	Member	-	No	No	No	No	No
***Mr. Saud bin Ahmed Al-Nahari**		Yes	-				

* as per the new composition of the committee, Mr. Abdulkader joined the committee;

* Mr. Saud Al-Nahari left the committee.

B. The committee's terms of reference:

1. To review factors and developments which require an amendment to the organizational structure of the company;

2. To review the structure and the level of salaries and compensation before submission to the Board of Directors;

3. To review and recommend strategic plan and policies relating to Human Resources;

4. Any other task as directed by the Board.

4. Tender Committee

A. Committee meetings

The Tender committee held 5 Meetings during the year 2014. These were in the following order:

Name of the committee member	Position	Number and date of meeting				
		1	2	3	4	5
		4/6/14	23/7/14	18/8/14	14/10/14	12/11/14
Mr. Saud bin Ahmed Al-Nahari	Chairman	Yes	Yes	Yes	Yes	Yes
Mr. Mehdi bin Mohammed Al-Abduwani	D. Chairman	Yes	Yes	Yes	Yes	Yes
Eng. Matar bin Saif Al-Mamari	Member	Yes	Yes	Yes	Yes	Yes
Sayyed. Zaki bin Hilal Al-Busaidi	Member	Yes	Yes	Yes	Yes	Yes
Eng. Mohamed Hamad Al-Maskari	Member	Yes	Yes	Yes	Yes	Yes

B. The committee's terms of reference:

1. Representing the Board in reviewing, discussing and award tenders as per the given Tenders' Manual of Authority;

2. Study the mechanisms and procedures that used for evaluation of bids, and propose improvement by use of appropriate technologies;

3. Study any other matter that referred to by the Board and decide as per its authority.

Fifth: Remunerations

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

Board Meetings	RO 500 per meeting
Committee Meetings stemming from the Board	RO 400 per meeting

1. The following table shows the details of the financial allocations paid to members of the Board of Directors during 2014:

Name of Board Member	Sitting fee (RO)
H.E Eng. Sultan bin Hamdoon Al-Harthi	8,500
Mr. Saud bin Ahmed Al-Nahari	10,000
Mr. Abdul Kader Askalan	6,000
Mr. Mehdi bin Mohammed Jawad Al-Abduwani	10,000
Mr. Abdul Rahim Salem Al-Harmi	10,000
Eng. Matar Saif Al-Mamari	9,500
Eng. Mohamed Hamed Al-Maskari	10,000
Sheikh Aimen bin Ahmed Al Hosni	10,000
Mr. Zaki bin Hilal Al Busaidi	8,200
Total	**82,200**

2. Directors' Remuneration:

Details	Amount in (RO)
Total directors' remuneration recommended for the year 2014	117,792
Total directors' remuneration paid to members for the year 2013	135,600

3. The following table shows the details of the financial allocations paid to the executive management (top five) during 2014:

Salary and other allowances	Bonus	Social Security Cost and end of service benefits	Total
(RO)	**(RO)**	**(RO)**	**(RO)**
803,844	975,000	79,137	1,857,981

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

Sixth: Details of Non-compliance by the Company

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

Seventh: Channels and Methods of Communication with Shareholders and Investors

1 The Company's quarterly financial reports are published in the local newspapers and are also uploaded to the website of Muscat Securities Market and on the Company's website. In addition, the shareholders are notified of the details of the financial results by sending them to the shareholders at their request.

2 The Company has a website which includes the Company's profile and the services offered by it. This website is constantly updated.

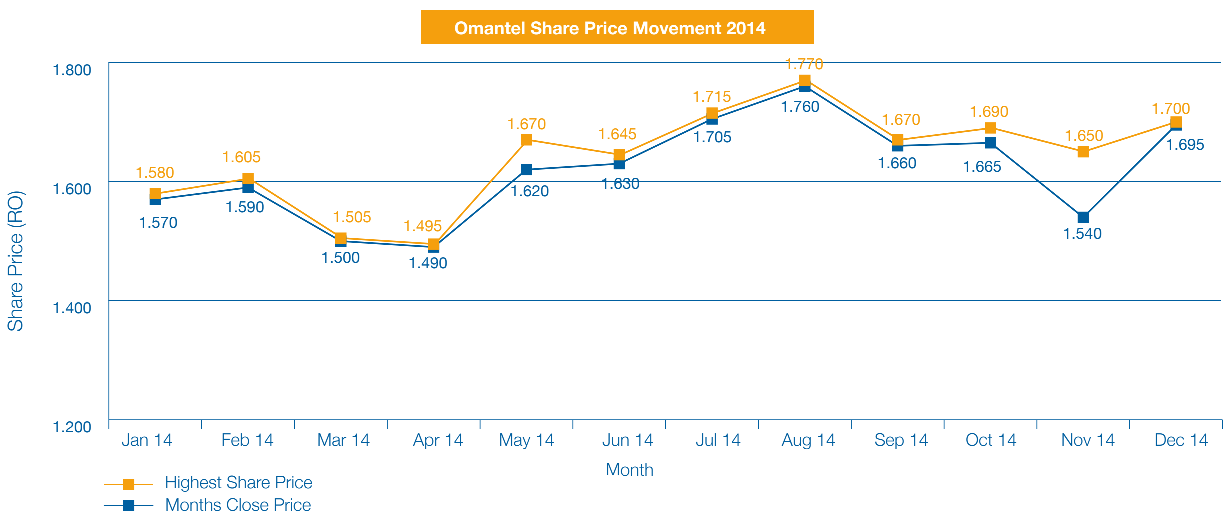
3 The report of the Company's management and governance constitutes a part of its Annual Report.

Eight: Details of Market Shares

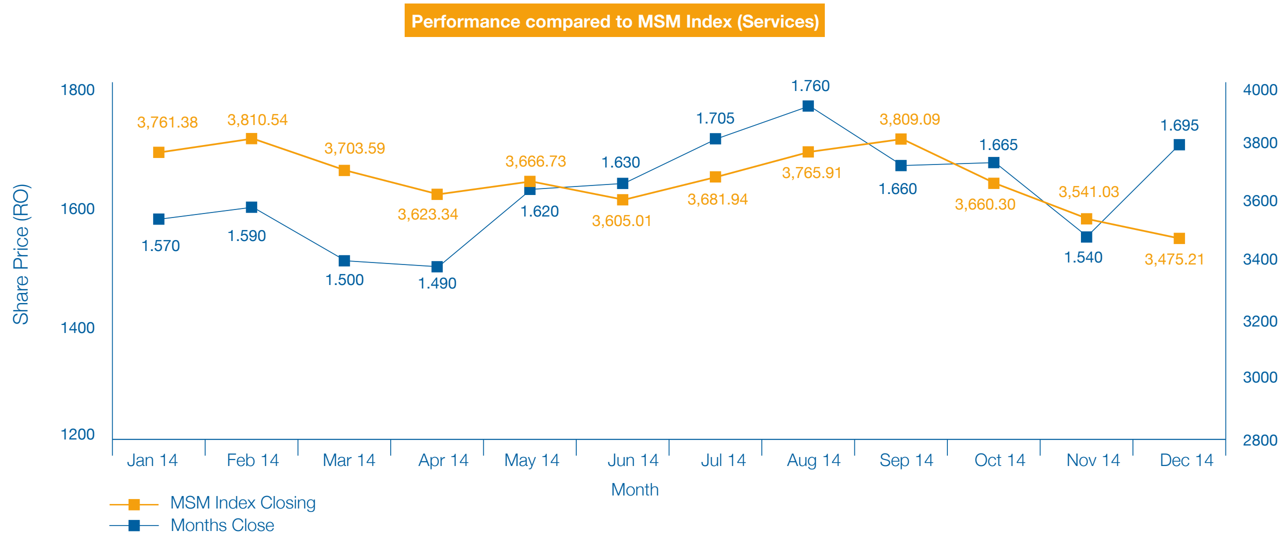
A) Details of prices for traded company shares:

Following are the details of the company's shares traded on the Muscat Securities Market (MSM) during the year 2014:

Month	Highest Share Price	Lowest Share Price
January	1.580	1.560
February	1.605	1.575
March	1.505	1.495
April	1.495	1.485
May	1.670	1.580
June	1.645	1.610
July	1.715	1.700
August	1.770	1.740
September	1.670	1.655
October	1.690	1.655
November	1.650	1.500
December	1.700	1.675



B. Comparison of Share Price with MSM Index (services)



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

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

Ninth: Distribution of Company's shares

The following table illustrates the distribution of ownership of the Company's shares until 31/12/2014:

Sl. No	Number of Shares	No. of Shareholders
1	1 – 500	12,921
2	501 – 1,000	4,666
3	1,001 – 5,000	5,366
4	5,001 – 10,000	1,148
5	10,001 – 15,000	357
6	15,001 – 20,000	112
7	20,001 – 50,000	200
8	50,001 – 800,000	251
9	800,001 – 1,000,000	2
10	1,000,001 – 15,000,000	37
11	15,000,001 and above	8
Total		**25,068**

Tenth: Professional Background of External Auditors

External auditor for Omantel

EY is the statutory auditors of the Company. EY has been operating in the Sultanate of Oman since 1974 and is the largest professional services firm in the country. EY Oman, forms part of EY's EMEIA practice, with 4,015 partners and over 90,500 professionals in 462 offices throughout the EMEIA geographical area. Globally, EY operates in more than 150 countries and employs 190,000 professionals.

The total audit fee paid/payable to the external auditor of the company for the financial year 2014 is as follows:

Details	Amount (RO)
Audit and related services	206,450
Other permitted services	138,800
Total	345,250

External auditor for Worldcall Telecommunications Limited (Subsidiary)

A. F. Ferguson & Co. came into existence on November 1, 1952 and at present has 45 partners and more than 1,800 employees including 214 qualified Chartered Accountants based in four offices i.e. Karachi, Lahore, Islamabad and Kabul and is a member firm of the PwC network. A. F. Ferguson & Co. has ready access to the technical expertise present in the PwC network firms worldwide. Drawing on the knowledge and skills of more than 146,000 people in 150 countries, PwC provides a full range of business services to leading global, national and local companies and to public institutions. These services include audit, accounting and tax advice; management, information technology and human resources consulting; financial advisory services including mergers and acquisitions, business recovery, project finance, and litigation support; and business process outsourcing.

The total audit fee paid/payable to the external auditor of the Company for the financial year 2014 is as follows:

Details	PKR ('000)
Audit fee	2,500
Half year Review	1,000
Other services	150
Reporting to group auditors	2,000
Out of pocket expenses	500
Total	**6,150**

Eleventh: Acknowledgement by the Board of Directors

The Board of Directors acknowledges

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

Management Discussion & Analysis

MANAGEMENT DISCUSSION & ANALYSIS

Omantel continues its journey as the leading fixed and mobile communications services provider of the Sultanate of Oman. In the midst of unfolding global ‘digital revolution’ driven by high speed internet and data technologies, and rapid penetration of the smart devices, the shape of communications technologies is rapidly changing globally.

Responding to the global shift in communication patterns, Omantel Group takes pride in successfully cascading benefits of this global ‘digital revolution’ down to our customers by providing them best in class technologies and services.

As the year 2014 witnessed an exponential growth in data and internet segments, our revenues from these services continue to grow as we benefit from our investment in infrastructure. By embracing the best of the technological solutions available to the world, we continue to provide best of class services.

Operationally, Omantel continues to bolster and sustain its position as the Sultanate’s flagship telecom operator despite immense competitive pressures. We remain a leading force in both fixed and mobile segments, driven by our attractive pricing, innovative service offering, and high quality network of the largest footprint in Oman.

Omantel demonstrated solid consolidated performance during the year 2014. Alongside the stiffening domestic competition as well as competition from the global OTT players, the Group revenue posted a year on year growth of 4% to RO 481 mn from RO 463 mn in FY 2013.

As at 31st December 2014, Omantel’s consolidated customer base, stood at 4.296 mn (FY2013 4.02 mn), representing a year-on-year growth of 6.8%.

Continued improvements in our already superior network and customer service have also yielded a high degree of loyalty among our customers, that fact which is well reflected from the growing size of our customer family.

Omantel also continues to enjoy a prestigious profile in among investor community through its high investor grade ratings. Rated by the globally renowned agencies, Omantel is assigned by Standard & Poor’s at BBB+/A-2 and A3 by Moody’s. These ratings reflect our strong and sustainable financial and competitive position in the Sultanate’s fixed line and mobile telephony markets, solid operating performance and high profitability.

Omantel also lead the Government’s efforts to revive its privatization program, as 2014 also saw the successful placement of 19% of the Government’s stake in Omantel to individual and corporate investors. The Government fetched about RO 204 mn equivalent to US$530 mn through this stake sale. Resultantly, the Government’s share in Omantel diluted to 51% from the previously held 70%.

We also received several international awards and recognitions in the previous years. The most recent and prominent of which were the ‘Best Performing Company’ in MSM for the 9th consecutive year by Oman Economic Review, and ‘Asian Business Leaders Forum’ for the best business practices in recognition of improvement in internationally recognized business practices, in addition to several local and regional awards.

During 2014, we also stepped up our efforts towards revival of our investment in Worldcall Telecom Limited. At the backdrop of severe market competition in Pakistan and deteriorating operational environment for the operators in the country, we have taken several strategic initiatives which will help to revive Worldcall’s operational performance. Network upgradation, product development and tighter controls are some of the few important objectives for Worldcall that are being persistently pursued by the management of Omantel.

Omantel continued to work towards its “Carrier of Carriers” objective, whereby our strategy is to achieve sustainable revenue growth from wholesale business by expanding our international footprint. The successful execution of our strategy is evidenced by the fact that more and more global content players and international carriers select Omantel as their partner to serve the region and beyond. The signing of the AAE-1 system whereby Omantel is the landing party in Oman and in France will bring the total numbers of submarine cable systems landing with Omantel to 11.

To further strengthen our international presence in the wholesale arena, we established Oman France SAS, a 100% owned subsidiary of Omantel Group, with an objective of maintaining and landing the Asia Africa Europe - 1 (AAE-1) submarine cable in France. This initiative has given Omantel an instant worldwide access as the only Middle Eastern operator to build its presence in the European Union. AAE-1 cable system is expected to become operational in the year 2016, whereby Oman France SAS will provide open access to all owners in AAE-1 consortium into the EU.

In 2015, we will embark on our new Corporate Strategy ‘Omantel-3.0’, pursuing operational excellence, innovation and transformation of Omantel into a digital powerhouse of the country. We will continue to build on our brand, and emphasize on providing enhanced customer experience as well as bringing innovative and affordable services to our valued customers. We will also continue to focus on creating sources of income and diversifying the investment portfolio directed to achieving sustainable growth in revenues, wherever possible and maximizes returns to shareholders.

Industry Structure and Related Challenges

Omantel’s main operations are within the telecom market in Oman. Relative to the country’s population size, the domestic telecom market stands highly liberalized with multiple operators across fixedline, mobile, and international gateway segments. As of today, 2 class-1 mobile operators, 3 class-1 fixed operators, 4 IGW licensees and 1 class-1 maritime operator are present on the telecom landscape, and 6 class-2 mobile resellers operator.

A state owned infrastructure provider ‘Oman Broadband Company’ has been established to provide fiber (passive) infrastructure to operators in the city of Muscat. Furthermore, the recent announcement of National Broadband Strategy will have its own implications on the operators going forward.

A persistent series of regulatory initiatives continue to challenge our business model. In Year 2014, we witnessed series of consultation initiatives such as BULRIC, Access & Interconnection Regulation, Licensing Framework etc., which will have far reaching impact on the operator’s business models, if it is not adequately deliberated prior to its implementation.

Some of the key operational challenges being faced today are declining voice business; threatening OTT penetration in mobile segment in terms of VoIP and messaging; increased spending in upgrading networks to match customer expectations amidst global technological evolution; persistent decline in the international voice and data prices; extensive competition in corporate data services, and international connectivity etc., which are impacting the revenue growth and profitability.

Opportunities & Threats

In today’s rapidly evolving digital society, the role of communications industry has proven to be a key enabler for domestic socio economic growth. From a strategic perspective, the opportunities arising in the industry are also coupled with immense challenges. The fast industry shift towards data based communications is threatening the importance of traditional cash cows such as voice and SMS. However, the same has also given way to the growth opportunities in the fields of mobile broadband, cloud computing, ICT services, M2M, and M-advertising.

The global telecom industry is re-inventing itself in response to the explosive demand for internet and internet related services. The legacy telecommunication behavior is moving away from core traditional communications products (e.g. voice) to new services (e.g. data, VAS). New services with low margins are replacing traditional connectivity services. About 12 billion internet enabled devices are expected to be active by the end of 2020, ranging from automobiles to home appliances and phones. Smartphone penetration is growing robustly as its affordability among the masses continues to increase, hence creating an excessive demand for quality high speed data services.

Telecom operators are completely exposed and exploited to rapidly expanding OTT players which work without any geographical boundaries. OTT operators are a completely new breed of global competitors which is quickly turning the tables for traditional telecom operators through their data based communication models/solutions.

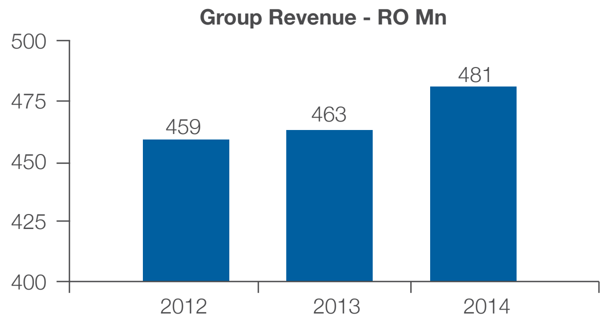
Conventionally high margin segments such as voice and SMS, which used to be the major contributors in the telecom operators’ growth through circuit switched and TDM mediums, are now witnessing a major shift to IP based mediums. For instance, the global VoLTE (4G VoIP) market is expected to grow upto US$ 6 billion by 2020.

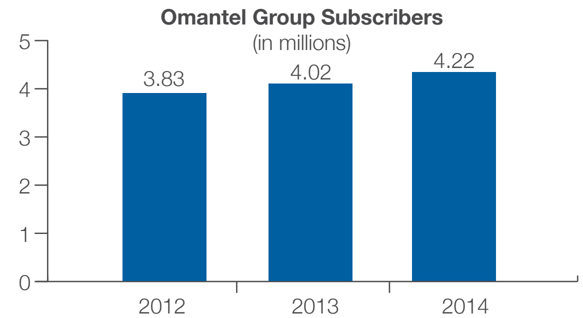
We at Omantel believe that consistency of growth in our retail and wholesale revenues, especially the growth in mobile and fixed broadband revenues, will be heavily dependent upon our vision and actions to transform Omantel to meet the evolving trends. Our effective strategies to sustain fixedline and mobile growth are being continuously re-evaluated to reflect the changing technological trends.

Broadband data in both consumer and corporate market is poised to remain a key growth area going forward. Today, Omantel provides the broadest choice, largest coverage and superior quality for broadband services across our fixed and mobile networks, and we continue to expand roll-out of our network based on ADSL, 3G and 4G LTE technologies.

Analysis of Segment and Product Wise Performance

Total revenue includes revenues from Fixedline, Internet & Data, Mobile and wholesale (external admin & Interconnection) services. Total service revenue during the year 2014 posted a growth of 4% over the revenue generated in 2013.

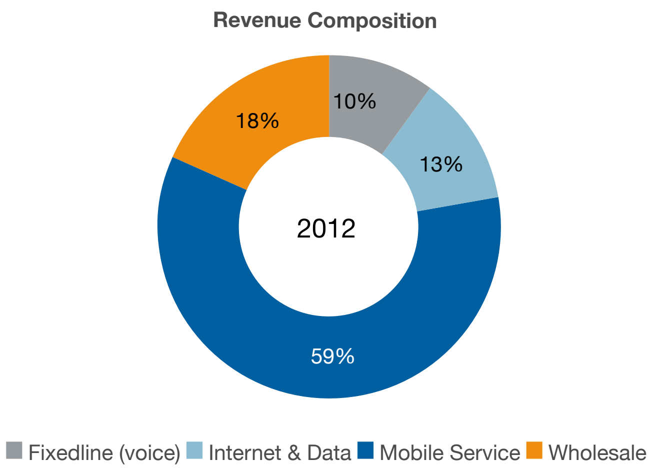


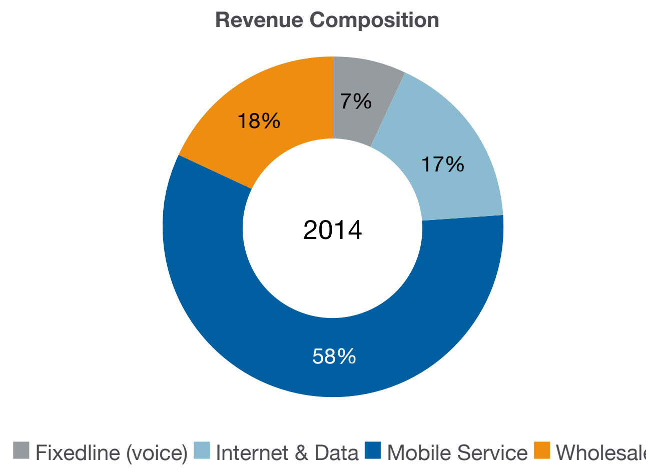


Total revenue of Omantel group includes the operations of Worldcall Telecom Limited (WTL) and Oman Data Park LLC. WTL is a Pakistani telecom services operator providing Wireless Local Loop, Long Distance International Services, Payphones and Cable Television services. Oman Data Park is a locally incorporated subsidiary of Omantel Group providing data center, co-location, cloud and disaster recovery services in the country.

	Financial year ended 31 December		
Fig in RO Mn	**2012**	**2013**	**2014**
Fixed line Services (voice)	45.0	36.4	34.7
Internet and data services	58.7	68.2	80.5
Mobile Service	270.0	275.8	281.3
Wholesale (In payment + Interconnection+ capacity sale)	85.1	82.5	84.7
Total Service Revenues	**458.9**	**462.9**	**481.2**
Growth %	1.4%	0.9%	4.0%

The growth in total revenues in the period from 2012 to 2014 has been mainly driven by the increase in Broadband revenue resulting from growth in both mobile and fixed broadband business. Fixedline voice business has been witnessing persistent decline over recent years and mainly due to a constant fixed to data / mobile substitution and decline in WTL WLL and Long distance revenues

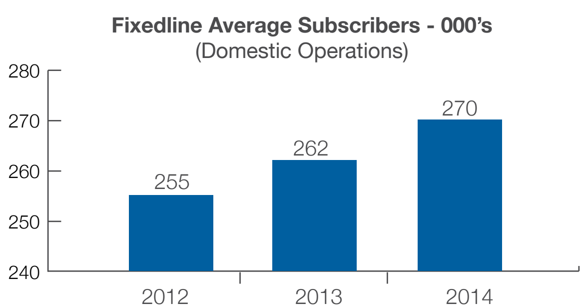


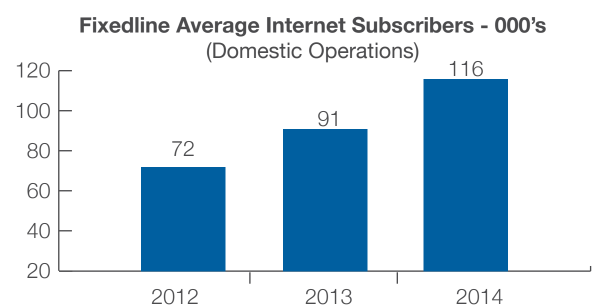


Revenue & Subscriber Analysis – Domestic Operations

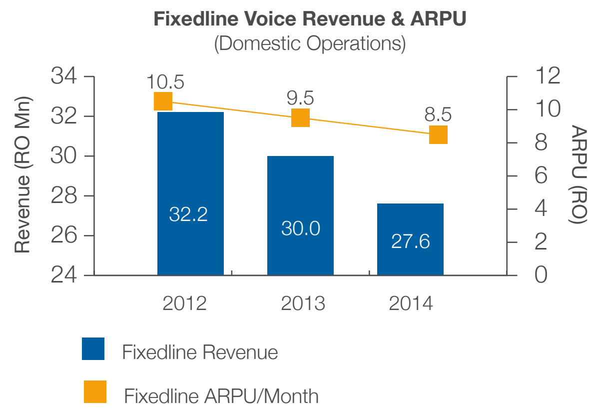
Fixed line Business:

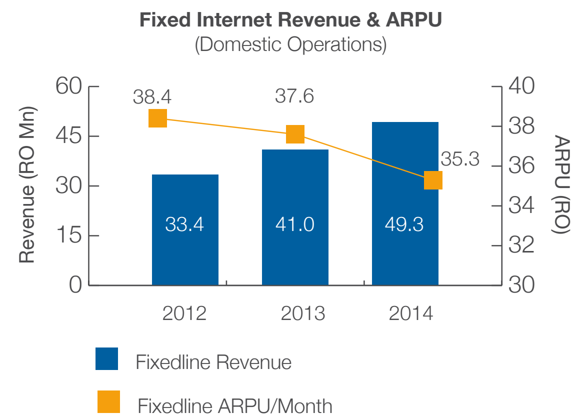
Fixed line Business include national and international fixed line voice (post and pre-paid) and prepaid cards (Jibreen) and payphones (Al Multaqa). Fixed line subscribers posted an overall growth of 6% over 2012, i.e. a net increase of 9.6k subscribers during 2014, mainly due to increasing demand for fixed line bundled broadband services. Internet subscribers comprises of Broadband, Internet dedicated and dialup posted an increase of 27% mainly driven by fixed broadband (FBB), and achieved an increase of 28.7k subscribers during 2014 compared to a net increase of 22.5k subscribers during the year 2013.





The ARPU for the fixed line segment has been derived based on the revenues generated by all fixed line users, including payphones. The ARPU of the fixed line segment continues to decline at the backdrop of mobile substitution. Fixed line voice ARPU declined by 11%, i.e. from RO 9.5 per month in 2013 to RO 8.5 per month in 2014. Since 2012, the ARPU has witnessed a decline of 19%.

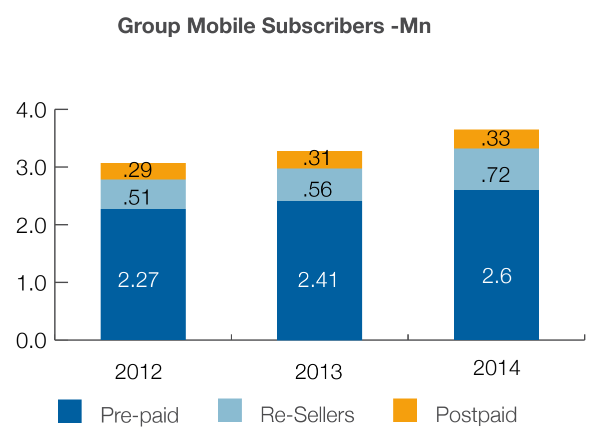


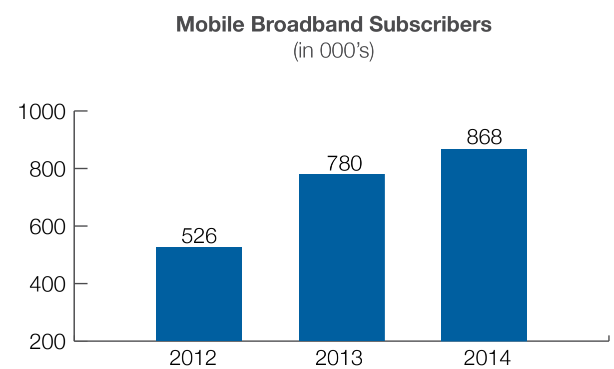


Overall revenue from Internet services (internet dialup, fixed broadband, internet dedicated) posted a healthy growth of 20% during 2014 mainly driven by Broadband services and subscribers. However, the ARPU in this segment has declined by 6% due to increased service off-take during the year; Fixed Broadband subscriber increased by 31% reaching 124k in 2014 compared to 94k in 2013. The ARPU for the Internet services is driven from revenues generated by all Internet services.

Mobile Business:

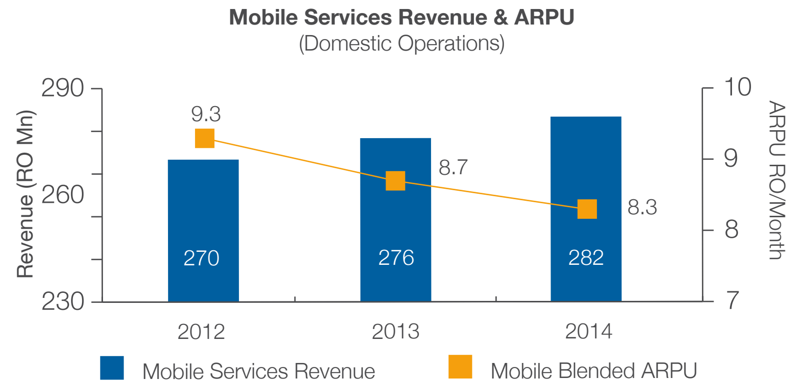
Mobile service includes postpaid, prepaid and other value added services. The Group continued to grow its mobile subscriber base during 2014 i.e. an increase from 2.72 Mn subscribers in 2013 to 2.85 Mn subscribers in 2014, excluding re-sellers. However, as country's market saturated further, the growth slowed down from 7% in 2013 to 5% in the Year 2014. Including Mobile Resellers, total network subscribers have grown by 11% to reach 3.65 Mn at the end of 2014.





The mobile segment has been the primary growth driver of the Omantel Group's revenues over the past several years.

Omantel mobile retail revenues accounted for 58.4% of total revenues in 2014. Despite an increase in the revenue, the blended monthly mobile ARPU decreased from RO 8.7 in 2013 to RO 8.3 in 2014, a decline of 4.6%.



Outlook

As witnessed over the recent past, telecom industry continues to maintain its profile as a vibrant sector with growing competitiveness and expanding rapidly in multiple directions across infrastructure, technologies and services.

Promising recent developments have emerged such as exponential growth in data usage, rapid emergence of the internet-of-things phenomenon, an expanding ecosystem of increasingly connected devices and infusion of e-governance, e-businesses and e-marketing with data centric communications.

The big transition in communications ecosystem has made it evident that the sector is transforming into globally interconnected cloud of network. We fully realize the situation that operating with traditional telco approach in the modern times carry a high risk of limiting our role as an infrastructure provider rather than a telecom solution provider.

Complete reliance on growth through traditional revenue streams such as voice and messaging, is now becoming more of a historic reality. In addition, extensive liberalization of the sector coupled with increasing penetration rates is exerting tremendous pressure on both subscriber growth, retention and returns.

Any growth or retention of the subscriber base is becoming more of a 'transformation play', wherein successful operators should be able to provide seamless and high quality data connectivity to their customers across their device eco-systems. Service differentiation would only be recognized in terms of the operator's ability to offer seamless connectivity to their customers across their device portfolios at an affordable pricing.

Telecoms sector, like other industries, is also facing challenging economic environment. According to the World Bank outlook for 2015, Global economy is struggling to gain momentum as many high-income countries continue to grapple with legacies of global financial crisis and emerging economies stand less dynamic compared to their recent past.

In addition to the economic challenges, a throng of sectorial forces, as discussed earlier, are adversely impacting business models and posing challenges to telecom operators.

Omantel is not an exception to these challenges. However, we proudly report that the Group has successfully responded to these elements and retains its stature as the flagship telecom operator of the country in mobile, fixed and wholesale markets.

As the country leads its way towards its prudent development focused on infrastructure growth, SME, social, health and education sectors, in line with 'Oman 2020' vision, the government is also focused on attracting foreign & local investments in private sector, setting up new industrial zones and rapid diversification of the economy.

Over the years, the Sultanate's telecom sector has drawn its growth stimulus from the consistent economic development of the country. However at the backdrop of recent crash in the oil prices, and in case of any prolonged consistency in the pricing slump, the growth momentum of the national economy as well as performance of the Sultanate's telecom sector would have to be assessed in the broader economic context.

Overall telecom market witnessed growth across both fixed and mobile segments. Broadband internet in (both fixed and mobile) remained the major growth driver. The momentum of mobile broadband growth is expected to continue with robust penetration of lower end of devices coupled with flexible and innovative offers. In addition, fixed broadband has also witnessed growth during 2014 due to innovative offers. Trends witnessed in the Sultanate's telecom sector coincide with the global telecom direction, where data services are clearly emerging as engines of growth.

In view of the foregoing, the company's strategy remains focused on enrichment of customer experience, customer growth & retention, market leadership through innovation, and cost efficiencies, with the ultimate goal to enhance our shareholders' value.

'Omantel 3.0'

Omantel's is rolling out its new strategy 'Omantel 3.0' which will cover a period of 2015-2020. This strategy will focus on revenue generating units as key metrics, by expanding into near core and non-core areas and by becoming the key differentiator companion of choice and creator and enabler of digital ecosystems.

The new corporate strategy revolves around the following elements:

1. **Exceed customer expectations:** where our priority is to delight our customers, focusing on excellence in any action we do and become a true companion of choice of our customers and put long term impact over short term financial gains;

2. **Lead Oman digitalization:** where we bridge the digital divide, enabling all society to interact digitally, independent on location and technology, where we go digital, both into our people mindset and approach, and support the government in its digitalization efforts;

3. **Innovate offering:** whereby we increase relevance to customers by leveraging our assets to strengthen our core & venture into new service strems, focusing on Digital Home ecosystem by becoming the partner of choice for international carriers and businesses;

4. **Transform to agile Omantel:** whereby investing in our people and foster risk taking attitude to enable the transition to 'Omantel 3.0' by simplifying and automation of processes, procedures and optimising our infrastructure to be most efficient;

Risks & Concerns

Several sector deregulation initiatives have been started since 2012, which constitute some concerns that we will endeavor to address as part of our role as an operator. We reiterate changes to the sector should follow a balanced and measured approach towards achieving long term sector and economic development objectives. Also we emphasize the recognition of the need for having available scarce resources (especially spectrum frequencies) for the most optimum use, for the benefit of the telecom sector and economic and social development in the Sultanate.

Internal Control Systems & their Adequacy

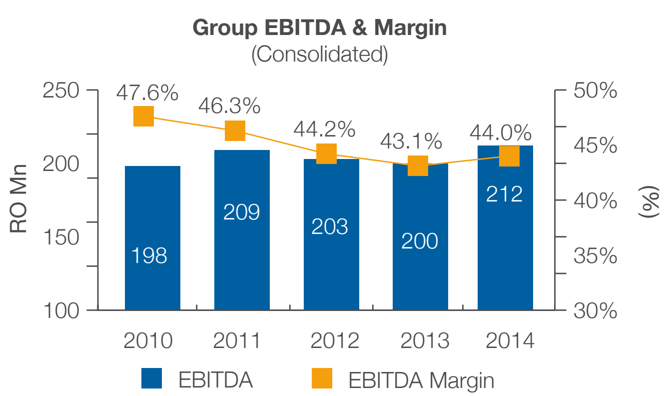
The company has internal control systems and processes that provide reasonable assurance of effective and efficient operations, internal financial control and compliance with laws and regulations. Internal controls comprise of operational procedures, segregation of duties, periodic reconciliations and formal policies and procedures that facilitate complete, accurate and timely processing and recording of transactions and safeguarding of assets.

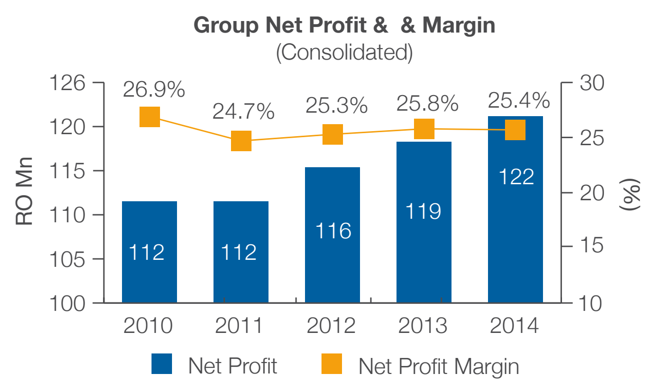
The Management receives independent feedback from the reports issued by Internal Audit of the Group, Statutory Auditors and the State Audit Institution on the adequacy of the internal controls and continues to strengthen the internal control weaknesses. Also, as part of the internal control, the company has a defined authority manual and processes, which are followed across the organization. Internal controls are generally adequate for established activities and services. Internal controls are periodically tested, reviewed and enhanced.

Group Financial & Operational Performance

Profitability & Dividend Analysis:

EBITDA Margin (Earnings before Interest, Taxation, Depreciation and Amortization) improved from 43.1% in year 2013 to 44.0% in 2014.





The group achieved an after tax Net Profit of RO 122.4 Mn for the year ended 31st December 2014, compared to the after tax profitability of RO 119.3 Mn in 2013, an increase of 2.6%. The Net Profit Margin declined slightly from 25.8% in 2013 to 25.4% in 2014.

Also, the Group's profitability growth has been impacted by performances of our subsidiary company WTL. WTL has incurred a loss of RO 14.1 Mn during the year (out of which Omantel share is RO 7.9 Mn) compared to a loss of RO 5.5 Mn in 2013. In addition, a loss of RO 763k was reported by Oman Data Park (ODP) compared to a loss of RO 832k in 2013. However, the better performance by the associate companies contributed positively to the group net profit. The combined share of profits from the associates (Oman Fiber Optic Co & Infoline LLC) is RO 3.3 Mn compared to a profit of RO 1.7 Mn in 2013.

Omantel Group Subsidiaries:

Worldcall Telecom Limited:

The Company posted a total revenue of RO 8.9 Mn in 2014, i.e. a decrease of 26% over the revenue in 2013. The decrease in revenue is mainly contributed to decrease in international retail minutes with the introduction of International Clearing House (ICH). During the year, operating expenses also decreased by 16.5% to RO 17.8 Mn compared to RO 21.3 Mn in 2013. The company has incurred a net loss of RO 14.1 Mn for the period compared to a net loss of RO 9.7 Mn in the corresponding period, an increase of 45.2%.

Cognizant of the Company's dwindling operational and financial performance, Omantel stepped up its efforts to revive the Company through increased involvement in its strategic matters.

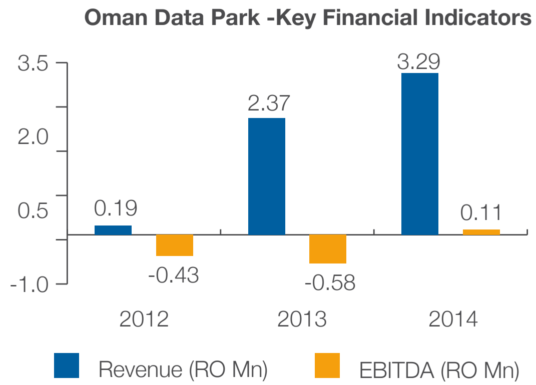
Structural changes have been introduced in Worldcall to match the internal controls that are maintained in Omantel Group's domestic operations. Deployment of funds towards capital expenditure is being surgically directed through capex implementation committee, comprising of key management personnel from Omantel.

Worldcall has embarked upon some key strategic projects during 2014. Some of the initiatives taken during the year such as the operational re-structuring, upgradation of HFC and Metro Fiber Networks, launch of HD TV services, spectrum and infrastructure sharing deals with key operators, are expected to yield positive results for Worldcall going forward.

Oman Data Park:

In 2012, Omantel Group rolled out a domestic commercial venture in the field of disaster recovery, business continuity and cloud based IT services.

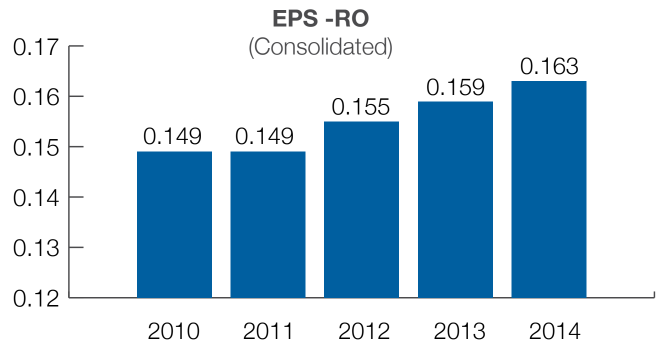
A subsidiary Oman Data Park commenced commercial operations in mid-2012 to undertake the operations of a tier-III data center. Omantel holds 60% shareholding in ODP.

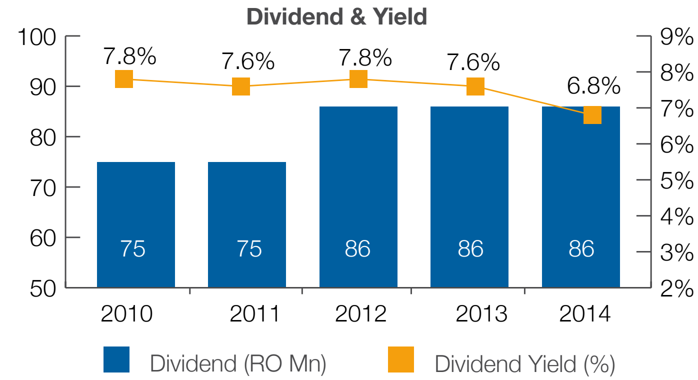


We are pleased to report that ODP has reported a healthy revenue growth and a positive EBITDA just in the 3rd year of its operations. The Company posted a revenue of RO 3.3 Mn in 2014, up from RO 2.3 Mn in 2013. The current operational and financial indicators, as well as the outlook of ODP growth are promising for a newly incorporated venture.

Omantel Group EPS, Dividend & Dividend Yield

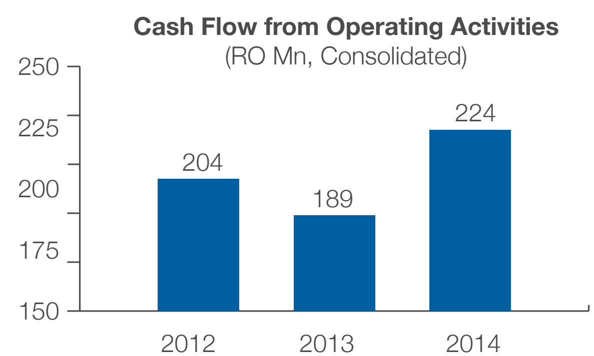
The Group continues to please its shareholders by maintaining a healthy distribution policy. In line with the dividends declared in the previous year, a dividend of RO 86.25 Mn has been assumed for 2014, which amounts to 115% of the share capital. Omantel share price has gained 13% in value and closed at RO 1.7 as of 31st Dec'14 compared to RO 1.5 as of 31st Dec'13.



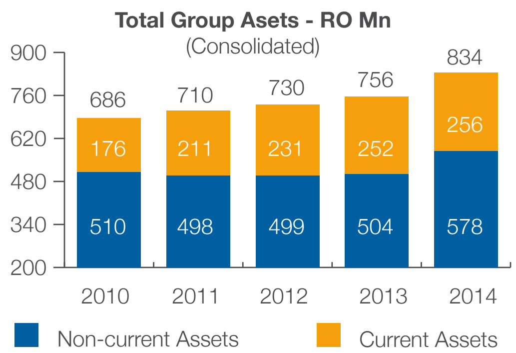


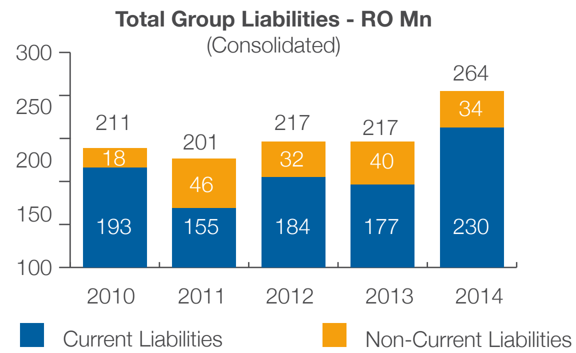
Omantel has been generating sufficient cash though its domestic operations to comfortably meet its working capital and capital expenditure requirements.

Cash flow from operating activities amounts to RO 223.6 Mn, which is 46% of revenue.

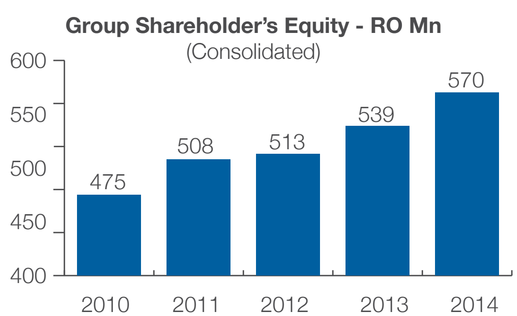


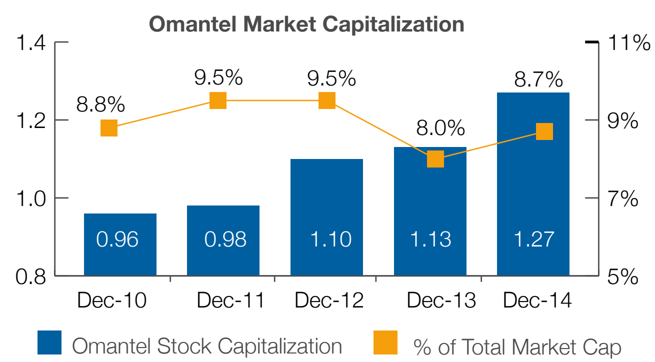
Group Financial Position Analysis:



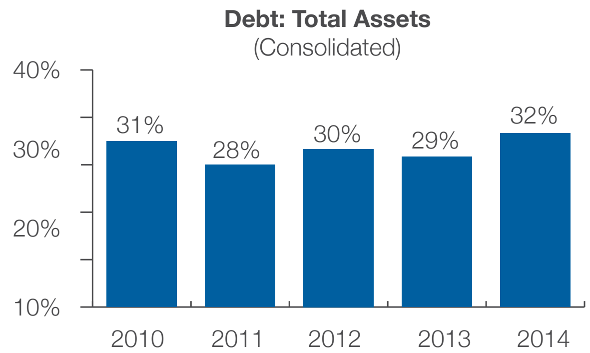


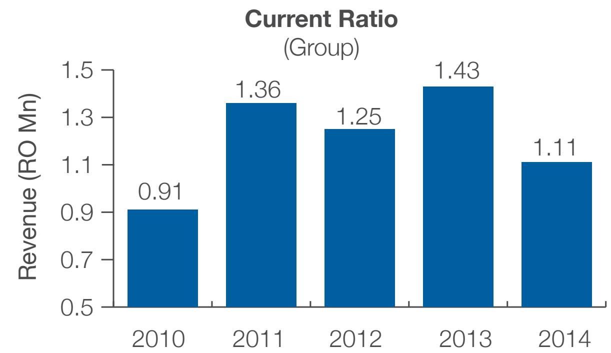
The overall assets of the Group have been constantly increasing, depicting the capital investments that Omantel is committing to upgrade and expand its network in both mobile and fixed line services. Fixed assets (including intangible assets), principally telecom equipment and facilities currently account for 59% of the Group's overall asset base.





Group's consolidated shareholders' equity posted a growth of 5.7% over 2013. The Shareholders' equity increased from RO 539 Mn in 2013 to RO 570 Mn in 2014. Omantel's market capitalization stood at RO 1.27 Billion as at 31st December 2014, up from RO 1.1 Billion at the corresponding date in 2013. This accounts for 8.7% of the overall market capitalization of Muscat Securities Market.





The Group's Debt to Total Assets ratio was recorded at 32% as at 31st Dec 2014, compared to 29% on the corresponding date in 2013. The Group's current ratio was recorded at 1.11, representing a healthy financial position.

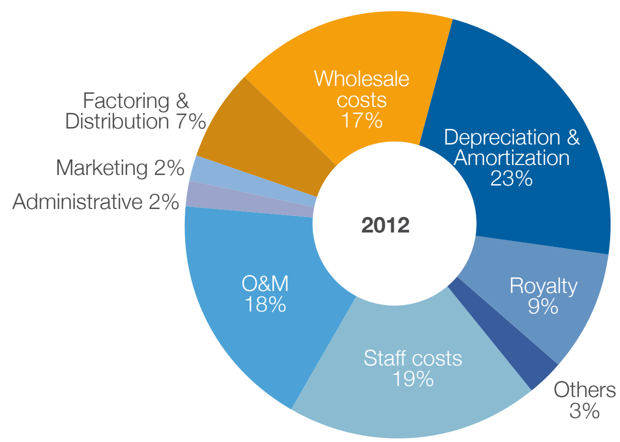
Investor Rating:

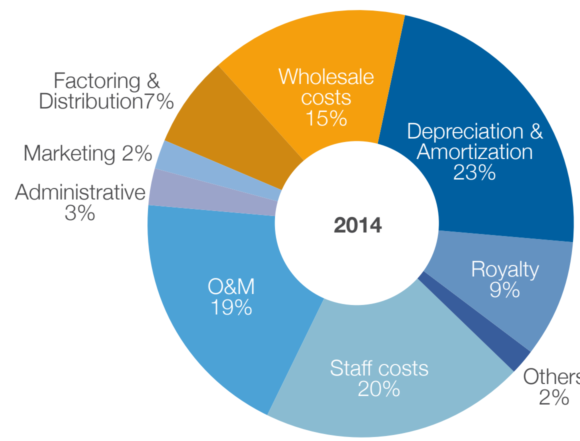
Omantel carries healthy and investment grade financial ratings assigned by Standard and Poor's at BBB+/A-2, and 'A3' by Moody's. This high financial ratings of Omantel reflects the sustainable financial strength and performance of the Company and follows many international awards and recognitions Omantel received in the previous years.

Operating Cost Analysis:

Total operating expenses ('opex') of the Omantel Group amounted to RO 350.7 Mn in 2014, i.e. an increase of RO 9.3 Mn over 2013. As a percentage of total service revenue, the Group's Opex to revenue ratio decreased to 72.9% in year 2014 compared with 73.8% in year 2013.

Evolution of operating expenditure over the years – Consolidated



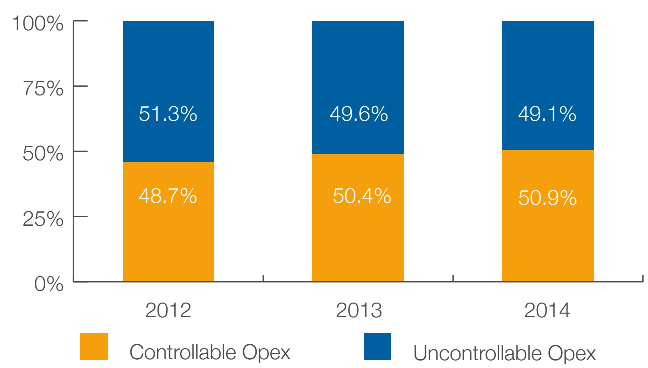


The increase in operating expenditure was posted mainly due to the increase in O&M, royalty & license fee, depreciation and staff costs.

Financial year ended 31 December			Figures in RO Mn
Omantel Group Opex	**2012**	**2013**	**2014**
Staff costs	63.0	66.3	69.3
O&M (including cost of IRU sales)	58.9	63.8	67.4
Administrative	7.6	10.1	11.0
Marketing & Advertising	7.0	7.1	6.8
Factoring, Collection & Distribution	22.6	22.6	22.9
Charge of impairment of receivables	3.5	2.1	1.2
Total Controllable Opex	**162.6**	**172.0**	**178.6**
Cost of content services	2.9	2.5	2.9
Cost of Roaming operator	7.1	5.5	4.6
External Administration	21.8	31.2	31.5
Interconnection expenses	29.0	18.6	16.3
Depreciation	71.1	71.5	74.5
Amortization of intangible assets	6.6	6.5	6.7
Annual License Fees to TRA	3.1	3.1	4.0
Royalty	29.8	30.5	31.5
Total Uncontrollable Expenses	**171.3**	**169.4**	**172.1**
Total Operating Expenses	**333.9**	**341.4**	**350.7**

Analysis of the Group's Controllable vs. Uncontrollable expenses as classified above shows the composition of controllable expenses out of total expenses has increased over 2 percentage points during 2 years i.e. from 48.7% in the year 2012 to 50.9% in year 2014.

**Controllable vs.
Un-Controllable Expenditure**



Staff Costs

Staff costs include salaries and allowances, social security costs, end of service benefits, and other benefits. Staff costs have recorded a 5% increase compared to Year 2013 due annual increments as per the law and also the salary adjustments implemented as per market studies / regional benchmark analysis.

Operating & Maintenance expenditure

Operating & Maintenance ("O&M") expenditures increased by 6%, mainly due to increase in asset maintenance cost and frequency rentals.

Administrative expenditure

Administrative expenses have increased by 8% due to increase in legal fee.

Impairment of receivables

Impairment of receivable cost decreased by 41% and is mainly due to recoveries on old debts.

Royalty charges

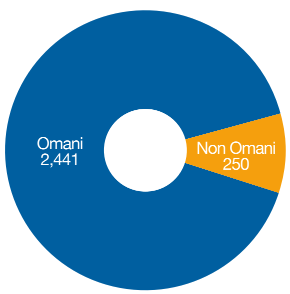
Royalty charges recorded an increase of 3% compared to Year 2013 which is in line with the increase in revenue.

Finance Cost/Income:

For the year ended December 31 2014, the consolidated net finance income stood at RO 0.582 Mn as compared to net finance income of RO 2.468 Mn, a decrease of RO 1.886 Mn. This was mainly due to an increase of RO 5.543 Mn on account of unwinding of discount on long term receivables of WTL. This is offset by increase in exchange gain by RO 3.518 mn on account of conversion of foreign currency denominated loans and liabilities of WTL. Further there was a decrease in fair value gain on investment by RO 1.012 mn.

Employee Status:

Total number of employees in the group (Domestic Operations) as of Dec'14 stood at 2,691.
With total number of Omanis of 2,441, compared to 250 Non-Omani employees, the Group's Omanization achievement stands at 90.7%.



Employment December 2014
(Domestic)

Mr. Talal Said Marhoon Al Mamari
Chief Executive Officer

Developments


Omantel


عمانتل
Omantel


عمانتل
Omantel


FDJ.FR
Omantel


عمانتل
Omantel


عمانتل
Omantel
You
Tube


FASHION WEAR

Our Vision, Mission and Values

Vision

Together, we build a totally connected community through innovation.

Mission

To deliver profitable growth to our shareholders.
To fulfill the communication needs of our customers.
To attract and develop talent in a team-oriented environment.

Values

Since we believe in a customer-focused approach, we apply professional principles in every aspect of our business and operations. We work diligently to provide products and services that are simple to get, use and pay for. We seek to apply transparency in all that we do.

Accomplishments

Omantel achievements 2014

1) Oman, continued to be rated BBB+/A-2 by Standard and Poor's and A3 by Moody's.

2) Omantel conferred with Excellence award of the second grade on the GCC level from His Highness Emir of Kuwait which comes in recognition of Omantel major contributions to youth fields.

3) Omantel awarded the Golden Gear Award from Ministry of Sports Affairs as the most outstanding supporter of sports in Oman.

4) Omantel selected as the best performing company in MSM by Oman Economic Review for the ninth consecutive year.

5) Omantel teamed up with 16 prominent service providers around the world to construct a new and unique high capacity system: the Asia Africa Europe-1 (AAE-1) cable system. The Construction and Maintenance Agreement (C&MA) was inked in Hong Kong to officially mark the commencement of this massive infrastructure project.

6) Makasib loyalty program members reach 500,000 in less than 6 months.

7) 93% of population has been covered by Omantel broadband network as part of Omantel's commitment to provide best internet experience.

8) Number of 4G-LTE base stations reachers 618 sites across the Sultanate.

9) Omantel selected as one of the top three wholesale operators in the world hosting Mobile Virtual Network Operators (MVNO) which was announced during the annual MVNO World Congress which held in Berlin, Germany.

10) Being the first operator in the Sultanate, Omantel launched 4G-LTE roaming which enable customers to enjoy superior mobile broadband speeds while roaming in the covered countries.

11) Omantel awarded international certification from the Association of Chartered Certified Accountants (ACCA) to train and develop the skills of trainees in the professional accounting field, as well as internationally certification in the training and development of professional workers in the accounting field.

12) Omantel voted as Oman's most valuable brand with a brand value of $319 million, according to a study published by Brand Finance, the world's largest independent intangible assets and brand valuation consultancy.

Financial Statements


Accumulation
Int. Roaming Sales
2K
Capacity Rev US$
Month
56%
20%
24%
Capacity Utilization
OMRAN Cable

Financial Statements

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P. R. No. MH/4

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF OMAN TELECOMMUNICATIONS COMPANY SAOG

Report on the financial statements

We have audited the accompanying financial statements of Oman Telecommunications Company SAOG (the "Parent company") and its subsidiaries (together the "Group"), which comprise the Parent company and consolidated statement of financial position as at 31 December 2014, the Parent company and consolidated income statement, the Parent company and consolidated statement of other comprehensive income, the Parent company and consolidated statement of changes in equity and the Parent company and consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Board of directors' responsibility for the financial statements

The Board of Directors is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the relevant disclosure requirements of the Commercial Companies Law of 1974, as amended, and for such internal control as Board of Directors determines is necessary to enable the presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Parent company and the Group as at 31 December 2014, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other matter

The financial statements of the Parent Company and the Group for the year ended 31 December 2013, were audited by another auditor who expressed an unmodified opinion on those financial statements on 11 February 2014.

Report on other legal and regulatory requirements

In our opinion, the financial statements comply, in all material respects, with the relevant disclosure requirements of the Commercial Companies Law of 1974, as amended.

Ernst & Young

15 February 2015
Muscat

Oman Telecommunications Company SAOG
Statement of Financial Position as at 31 December 2014

	Notes	Parent Company 2014 RO'000	Parent Company (Restated – Note 8) 2013 RO'000	Consolidated 2014 RO'000	Consolidated 2013 RO'000
ASSETS					
Non-current assets					
Property, plant and equipment	7	**411,920**	341,038	**463,183**	396,399
Investment in subsidiaries	8	**27,534**	37,749	**-**	-
Investment property		**-**	-	**87**	588
Goodwill	9	**-**	-	**14,735**	14,370
Other intangible assets	10	**24,418**	28,371	**32,252**	36,516
Investment in associated companies	11	**3,896**	3,896	**9,399**	6,778
Deferred tax	22	**3,552**	4,153	**12,581**	9,332
Other financial assets	12	**45,225**	39,184	**45,875**	40,102
		516,545	454,391	**578,112**	504,085
Current assets					
Inventories	13	**8,154**	8,733	**10,358**	10,836
Trade and other receivables	14	**81,044**	61,470	**89,257**	71,809
Other financial assets	12	**89,588**	84,617	**90,386**	85,940
Prepayments		**12,829**	11,561	**13,020**	11,695
Cash and bank balances		**45,955**	62,511	**48,828**	71,843
Receivable from subsidiaries		**11,332**	8,976	**-**	-
		248,902	237,868	**251,849**	252,123
Assets of disposal group classified as held for sale	5 (b)	**-**	-	**4,213**	-
Total assets		**765,447**	692,259	**834,174**	756,208

The attached notes 1 to 47 form part of these financial statements.

FINANCIAL STATEMENTS

Oman Telecommunications Company SAOG

Statement of Financial Position as at 31 December 2014 (continued)

		Parent Company		Consolidated	
			(Restated – Note 8)		
EQUITY AND LIABILITIES	Notes	**2014 RO'000**	2013 RO'000	**2014 RO'000**	2013 RO'000
Share capital	15	**75,000**	75,000	**75,000**	75,000
Legal reserve	16	**25,000**	25,000	**25,000**	25,000
Voluntary reserve	17	**49,875**	49,875	**49,875**	49,875
Capital contribution	18	**44,181**	44,181	**44,181**	44,181
Foreign currency translation reserve	19	**-**	-	**(19,208)**	(20,055)
Fair value reserve	20	**-**	37	**616**	671
Retained earnings		**383,306**	350,498	**394,700**	358,591
Attributable to equity holders of the parent		**577,362**	544,591	**570,164**	533,263
Non-controlling interests		**-**	-	**(92)**	6,117
Total equity		**577,362**	544,591	**570,072**	539,380
LIABILITIES					
Non-current liabilities					
Borrowings	21	**-**	-	**21,213**	29,134
Deferred tax liability	22	**-**	-	**2,965**	1,099
Retirement benefit obligation	23	**3,966**	4,414	**5,249**	5,671
Other liabilities	24	**-**	-	**4,653**	4,273
		3,966	4,414	**34,080**	40,177
Current liabilities					
Borrowings	21	**-**	-	**14,305**	7,110
Trade and other payables	25	**132,767**	93,043	**164,365**	119,330
Royalty payable	26	**31,543**	30,495	**31,543**	30,495
Taxation		**19,809**	19,716	**19,809**	19,716
		184,119	143,254	**230,022**	176,651
Total liabilities		**188,085**	147,668	**264,102**	216,828
Total equity and liabilities		**765,447**	692,259	**834,174**	756,208
Net assets per share (RO)	27	**0.770**	0.726	**0.760**	0.711

The financial statements were approved and authorised for issue by the Board of Directors on 15 February 2015 and were signed on their behalf by:

CHAIRMAN **DIRECTOR** **CHIEF EXECUTIVE OFFICER**

The attached notes 1 to 47 form part of these financial statements.

Oman Telecommunications Company SAOG

Statement of Income for the year ended 31 December 2014

	Notes	Parent Company 2014 RO'000	Parent Company (Restated) 2013 RO'000	Consolidated 2014 RO'000	Consolidated 2013 RO'000
Revenue					
Service revenue		389,444	373,989	396,383	380,258
Wholesale revenue	28	79,746	74,575	84,842	82,608
		469,190	448,564	481,225	462,866
Expenses					
Roaming operator services		(4,597)	(5,532)	(4,597)	(5,532)
Interconnection expense	29	(13,480)	(13,826)	(16,331)	(18,574)
Cost of content services	30	(2,901)	(2,341)	(2,875)	(2,494)
External administration expenses	31	(30,767)	(29,673)	(31,528)	(31,168)
Marketing and advertising expenses		(6,711)	(6,977)	(6,804)	(7,087)
Staff costs	32	(66,400)	(63,676)	(69,262)	(66,275)
Operating and maintenance expenses	33	(61,279)	(57,878)	(67,441)	(63,768)
Administrative expenses	34	(9,627)	(9,025)	(10,986)	(10,134)
Depreciation of property, plant and equipment	7	(68,991)	(66,494)	(74,460)	(71,505)
Factoring, collection and distribution fees	35	(22,914)	(22,585)	(22,914)	(22,585)
Provision for impairment of receivables – net	42b(ii)	(275)	159	(1,249)	(2,108)
Amortisation of intangible assets	10	(5,871)	(5,813)	(6,718)	(6,548)
Annual licence fees and other regulatory charges		(3,871)	(2,906)	(4,049)	(3,088)
Royalty	26	(31,549)	(30,504)	(31,549)	(30,504)
		(329,233)	(317,071)	(350,763)	(341,370)
Operating profit		139,957	131,493	130,462	121,496
Impairment of investment in subsidiary	8	(10,541)	(3,848)	-	-
Finance income	36	4,712	3,509	6,684	3,556
Investment income	36	2,973	3,886	2,293	3,721
Finance costs	36	(3)	(124)	(8,395)	(4,809)
Impairment of investment in an associate		-	(974)	-	-
Share of results of associated companies	11	-	-	3,301	1,677
Other income - net	37	2,396	2,128	375	2,021
Profit before taxation		139,494	136,070	134,720	127,662
Taxation	38 (a)	(20,436)	(16,601)	(19,169)	(12,445)
Profit for the year		119,058	119,469	115,551	115,217
Attributable to:					
Equity holders of the parent		119,058	119,469	122,392	119,284
Non-controlling interests		-	-	(6,841)	(4,067)
Profit for the year		119,058	119,469	115,551	115,217
Basic earnings per share (RO)	39	0.159	0.159	0.163	0.159

The attached notes 1 to 47 form part of these financial statements.

FINANCIAL STATEMENTS

Oman Telecommunications Company SAOG

Statement of other Comprehensive Income for the year ended 31 December 2014

	Notes	Parent Company 2014 RO'000	Parent Company (Restated – Note 8) 2013 RO'000	Consolidated 2014 RO'000	Consolidated 2013 RO'000
Profit for the year		119,058	119,469	115,551	115,217
Other comprehensive income / (expense):					
Other comprehensive income to be reclassified to profit or loss in subsequent periods:					
Actuarial gain/(loss) on defined benefit plan of a subsidiary		-	-	(58)	6
Exchange difference on translation of foreign operation	19	-	-	1,318	(2,904)
Fair value change in available for sale investments	20	(37)	41	(69)	28
Other comprehensive (expense) / income for the year		(37)	41	1,191	(2,870)
Total comprehensive income for the year		119,021	119,510	116,742	112,347
Total comprehensive income / (expense) for the year attributable to:					
Equity holders of the parent		119,021	119,510	123,151	117,120
Non-controlling interests		-	-	(6,409)	(4,773)
		119,021	119,510	116,742	112,347

The attached notes 1 to 47 form part of these financial statements.

Oman Telecommunications Company SAOG

Consolidated Statement of Changes in Equity for the year ended 31 December 2014

	Notes	Share Capital RO'000	Legal reserve RO'000	Voluntary reserve RO'000	Capital contribution RO'000	Foreign currency translation reserve RO'000	Fair value reserve RO'000	Retained earnings RO'000	Total RO'000	Non-Controlling Interests RO'000	Total RO'000
		Attributable to the owners of the parent									
At 1 January 2014		75,000	25,000	49,875	44,181	(20,055)	671	358,591	533,263	6,117	539,380
Profit for the year		-	-	-	-	-	-	122,392	122,392	(6,841)	115,551
Actuarial gain on defined benefit plan of a subsidiary		-	-	-	-	-	-	(33)	(33)	(25)	(58)
Exchange difference on translation of a foreign operation	19	-	-	-	-	847	-	-	847	471	1,318
Fair value change in available for sale investments	20	-	-	-	-	-	(55)	-	(55)	(14)	(69)
Other comprehensive income for the year		-	-	-	-	847	(55)	(33)	759	432	1,191
Total comprehensive income for the year		-	-	-	-	847	(55)	122,359	123,151	(6,409)	116,742
Increase in share capital of a subsidiary		-	-	-	-	-	-	-	-	200	200
Dividend paid	15	-	-	-	-	-	-	(86,250)	(86,250)	-	(86,250)
At 31 December 2014		75,000	25,000	49,875	44,181	(19,208)	616	394,700	570,164	(92)	570,072

The attached notes 1 to 47 form part of these financial statements.

FINANCIAL STATEMENTS

Oman Telecommunications Company SAOG

Consolidated Statement of Changes in Equity for the year ended 31 December 2014

		Attributable to the owners of the parent									
		Share Capital	Legal reserve	Voluntary reserve	Capital contribution	Foreign currency translation reserve	Fair value reserve	Retained earnings	Total	Non-Controlling Interest	Total
	Notes	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
January 2013		75,000	25,000	49,875	44,181	(17,852)	635	325,495	502,334	10,845	513,179
Effect of change in accounting policy of a subsidiary		-	-	-	-	-	-	59	59	45	104
Restated balance at 1 January 2013		75,000	25,000	49,875	44,181	(17,852)	635	325,554	502,393	10,890	513,283
Profit for the year		-	-	-	-	-	-	119,284	119,284	(4,067)	115,217
Actuarial gain on defined benefit plan of a subsidiary		-	-	-	-	-	-	3	3	3	6
Exchange difference on translation of a foreign operation	19	-	-	-	-	(2,203)	-	-	(2,203)	(701)	(2,904)
Fair value change in available for sale investments	20	-	-	-	-	-	36	-	36	(8)	28
Other comprehensive income		-	-	-	-	(2,203)	36	3	(2,164)	(706)	(2,870)
Total comprehensive income for the year		-	-	-	-	(2,203)	36	119,287	117,120	(4,773)	112,347
Dividend paid	15	-	-	-	-	-	-	(86,250)	(86,250)	-	(86,250)
At 31 December 2013		75,000	25,000	49,875	44,181	(20,055)	671	358,591	533,263	6,117	539,380

The attached notes 1 to 47 form part of these financial statements.

Oman Telecommunications Company SAOG

Parent Company Statement of Changes in Equity for the year ended 31 December 2014

	Notes	Share capital RO'000	Legal reserve RO'000	Voluntary reserve RO'000	Capital contribu-tion RO'000	Fair value reserve RO'000	Retained earnings RO'000	Total RO'000
1 January 2014 (Restated)		75,000	25,000	49,875	44,181	37	350,498	544,591
Profit for the year		-	-	-	-	-	119,058	119,058
Fair value change in available for sale investments	20	-	-	-	-	(37)	-	(37)
Total comprehensive income for the year		-	-	-	-	(37)	119,058	119,021
Dividend paid	15	-	-	-	-	-	(86,250)	(86,250)
At 31 December 2014		75,000	25,000	49,875	44,181	-	383,306	577,362

The attached notes 1 to 47 form part of these financial statements.

Oman Telecommunications Company SAOG

Parent Company Statement of Changes in Equity for the year ended 31 December 2014

	Notes	Share capital RO'000	Legal reserve RO'000	Voluntary reserve RO'000	Capital contribution RO'000	Fair value reserve RO'000	Retained earnings (Restated) RO'000	Total RO'000
1 January 2013 (As reported)		75,000	25,000	49,875	44,181	(4)	333,610	527,662
Restatement for impairment of investment in a subsidiary	8	-	-	-	-	-	(16,331)	(16,331)
1 January 2013		75,000	25,000	49,875	44,181	(4)	317,279	511,331
Profit for the year		-	-	-	-	-	119,469	119,469
Fair value change in available for sale investments	20	-	-	-	-	41	-	41
Total comprehensive income for the year		-	-	-	-	41	119,469	119,510
Dividend paid	15	-	-	-	-	-	(86,250)	(86,250)
At 31 December 2013		75,000	25,000	49,875	44,181	37	350,498	544,591

The attached notes 1 to 47 form part of these financial statements.

Oman Telecommunications Company SAOG

Statement of Cash Flows for the year ended 31 December 2014

	Parent Company		Consolidated	
		(Restated)		
	2014 RO'000	2013 RO'000	2014 RO'000	2013 RO'000
Operating activities				
Profit before taxation	139,494	136,070	134,720	127,662
Adjustments for:				
Depreciation of property, plant and equipment	68,991	66,494	74,460	71,505
Profit on sale of property, plant and equipment	(128)	(225)	(152)	(189)
Provision for impairment of receivables-net	275	(159)	1,249	2,108
Provision for inventory obsolescence-net	352	337	342	390
Amortisation cost of receivables	-	-	3,096	142
Impairment of investment in subsidiary	10,541	3,848	-	-
Impairment of investment in an associate	-	974	-	-
Amortisation of intangible assets	5,871	5,813	6,718	6,548
Impairment loss on available for sale investment	-	-	-	75
Impairment loss on property, plant and equipment	-	-	1,427	-
Loss on re-measurement of investment property	-	-	154	-
Advances written off	-	-	7	-
Fair value gain on investments	(928)	(1,940)	(928)	(1,940)
Realised gain on investments – net	(339)	(1,094)	(339)	(1,094)
Interest income	(4,712)	(3,253)	(5,123)	(3,556)
Dividend income	(1,706)	(852)	(1,026)	(762)
Interest expense	-	124	5,612	2,819
Share of results of associates	-	-	(3,301)	(1,677)
(Gain) loss on exchange translation	-	-	(876)	1,303
Net movement in retirement benefits	(448)	433	(616)	248
	217,263	206,570	215,424	203,582
Working capital adjustments:				
Inventories	492	(739)	433	(1,306)
Trade and other receivables	(17,614)	(7,687)	(16,517)	(4,347)
Prepayments	(1,268)	(882)	(1,354)	(882)
Long term deposit and payable	-	-	106	(628)
Long term receivable	-	-	300	435
Royalty payable	1,048	732	1,048	732
Trade and other payables	39,583	1,765	38,578	6,620
Receivable from subsidiaries	(1,463)	29	-	-
Cash generated from operations	238,041	199,788	238,018	204,206

The attached notes 1 to 47 form part of these financial statements.

FINANCIAL STATEMENTS

Oman Telecommunications Company SAOG

Statement of Cash Flows for the year ended 31 December 2014

	Parent Company		Consolidated	
		(Restated)		
	2014 RO'000	2013 RO'000	**2014 RO'000**	2013 RO'000
Interest received	**5,214**	2,873	**5,625**	3,176
Tax paid	**(19,743)**	(17 880)	**(20,063)**	(17,988)
Net cash from operating activities	**223,512**	184,781	**223,580**	189,394
Investing activities				
Net purchase of property, plant and equipment	**(142,203)**	(78,121)	**(147,005)**	(85,633)
Proceeds from sale of property, plant and equipment	**387**	239	**387**	239
Purchase of intangibles	**(112)**	(448)	**(133)**	(448)
Net acquisition of investments	**(14,234)**	6,770	**(14,234)**	6,770
Proceed from fixed deposits	**4,452**	11,066	**4,452**	11,066
Investment in subsidiary	**(326)**	-	**-**	-
Dividend received (including associates)	**1,706**	852	**1,706**	852
Net cash used in investing activities	**(150,330)**	(59,642)	**(154,827)**	(67,154)
Financing activities				
(Investment in)/ issue of convertible preference shares	**-**	(7,740)	**-**	5,711
Share capital raised from non-controlling interests	**-**	-	**200**	-
Dividend paid	**(86,250)**	(86,250)	**(86,250)**	(86,250)
Borrowings-net	**-**	(10,836)	**(318)**	(9,726)
Finance lease liability paid	**-**	-	**(121)**	(214)
Amounts paid to government	**(3,488)**	(219)	**(3,488)**	(219)
Interest paid	**-**	(129)	**(2,209)**	(2,323)
Net cash used in financing activities	**(89,738)**	(105,174)	**(92,186)**	(93,021)
Net change in cash and cash equivalents	**(16,556)**	19,965	**(23,433)**	29,219
Cash and cash equivalents at beginning of the year	**62,551**	42,546	**71,843**	42,945
Currency translation adjustments	**-**	-	**418**	(353)
Cash and cash equivalents on acquisition of a subsidiary	**-**	-	-	32
Cash and cash equivalents at end of the year	**45,955**	62,511	**48,828**	71,843

The attached notes 1 to 47 form part of these financial statements.

Oman Telecommunications Company SAOG

Notes to the financial statements for the year ended 31 December 2014

1 Legal information and activities

Oman Telecommunications Company SAOG (the "Parent Company" or the "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 Al Mawaleh, Muscat Sultanate of Oman. The company's shares are listed at Muscat Securities Market.

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

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

Name	Place of incorporation	Principal activities		Shareholding directly held by parent (%)	Shareholding directly held by the group (%)
Worldcall Telecom Limited	Pakistan	Engaged in the provision of Wireless Local loop, long distance international services (LDI), Payphones and cable television services	Subsidiary	56.8	56.8
Wordcall Telecommunications Lanka (Private Ltd.)	Sri Lanka	Engaged in the operations and maintenance of pay phone network	Subsidiary	-	70.65
Oman Data Park LLC	Sultanate of Oman	Engaged in the provision of data services	Subsidiary	60	60
Omania e-commerce LLC	Sultanate of Oman	Engaged in the provision of e-commerce services	Subsidiary	-	100
Omantel France SAS	France	Engaged in provision of wholesale services	Subsidiary	100	100
Oman Fiber Optic Company SAOG	Sultanate of Oman	Engaged in the manufacture and design of optical fibre and cables	Associate	40.96	40.96
Infoline LLC	Sultanate of Oman	Engaged in the provision of of IT enabled services	Associate	45	45

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) Statement of compliance and basis of measurement

The financial statements are prepared on the historical cost basis except fair value measurement of the Group's investment in available for sale, investments at fair value through profit or loss and investment properties. The financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") and the disclosure requirements set out in the Rules for Disclosure and Proformas issued by the Capital Market Authority and comply with the requirements of the Commercial Companies Law of 1974, as amended.

These financial statements for the year ended 31 December 2014 comprise the Parent Company and its subsidiaries (together "the Group") and the Group's interest in an associate. The separate financial statements represent the financial statements of the Parent Company on a standalone basis. The consolidated and separate financial statements are collectively referred to as "the financial statements".

2 Summary of significant accounting policies *(continued)*

2.1 Basis of preparation *(continued)*

(b) Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

(c) Adoption of new and revised IFRS

For the year ended 31 December 2014, 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 the period beginning on 1 January 2014.

The following new standards and amendments became effective as of 1 January 2014:

- Investment Entities – Amendments to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 27 Separate Financial Statements
- Offsetting Financial Assets and Financial Liabilities — Amendments to IAS 32 Financial Instruments: Presentation
- Recoverable Amount Disclosures for Non-Financial Assets — Amendments to IAS 36 Impairment of Assets
- Novation of Derivatives and Continuation of Hedge Accounting — Amendments to IAS 39 Financial Instruments: Recognition and Measurement
- IFRIC 21 Levies
- Improvements to IFRSs – 2010-2012 Cycle: Amendments to IFRS 13 – Short-term receivables and payables''
- Improvements to IFRSs – 2011-2013 Cycle: Amendments to IFRS 1 – Meaning of 'effective IFRSs

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.

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group.

The following new standards and amendments have been issued by the International Accounting Standards Board (IASB) but are not yet mandatory for the year ended 31 December 2014:

- IFRS 15, Revenue from Contracts with Customers: effective for annual periods commencing 1 January 2017;
- IFRS 9, Financial Instruments - Hedge accounting: effective for annual periods commencing 1 January 2015

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017 with early adoption permitted. The Group is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

2 Summary of significant accounting policies *(continued)*

2.1 Basis of preparation *(continued)*

(c) Adoption of new and revised IFRS *(continued)*

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of IFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before 1 February 2015. The adoption of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but no impact on the classification and measurement of the Group's financial liabilities. The Group is currently assessing the impact of IFRS 9 and plans to adopt the new standard on the required effective date.

Other IASB Standards and Interpretations that have been issued but are not yet mandatory, and have not been early adopted by the Group, are not expected to have a material impact on the Group's financial statements change the classification and measurement of financial assets. The Group does not plan to adopt this standard early and the extent of the impact has not been determined.

2.2 Basis of consolidation

2.2.1 Subsidiary companies

The financial statements comprise the financial statements of the Parent Company and its subsidiaries as at 31 December 2014. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee.
- Rights arising from other contractual arrangements.
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of subsidiaries begins when the Group obtains control over the subsidiaries and ceases when the Group loses control of the subsidiaries. Assets, liabilities, income and expenses of subsidiaries acquired or disposed of during the year are included in the statement of income from the date the Group gains control until the date the Group ceases to control the subsidiaries.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

2 Summary of significant accounting policies *(continued)*

2.2 Basis of consolidation *(continued)*

2.2.1 Subsidiary companies *(continued)*

A change in the ownership interest of subsidiaries, without a loss of control, is accounted for as an equity transaction. If the Group loses control over subsidiaries, it:

- derecognises the assets (including goodwill) and liabilities of the subsidiaries
- derecognises the carrying amount of any non-controlling interests
- derecognises the cumulative translation differences recorded in equity
- recognises the fair value of the consideration received
- recognises the fair value of any investment retained
- recognises any surplus or deficit in profit or loss
- reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

In the Parent Company's separate financial statements, the investment in the subsidiaries are carried at cost less impairment, if any.

2.2.2 Transactions with non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

2.2.3 Investment in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The considerations made in determining significant influence or joint control is similar to those necessary to determine control over subsidiaries. The Group's investments in its associates are accounted for using the equity method.

Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The statement of profit or loss reflects the Group's share of the results of operations of the associate. Any change in other comprehensive income of those investees is presented as part of the Group's other comprehensive income. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

2 Summary of significant accounting policies *(continued)*

2.2 Basis of Consolidation *(continued)*

2.2.3 Investment in associates *(continued)*

The aggregate of the Group's share of profit or loss of an associate is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, then recognises the loss as 'Share of results of associates in the statement of profit or loss.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss

In the Parent Company's separate financial statements, the investment in the associates are carried at cost less impairment, if any.

2.2.4 Business combinations and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss. It is then considered in the determination of goodwill.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 Financial Instruments: Recognition and Measurement, is measured at fair value with changes in fair value recognised either in either profit or loss or as a change to OCI. If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not re-measured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

2 Summary of significant accounting policies *(continued)*

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 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, and is net of discounts and rebates allowed.

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

Incentives are provided to customers in various forms and are usually offered on signing a new contract or as part of a promotional offering. Where such incentives are provided on connection of a new customer or the upgrade of an existing customer, revenue representing the fair value of the incentive, relative to other deliverables provided to the customer as part of the same arrangement, is deferred and recognised in line with the Group's performance of its obligations relating to the incentive.

In revenue arrangements including more than one deliverable, the arrangement consideration is allocated to each deliverable based on the fair value of the individual element. The Group generally determines the fair value of individual elements based on prices at which the deliverable is regularly sold on a standalone basis.

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

2.5 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.
The Group as lessor

Revenue from granting of IRU on submarine cables classified as a finance lease is recognised at the time of delivery and acceptance by the customer. The cost of IRU is recognised at the amount of the Group's net investment in leases. Amounts due from lessees under other finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Revenues from the sale of transmission capacity on terrestrial and submarine cables classified as operating lease are recognised on a straight-line basis over the life of the contract.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

The Group as lessee

Rentals payable under operating leases are charged to the statement of income on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

2 Summary of significant accounting policies *(continued)*

2.6 Finance income / costs

Interest income and expense are recognised using the effective interest rate (EIR). The EIR is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The EIT is the rate that exactly discounts estimated future cash payments through the expected life of the borrowings.

2.7 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.

2.8 Foreign currency

(i) Transactions in foreign currencies are translated into Rial Omani at exchange rates ruling at the value dates of the transactions.

(ii) Monetary assets and liabilities denominated in foreign currencies are translated into Rial Omani at exchange rates ruling at the reporting date. The foreign currency gain or loss on monetary items is the difference between amortised costs in the Rial Omani at the beginning of the period, adjusted for effective interest and payments during the period and the amortised costs in foreign currency translated at the exchange rate at the end of the period. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges.

(iii) Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to Rial Omani at the exchange rate at the date that the fair value was determined. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available-for-sale, are included in other comprehensive income.

(iv) On consolidation, the assets and liabilities of foreign operations are translated into Rial Omani at the rate of exchange prevailing at the reporting date and their income statements are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in other comprehensive income. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the profit or loss in other operating expenses or other operating income. Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operations and translated at closing rate.

2.9 Property, plant and equipment

Items of 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 statement of income as an expense as incurred.

2 Summary of significant accounting policies *(continued)*

2.9 Property, plant and equipment *(continued)*

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

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

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at each reporting 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.

2.10 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is derecognised

2 Summary of significant accounting policies *(continued)*

2.10 Intangible assets *(continued)*

Amortisation

The estimated useful lives for the current and comparative years are as follows:

Licences	15 to 25 years
Patents and Copyrights	10 years
Software	3-5 years
Indefeasible right to use	15 years

2.11 Investment property

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

When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

2.12 Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is determined on the first-in, first-out principle and includes expenditure incurred in purchasing stock and bringing it to its existing location and condition. Net realisable value is the price at which stock can be sold in the normal course of business after allowing for the costs of realisation. Provision is made where necessary for obsolete, slow-moving and defective items.

2.13 Financial instruments

(a) Non-derivative financial assets

The group initially recognises loans and receivables on the date they are originated. All other financial assets (including assets designated as at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a ‘pass–through’ arrangement; and either:

2 Summary of significant accounting policies *(continued)*

2.13 Financial instruments *(continued)*

(a) Non-derivative financial assets *(continued)*

- The Group has transferred substantially all the risks and rewards of the asset; Or
- The Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass–through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the group has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when and only when the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies non-derivative financial assets into the following categories:

Financial assets at fair value through profit or loss

Financial assets and financial liabilities classified in this category are those that have been designated by management upon initial recognition. Management may only designate an instrument at fair value through profit or loss upon initial recognition when the following criteria are met, and designation is determined on an instrument-by-instrument basis:

i) The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis.

ii) The assets and liabilities are part of a group of financial assets, financial liabilities or both, which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

iii) The financial instrument contains one or more embedded derivatives, which significantly modify the cash flows that would otherwise be required by the contract.

Financial assets and financial liabilities at fair value through profit or loss are recorded in the statement of financial position at fair value. Changes in fair value are recorded in other operating income. Interest earned or incurred is accrued in interest income or interest expense, respectively, using the EIR, while dividend income is recorded in other operating income when the right to the payment has been established.

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 rate method less any impairment, with revenue recognised on an effective yield basis. Held to maturity financial assets comprises debt securities.

2 Summary of significant accounting policies *(continued)*

2.13 Financial instruments *(continued)*

(a) Non-derivative financial assets *(continued)*

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to the initial recognition, loans and receivables are recognised at amortised cost using the effective interest method, less any impairment losses. Loans and receivables comprise cash and cash equivalents, trade and other receivables.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short term commitments.

Available-for-sale financial assets

Available-for-sale investments include equity and debt securities. Equity investments classified as available-for-sale are those which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are intended to be held for an indefinite period of time and may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, available-for-sale financial investments are subsequently measured at fair value.

Unrealised gains and losses are recognised directly in equity (other comprehensive income) in the change in fair value of investments available-for-sale. When the investment is disposed of, the cumulative gain or loss previously recognised in equity is recognised in the profit or loss in other operating income. Interest earned whilst holding available-for-sale financial investments is reported as interest income using the EIR. Dividends earned whilst holding available-for-sale financial investments are recognised in the profit or loss as other operating income when the right of the payment has been established. The losses arising from impairment of such investments are recognised in the profit or loss in impairment for investments and removed from the change in fair value of investments available-for-sale.

(b) Non derivative financial liabilities

Borrowings

Borrowings are recognised initially at fair value, being their issue proceeds (fair value of consideration received) net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds, net of transaction costs, and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

Trade and other payables

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

(c) Derivative financial instruments

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 reporting date. The resulting gain or loss is recognised in the statement of income immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in the statement of income 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.

2 Summary of significant accounting policies *(continued)*

2.13 Financial instruments *(continued)*

(c) Derivative financial instruments

Hedge accounting

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.

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

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

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 the statement of income.

2.14 Non-current assets held for sale

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale rather than through continuing use. Such non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of reclassification.

Property, plant and equipment is not depreciated once classified as held for sale.

Property, plant and equipment classified as held for sale is disclosed in Note 5 (b).

2.15 Impairment

(a) Non-financial assets

An impairment loss is recognised if the carrying amount of an asset or cash generating unit is higher than its recoverable amount. Recoverable amount is the greater of its value in use and its fair value less costs to sell. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specified to the asset.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2 Summary of significant accounting policies *(continued)*

2.15 Impairment *(continued)*

(a) Non-financial assets

A financial asset not classified at fair value through profit or loss is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that loss events had an impact on the estimated future cash flows of that asset that can be estimated.

Objective evidence that financial assets are impaired include default or delinquency by a debtor, adverse change in the payment status etc. In addition for an investment in equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

2.16 Retirement benefits

End of service benefits are accrued in accordance with the terms of employment of the Group's employees in Oman at the reporting 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 reporting 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 statement of income as incurred.

The Group operates an unfunded defined benefit gratuity plan for all permanent employees as per Group policy. Provisions are made in the financial statements to cover obligations on the basis of actuarial valuations carried out annually under the projected unit credit method.

All actuarial gains and losses are recognised in other comprehensive income as and when they occur.

2.17 Voluntary end of service benefits

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

2.18 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 can be made of the amount to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the liability.

2.19 Taxation

Income tax expense comprises current and deferred tax. Taxation is provided in accordance with relevant fiscal regulations of the countries, in which the Group operates.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date and any adjustments to tax payable in respect of previous years.

Income tax is recognised in the profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Deferred tax assets/liabilities are calculated using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the reporting date.

The carrying amount of deferred income tax assets/liabilities is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

2 Summary of significant accounting policies *(continued)*

2.20 Directors' remuneration

Directors' remuneration is computed in accordance with the provisions of the Commercial Companies Law of 1974, as amended and the requirements of the Capital Market Authority in Oman and, in case of subsidiaries, in accordance with the relevant laws and regulations.

2.21 Dividend distribution

The Board of directors adopts a prudent dividend policy, which complies with regulatory requirements applicable in the Sultanate of Oman. Dividends are distributed in accordance with the Company's Memorandum of Association and are subject to the approval of shareholders. Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements only in the period in which the dividends are approved by the Company's shareholders.

2.22 Loyalty programme

The Group has a customer loyalty programme whereby customers are awarded credits ("Points") based on the usage of products and services, entitling customers to the right to redeem the accumulated points via specified means. The fair value of the consideration received or receivable in respect of the initial sale is allocated between the Points and the other components of sale. The amount allocated to Points is estimated by reference to the fair value of the right to redeem it at a discount for the products of the Group or for products or services provided by third parties. The fair value of the right to redeem is estimated based on the amount of discount, adjusted to take into account the expected forfeiture rate. The amount allocated to Points is deferred and included in deferred revenue. Revenue is recognized when these Points are redeemed and the Group has fulfilled its obligations to the customer. Deferred revenue is also released to revenue when it is no longer considered probable that the Points will be redeemed.

2.23 Royalty

Royalty is payable to the Telecommunication Regulatory Authority of the Sultanate of Oman on an accrual basis.

2.24 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

When applicable, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an on-going basis.

When there is no quoted price in an active market, the Group uses valuation techniques that maximise the use of relevant unobservable inputs. The chosen valuation technique incorporates all the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price i.e. the fair value of the consideration given or received. If the Group determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is supported wholly by observable market data or the transaction is closed out.

3 Financial risk management

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

3.1 Financial risk factors

Overview

The Board of Directors has overall responsibility for the establishment and oversight of the 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 the Group's risk management policies, and reports to the Executive Committee who in return report to the Board of Directors.

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

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

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

- Credit risk
- Liquidity risk
- Market risk

(i) Credit risk

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

Trade and other receivables

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

The Group has established credit policies and procedures that are considered appropriate for a licensed service provider commensurate with the nature and size of receivables. Credit limits 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 operators

3 Financial risk management *(continued)*

3.1 Financial risk factors *(continued)*

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 factoring agent has recourse to the Company based on certain agreed credit control norms. Credit risk on other trade debtors is limited to their carrying values as Management regularly reviews these balances whose recoverability is in doubt.

At the reporting date amounts receivable from the factoring agent approximate to 28.42% (31 December 2013: 27.52%) of the Group's total trade receivables. The factoring agent has given a bank guarantee of RO 10.5 million to the Group. The bank guarantee provided by the factoring agent represents 28.25% (31 December 2013: 33.31%) of the amounts due from them at the reporting 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 groups 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. Relevant details regarding credit risk is set out in note 42.

(ii) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivery of cash or another financial asset. 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. Relevant details on liquidity risk are set out in note 43.

(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. These investments are not hedged as these currency positions are considered to be long term in nature.

The subsidiary foreign currency risk arises mainly from its receivables, payables and borrowings. Foreign currency risk on borrowing is not hedged.

In respect of other transactions of the Group, they are primarily in Rial Omani and the Group's performance is substantially independent of changes in foreign currency rates as its foreign currency dealings are principally in US Dollars. The US Dollar and Omani Rial exchange rate have remained unchanged since 1986. 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.

Relevant details are set out in note 44.

3 Financial risk management *(continued)*

3.1 Financial risk factors *(continued)*

(iii) Market risk *(continued)*

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.

Relevant details are set out in note 44.

Other market price risk

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

Capital management

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

Management is confident of maintaining the current level of profitability by enhancing top line growth and prudent cost management. Neither the Company nor its Oman subsidiary is subject to externally imposed capital requirements, other than the requirements of the Commercial Companies Law of 1974, as amended.

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 swaps 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 presented in the statement of financial position.

Relevant details relating to fair value are set out in note 46.

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 reporting date 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.

4 Critical accounting estimates and judgements *(continued)*

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 considered 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 reporting date, trade accounts receivable of the Group amounted to RO 130.766 million (31 December 2013: RO 114.545 million), and the provision for impaired debts is RO 47.304 million (31 December 2013: RO 49.250 million). Any difference between the amounts actually collected in future periods and the amounts expected to be collected will be recognised in the statement of income.

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 reporting date, inventories amounted to RO 13.486 million (31 December 2013: RO 14.242 million) with provision for old and obsolete inventories of RO 3.128 million (31 December 2013: RO 3.406 million). Any difference between the amounts actually realised in future periods and the amounts recognised are dealt with in the statement of income.

Impairment of goodwill

For impairment of goodwill, refer note 9.

Useful lives of property, plant and equipment

Depreciation is charged so as to allocate the cost of assets over their estimated useful lives. The calculation of useful lives is based on Management's assessment of various factors such as the operating cycles, the maintenance programs, and normal wear and tear using its best estimates. During the period, the Group has revised the useful life of certain equipment which has resulted to a reduction in depreciation charge of RO 2.9 million for the year ended 31 December 2014.

Taxes

Uncertainties exist with respect to the interpretation of tax regulations and the amount and timing of future taxable income. Given the wide range of business relationships and nature of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of finalisation of tax assessments of the Group. The amount of such provisions is based on various factors, such as experience of previous tax assessments and differing interpretations of tax regulations by the taxable entity and the responsible tax authority.

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

5 Discontinued operations

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

The Group's foreign subsidiary namely Worldcall Telecommunications Lanka (Private) Limited has been reporting losses since last many years as the demand for payphones in Sri Lanka has greatly diminished. Keeping in view, the Sri Lankan market conditions and negative equity of the subsidiary, the management has decided and approved the winding up of the subsidiary. The investment in subsidiary is classified as discontinued operations. This does not have any material impact on the Group's results.

b) The Passive infrastructure such as towers, civil works and gensets of wireless broadband operations of a subsidiary is classified as held for sale following a commitment in September 2014 by management of the subsidiary in Pakistan. In this behalf, an agreement has been signed subsequent to the reporting date which is subject to due diligence inter alia, No Objection Certificates (NOC) from financial institutions and necessary approvals. The management is of the view that same shall result in major reduction in operational costs of the subsidiary.

Impairment losses of RO 0.910 million for write-downs of the disposal group to the lower of its carrying amount and its fair value less costs to sell have been included in "Other income/(costs)" (Note 37). The impairment losses have been applied to reduce the carrying amount of property, plant and equipment within the disposal group.

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 a risks and rewards approach.

Products and services from which reportable segments derive their revenues

At 31 December 2014, the Group is organised into two main business segments:

Fixed line and others

Provision of international and national calls from fixed lines, including rentals and installations of fixed telephones and internet services (fixed lines and other) and services rendered by Wholesale business division. This segment also includes the operations of Worldcall Telecom Limited which is engaged in the provision of Wireless Local loop, LDI, payphones and cable television services in Pakistan.

Mobile

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).

6 Segment reporting *(continued)*

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. The segment results for the year ended 31 December 2014 are as follows:

	Fixed line and other RO'000	Mobile RO'000	Consolidation adjustments RO'000	Total RO'000
Revenue				
External sales	**174,028**	**307,394**	**(197)**	**481,225**
Inter-segment sales	**73,670**	**10,355**	**(84,025)**	**-**
Total revenue	**247,698**	**317,749**	**(84,222)**	**481,225**
Segment result	**41,510**	**88,952**	**-**	**130,462**
Finance costs – net				**(1,711)**
Other non-operating income/(costs)-net				**5,969**
Profit before taxation				**134,720**
Taxation				**(19,169)**
Profit for the year				**115,551**

The segment results for the year ended 31 December 2013 were as follows:

	Fixed line and other RO'000	Mobile RO'000	Consolidation adjustments RO'000	Total RO'000
Revenue				
External sales	165,796	297,258	(188)	462,866
Inter-segment sales	69,492	12,609	(82,101)	-
Total revenue	235,288	309,867	(82,289)	462,866
Segment result	30,269	91,227	-	121,496
Finance costs – net				(1,253)
Other non-operating income				7,419
Profit before taxation				127,662
Taxation				(12,445)
Profit for the year				115,217

6 Segment reporting *(continued)*

Other segment items for the year ended 31 December 2014 included in the statement of income are as follows:

	Fixed line and other RO'000	Mobile RO'000	Total RO'000
Depreciation	**42,436**	**32,024**	**74,460**
Amortisation	**3,975**	**2,743**	**6,718**

Other segment items for the year ended 31 December 2013 included in the statement of income are as follows:

	Fixed line and other RO'000	Mobile RO'000	Total RO'000
Depreciation	39,984	31,521	71,505
Amortisation	3,477	3,071	6,548

The segment assets and liabilities at 31 December 2014 and capital expenditures for the year ended are as follows:

	Fixed line and other RO'000	Mobile RO'000	Consolidation adjustments RO'000	Total RO'000
Assets	**504,559**	**414,399**	**(84,784)**	**834,174**
Liabilities	**246,614**	**74,506**	**(57,018)**	**264,102**
Capital expenditures	**81,239**	**68,567**	**-**	**149,806**

The segment assets and liabilities at 31 December 2013 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	467,308	333,835	(44,935)	756,208
Liabilities	174,543	57,337	(15,052)	216,828
Capital expenditures	53,221	36,200	-	89,421

6 Segment reporting *(continued)*

Secondary reporting format

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

31 December 2014	Sultanate of Oman	Pakistan	Consolidation adjustments	Total
	RO'000	RO'000	RO'000	RO'000
Total gross segment revenue	472,478	8,944	(197)	481,225
Assets	840,937	78,021	(84,784)	834,174
Capital expenditure	145,726	4,080	-	149,806

31 December 2013	Sultanate of Oman	Pakistan	Consolidation adjustments	Total
	RO'000	RO'000	RO'000	RO'000
Total gross segment revenue	450,934	12,120	(188)	462,866
Assets	709,577	91,566	(44,935)	756,208
Capital expenditure	85,363	4,058	-	89,421

7 Property, plant and equipment

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

(b) Assets pledged as security

Property, plant and equipment of a subsidiary with a carrying amount of RO 42.206 million (31 December 2013: RO 42.364 million) have been pledged to secure borrowings of the Group.

In addition, the Group's obligations under finance leases (see note 21) are secured by the lessor's title to the leased assets, which have a carrying amount of RO 1.632 million (31 December 2013: RO 2.384 million).

Oman Telecommunications Company SAOG

Notes to the financial statements for the year ended 31 December 2014

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 2014	1,198	72,398	902,253	33,953	3,426	41,937	1,055,165
Additions	-	6	5,397	547	941	142,915	149,806
Transfers	-	5,121	115,878	1,141	-	(122,140)	-
Transfer to other assets	-	-	-	-	-	(2,272)	(2,272)
Transfer to held for sale (Note 5 b)	-	-	(8,388)	-	-	-	(8,388)
Transfer from investment property	-	377	-	-	-	-	377
Net foreign currency exchange differences	1	7	1,776	21	12	102	1,919
Disposals	-	(11)	(2,251)	(99)	(517)	-	(2,878)
Reclassification	-	-	-	(147)	-	-	(147)
31 December 2014	1,199	77,898	1,014,665	35,416	3,862	60,542	1,193,582
Depreciation							
1 January 2014	-	38,382	588,953	29,176	2,255	-	658,766
Charge for the year	-	4,104	67,170	2,639	547	-	74,460
Transfer to held for sale (Note 5 b)	-	-	(3,149)	-	-	-	(3,149)
Impairment	-	-	517	-	-	-	517
Net foreign currency exchange differences	-	8	453	12	-	-	473
Disposals	-	(11)	(106)	(94)	(408)	-	(619)
Reclassification	-	-	-	(49)	-	-	(49)
31 December 2014	-	42,483	653,838	31,684	2,394	-	730,399
Net book value							
At 31 December 2014	1,199	35,415	360,827	3,732	1,468	60,542	463,183

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 2013	1,204	69,705	920,072	32,182	3,725	32,398	1,059,286
Additions	-	23	6,126	836	147	82,289	89,421
Transfers	-	6,967	63,082	980	17	(71,046)	-
Transfer to other assets	-	-	-	-	-	(2,718)	(2,718)
Acquisition of a subsidiary (Note 11(d))	-	-	-	16	-	-	16
Reclassification	(1)	(4,218)	2,600	644	(7)	1,217	235
Net foreign currency exchange differences	(5)	(44)	(4,477)	(55)	(30)	(203)	(4,814)
Disposals	-	(35)	(85,150)	(650)	(426)	-	(86,261)
31 December 2013	1,198	72,398	902,253	33,953	3,426	41,937	1,055,165
Depreciation							
1 January 2013	-	38,374	604,291	26,557	2,110	-	671,332
Charge for the year	-	4,278	63,922	2,756	549	-	71,505
Reclassification	-	(4,218)	3,914	546	(7)	-	235
Net foreign currency exchange differences	-	(20)	(1,231)	(39)	1	-	(1,289)
Disposals	-	(32)	(81,943)	(644)	(398)	-	(83,017)
31 December 2013	-	38,382	588,953	29,176	2,255	-	658,766
Net book value							
At 31 December 2013	1,198	34,016	313,300	4,777	1,171	41,937	396,399

7 Property, plant and equipment *(continued)*

Parent - movement in property, plant and equipment

	Freehold land	Buildings	Network infrastructure and equipment	Furniture and office equipment	Motor vehicles and equipment	Capital work- in-progress	Total
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Cost							
1 January 2014	1,125	71,548	800,506	32,153	2,977	33,429	941,738
Additions	-	6	4,860	320	920	138,028	144,134
Transfers	-	5,113	106,380	1,359	-	(112,852)	-
Transfers to other assets	-	-	-	-	-	(2,070)	(2,070)
Disposals	-	-	(2,232)	(79)	(398)	-	(2,709)
31 December 2014	1,125	76,667	909,514	33,753	3,499	56,535	1,081,093
Depreciation							
1 January 2014	-	37,854	532,466	28,210	2,170	-	600,700
Charge for the year	-	4,075	62,128	2,349	439	-	68,991
Disposals	-	-	(104)	(78)	(336)	-	(518)
31 December 2014	-	41,929	594,490	30,481	2,273	-	669,173
Net book value							
At 31 December 2014	1,125	34,738	315,024	3,272	1,226	56,535	411,920

7 Property, plant and equipment *(continued)*

Parent - movement in property, plant and equipment

	Freehold land	Buildings	Network infrastructure and equipment	Furniture and office equipment	Motor vehicles and equipment	Capital work- in-progress	Total
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Cost							
1 January 2013	1,126	68,817	815,806	30,852	3,127	29,133	948,861
Additions	-	21	3,823	443	133	76,756	81,176
Transfers	-	6,963	61,782	980	17	(69,742)	-
Transfers to other assets	-	-	-	-	-	(2,718)	(2,718)
Reclassification	(1)	(4,218)	3,947	514	(7)	-	235
Disposals	-	(35)	(84,852)	(636)	(293)	-	(85,816)
31 December 2013	1,125	71,548	800,506	32,153	2,977	33,429	941,738
Depreciation							
1 January 2013	-	37,860	550,968	25,839	2,050	-	616,717
Charge for the year	-	4,244	59,345	2,491	414	-	66,494
Reclassification	-	(4,218)	3,946	514	(7)	-	235
Disposals	-	(32)	(81,793)	(634)	(287)	-	(82,746)
31 December 2013	-	37,854	532,466	28,210	2,170	-	600,700
Net book value							
At 31 December 2013	1,125	33,694	268,040	3,943	807	33,429	341,038

8 Investment in subsidiaries

	Parent company	
		(Restated)
	31 December 2014	31 December 2013
	RO'000	RO'000
Investment in Worldcall Telecom Limited (WTL)	73,559	73,559
Investment in Convertible preference shares in WTL	7,740	7,740
Investment in Oman Data Park LLC	600	300
Investment in Omantel France SAS	26	-
	81,925	81,599
Provision for impairment of investment (refer note below)	(54,391)	(43,850)
At 31 December	27,534	37,749

The carrying amount of the investment in Parent Company's financial statements for the investment in Worldcall Telecommunications (WTL) exceeded the carrying amounts in the consolidated financial statements of the subsidiary's net assets including associated goodwill. The existence of this is attributed to prior years and accordingly, the prior period comparative information is restated in these financial statements. The related details are set out below:

Consequently the effect of the above is as follows:

	31 December 2013		
	As previously reported	Adjustment	Restated
	RO'000	RO'000	RO'000
Decrease in Investment in subsidiary	62,719	(24,970)	37,749
Decrease in deferred tax liability/(asset)	1,099	(5,252)	(4,153)
Decrease in Retained earnings	370,216	(19,718)	350,498
Decrease in profit after tax for the year	122,856	(3,387)	119,469

8 Investment in subsidiaries *(continued)*

	31 December 2012		
	As previously reported	Adjustment	Restated
	RO'000	RO'000	RO'000
Decrease in Investment in subsidiary	54,979	(21,122)	33,857
Decrease in deferred tax liability/(asset)	2,011	(4,791)	(2,780)
Decrease in Retained earnings	333,610	(16,331)	317,279

There is no impact of the above on the Group consolidated financial statements.

9 Goodwill

	Consolidated	
	31 December 2014 RO'000	31 December 2013 RO'000
At 1 January	**14,370**	15,049
Acquisition of a subsidiary	**-**	311
Effect of foreign currency exchange difference	**365**	(990)
At 31 December	**14,735**	14,370

Test for impairment of investment in Worldcall Telecom Limited ("WTL")

As at 31 December 2014, the Group assessed the recoverable amount of goodwill and determined that the recoverable amount is more than the carrying amount.

The recoverable amount of the investment in WTL was assessed by reference to the discounted cash flow projections based on financial forecasts covering a five year period and an annual discount rate of 25.06% (2013: 19.5%). The financial forecasts cover certain recent strategic initiatives adopted by WTL, which are expected to significantly improve the financial performance and position of WTL. Cash flow projections beyond the five year period have been extrapolated using a steady annual growth rate of 4% which is the projected long term average growth rate for the business. Management believes that the calculation is highly sensitive to the cash flow projections and the cost of capital. An increase in the cost of capital of 27% would have resulted in an impairment loss at 31 December 2014 of RO 1.8 million assuming all other variables remain constant.

10 Other intangible assets

Consolidated

	Licenses RO'000	Patents and copyrights RO'000	Software RO'000	Subscriber acquisition costs RO'000	Indefeasible right to use RO'000	Total RO'000
Cost						
At 1 January 2013	63,860	8	17,535	-	3,137	84,540
Addition during the year	-	-	2,388	161	-	2,549
Reclassification	-	-	(235)	-	-	(235)
Adjustment	-	-	54	-	-	54
Net foreign currency exchange difference	(590)	-	(3)	-	(257)	(850)
At 31 December 2013	63,270	8	19,739	161	2,880	86,058
At 1 January 2014	**63,270**	**8**	**19,739**	**161**	**2,880**	**86,058**
Addition during the year	**-**	**-**	**1,942**	**-**	**-**	**1,942**
Transfers	**-**	**-**	**202**	**-**	**-**	**202**
Adjustment	**-**	**-**	**(4)**	**-**	**-**	**(4)**
Reclassification	**-**	**-**	**147**	**-**	**-**	**147**
Net foreign currency exchange difference	**218**	**-**	**1**	**-**	**75**	**294**
At 31 December 2014	**63,488**	**8**	**22,027**	**161**	**2,955**	**88,639**
Amortisation						
At 1 January 2013	28,876	8	14,080	-	393	43,357
Charge for the year	4,055	-	2,198	161	199	6,613
Reclassification	-	-	(235)	-	-	(235)
Net foreign currency exchange difference	(158)	(2)	-	-	(33)	(193)
At 31 December 2013	32,773	6	16,043	161	559	49,542
At 1 January 2014	**32,773**	**6**	**16,043**	**161**	**559**	**49,542**
Charge for the year	**4,032**	**-**	**2,501**	**-**	**202**	**6,735**
Reclassification	**-**	**-**	**49**	**-**	**-**	**49**
Net foreign currency exchange difference	**51**	**1**	**-**	**-**	**9**	**61**
At 31 December 2014	**36,856**	**7**	**18,593**	**161**	**770**	**56,387**
Net book value						
At 31 December 2014	**26,632**	**1**	**3,434**	**-**	**2,185**	**32,252**
31 December 2013	**30,497**	**2**	**3,696**	**-**	**2,321**	**36,516**

The charge for the year includes an amount of RO 0.017 million (31 December 2013: RO 0.065 million) capitalised during the year.

Licenses of the subsidiary are assigned to IGI Investment Bank limited, trustee of Term Finance Certificate III (refer note 21). The carrying amount of these licences is RO 5.4 million (31 December 2013: RO 5.8 million)

10 Other intangible assets *(continued)*

Parent company

	License RO'000	Software RO'000	Subscriber acquisition costs RO'000	Total RO'000
Cost				
At 1 January 2013	54,881	14,005	-	68,886
Reclassification	-	(235)	-	(235)
Additions during the year	-	2,387	161	2,548
At 31 December 2013	54,881	16,157	161	71,199
At 1 January 2014	**54,881**	**16,157**	**161**	**71,199**
Additions during the year	**-**	**1,922**	**-**	**1,922**
Adjustment	**-**	**(4)**	**-**	**(4)**
At 31 December 2014	**54,881**	**18,075**	**161**	**73,117**
Amortisation				
At 1 January 2013	26,704	10,546	-	37,250
Reclassification	-	(235)	-	(235)
Charge for the year	3,460	2,192	161	5,813
At 31 December 2013	30,164	12,503	161	42,828
At 1 January 2014	**30,164**	**12,503**	**161**	**42,828**
Charge for the year	**3,460**	**2,411**	**-**	**5,871**
At 31 December 2014	**33,624**	**14,914**	**161**	**48,699**
Net book value				
At 31 December 2014	**21,257**	**3,161**	**-**	**24,418**
31 December 2013	24,717	3,654	-	28,371

11 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	
	2014	2013	**2014**	2013
	RO'000	RO'000	**RO'000**	RO'000
Opening balance	**3,896**	4,870	**6,778**	5,191
Impairment of investment in associate (refer note (d) below)	**-**	(974)	**-**	-
Share of results	**-**	-	**3,301**	1,677
Dividend received	**-**	-	**(680)**	(90)
Closing balance	**3,896**	3,896	**9,399**	6,778

(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 12,302,365 (31 December 2013: RO 9,910,682) as compared to the cost of RO 3,445,511 (31 December 2013: RO 3,445,511).

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

	Assets RO'000	Liabilities RO'000	Revenues RO'000	Profit RO'000	Percentage shareholding
31 December 2014					
Oman Fiber Optic Co. SAOG	**31,292**	**13,034**	**23,314**	**7,873**	**40.96**
Infoline LLC	**2,080**	**475**	**3,414**	**168**	**45**
31 December 2013					
Oman Fiber Optic Co. SAOG	30,271	18,253	27,056	4,234	40.96
Infoline LLC	1,985	508	2,967	243	45

(d) On 8 October 2013, the shareholders of Oman Data Park LLC acquired 100% shares in Omania E-commerce LLC for a consideration of RO nil. Pursuant to acquisition, the carrying amount of the investment in associate is derecognised.

Oman Telecommunications Company SAOG

Notes to the financial statements for the year ended 31 December 2014

12 Other financial assets

	Consolidated			
	Current		Non current	
	2014	2013	2014	2013
	RO'000	RO'000	RO'000	RO'000
Investments at fair value through profit or loss				
Financial assets designated as at fair value through profit or loss (a)	799	-	26,260	16,299
Held for trading investments (b)	17,787	15,163	-	-
Available for sale investment carried at cost				
Mutual fund and unquoted equity (c)	-	-	1,970	853
Available for sale investment carried at fair value				
Quoted investments	281	305	204	241
Held to maturity investments				
Bonds (d)	-	-	16,791	15,791
Long term deposits at cost				
Deposits with financial institutions	-	79	4	3
Margin deposits (e)	376	489	-	-
Fixed deposit with banks (f)	71,002	69,755	-	6,000
Others	-	4	217	258
Long term receivables				
Trade receivables	-	-	415	633
Loans carried at amortised cost				
Loans and advances to employees (g)	141	145	14	24
	90,386	85,940	45,875	40,102

12 Other financial assets *(continued)*

	Parent Company			
	Current		Non-current	
	2014 RO'000	2013 RO'000	**2014 RO'000**	2013 RO'000
Investments at fair value through profit or loss				
Financial assets designated as at fair value through profit or loss (a)	**799**	-	**26,260**	16,299
Held for trading investments (b)	**17,787**	15,163	**-**	-
Available for sale investment carried at cost				
Mutual fund and unquoted equity (c)	**-**	-	**1,970**	853
Available for sale investment carried at fair value				
Quoted investments	**-**	-	**204**	241
Held to maturity investments				
Bonds (d)	**-**	-	**16,791**	15,791
Long term deposits at cost				
Fixed deposit with banks (f)	**71,002**	69,454	**-**	6,000
	89,588	84,617	**45,225**	39,184

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

	Parent Company and Consolidated			
	Carrying amount as at 31 December 2013	Additions during the year	Gains/(losses) recognised in profit or loss	**Carrying amount as at 31 December 2014**
	RO'000	RO'000	RO'000	**RO'000**
Unquoted:				
Equities	4,327	1,934	1,656	**7,917**
Fixed Income instruments	-	1,670	28	**1,698**
Mutual funds	10,132	4,692	(1,017)	**13,807**
	14,459	8,296	667	**23,422**
Quoted equity instrument				
Quoted equity investment	1,840	1,389	408	**3,637**
	16,299	9,685	1,075	**27,059**

12 Other financial assets *(continued)*

(b) Held for trading investments

Held for trading investments represent quoted marketable securities. These investments are valued at quoted market price at the reporting date.

(c) Available for sale investment carried at cost

Available for sale investment represents investment in a mutual fund and unquoted equities. The investment is carried at cost less impairment due to unavailability of fair value.

(d) Held to maturity investment

Held to maturity investments represents investment in bonds as set out below:

	Parent Company and Consolidated			
	2014 RO '000	2013 RO '000	**Effective rate of interest (p.a.)**	**Maturity (year)**
Non-current and Quoted				
Bonds	**5,771**	5,771	**8%**	**2016**
Subordinated notes	**1,420**	1,420	**5.5%**	**2017**
Non-current and unquoted				
Subordinated notes	**5,000**	5,000	**5.757%**	**2018**
Islamic bonds	**1,000**	1,000	**5%**	**2018**
Subordinated bonds	**600**	600	**4.5%**	**2016**
Subordinated notes	**1,000**	-	**4%**	**2019**
Subordinated notes	**2,000**	2,000	**6.5%**	**2017**
	16,791	15,791		

(e) Margin deposits

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

(f) Fixed deposits

Fixed deposits are placed with commercial banks. The weighted average interest rate on these deposits is 3% (2013: 3% per annum).

(g) Loans and advances to employees

Loans and advances to employees are unsecured and interest free and include advances given to key management personnel of a subsidiary amounting to RO 0.049 million (2013:RO 0.068 million).

13 Inventories

	Parent Company		Consolidated	
	2014	2013	**2014**	2013
	RO'000	RO'000	**RO'000**	RO'000
Stores and spares	**8,929**	8,645	**11,290**	10,954
Prepaid cards and handsets	**2,187**	3,278	**2,196**	3,288
	11,116	11,923	**13,486**	14,242
Provision for inventory obsolescence	**(2,962)**	(3,190)	**(3,128)**	(3,406)
	8,154	8,733	**10,358**	10,836

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

Opening balance	**3,190**	3,692	**3,406**	3,912
Charge for the year	**417**	337	**417**	390
Released during the year (note 4)	**(65)**	-	**(75)**	-
Write off during the year	**(580)**	(839)	**(580)**	(882)
Transfer during the year	**-**	-	**(47)**	-
Net foreign currency exchange difference	**-**	-	**7**	(14)
Closing balance	**2,962**	3,190	**3,128**	3,406

14 Trade and other receivables

	Parent Company		Consolidated	
	2014	2013	**2014**	2013
	RO'000	RO'000	**RO'000**	RO'000
Amounts due from customers	**51,581**	43,768	**63,053**	54,834
Amounts due from Oman Investment Finance Company SAOG (OIFC)	**37,167**	31,518	**37,167**	31,518
Amounts due from other operators	**29,487**	26,577	**29,487**	26,577
Other receivables	**1,059**	910	**1,059**	1,616
	119,294	102,773	**130,766**	114,545
Provision for impairment of receivables	**(40,406)**	(43,366)	**(47,304)**	(49,250)
	78,888	59,407	**83,462**	65,295
Advances	**2,156**	2,063	**5,795**	6,514
	81,044	61,470	**89,257**	71,809

The movement in provision for impairment of receivables is disclosed in note 42 (b)(ii).

15 Share capital and dividends

The share capital comprises 750,000,000 (31 December 2013 - 750,000,000) authorised and issued, ordinary shares of RO 0.100 (31 December 2013: 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 reporting date are as follows:

	2014		2013	
	Shares held	**%**	Shares held	%
Government of the Sultanate of Oman	**382,500,000**	**51**	525,000,000	70

For the year 2013, a final cash dividend of RO 0.075 per share (2012: RO 0.075 per share) amounting to RO 56.25 million (2012: RO 56.25 million) was approved by the shareholders at the annual general meeting held on 24 March 2014.

An interim cash dividend of RO 0.040 (2013: RO 0.040) per share amounting to RO 30 million (2013: RO 30 million) was paid during the year.

On 17 September 2013, the Government announced to sell 19% of the shares through a public offering. As of 31 December 2014, 9.5% of the shareholdings was sold and allocated to qualified institutions and high net worth investors and remaining 9.5% to retail investors.

The directors have recommended a dividend of RO 0.075 (2013: RO 0.075) per share which is subject to approval of the shareholders at the annual general meeting.

16 Legal reserve

In accordance with the Commercial Companies Law of Oman 1974, as amended, annual appropriations of 10% of the profit for the year 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.

17 Voluntary reserve

In accordance with the Board of Directors' Resolution No.16T/5/2000, the Parent Company transferred 10% of their annual net profits in prior years to a distributable voluntary reserve until it becomes equal to one-half of the entity's paid up share capital. As the reserve equals at least half of paid up share capital, the Company has discontinued the transfer.

18 Capital contribution

On 11 February 2004, the Telecom Regulatory Authority (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 as being in the amount of 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.

19 Foreign currency translation reserve

Exchange differences relating to the translation of assets and liabilities on consolidation from the functional currency of the Group's foreign subsidiary into Rial Omani are recorded directly in the foreign currency translation reserve.

20 Fair value reserve

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

21 Borrowings

				Current		Non current	
Consolidated	**Currency**	**Nominal interest rate**	**Year of maturity**	**2014**	2013	**2014**	2013
				RO'000	RO'000	**RO'000**	RO'000
Secured-at amortised cost							
Bank loan	OMR	3 months LIBOR+2% (floor of 4.75% to 5%p.a)	2017 -2020	**1,050**	75	**6,406**	6,282
Bank loan	OMR	5% p.a.	2015	**326**	-	**-**	1,198
Bank loan	OMR	6% p.a.		**-**	250	**-**	-
Long term loan	USD	3 months LIBOR+2.95%	2018 Note (a)	**3,404**	1,157	**8,943**	11,732
Long term loan	PKR	1 month KIBOR+3% p.a	2016	**161**	-	**27**	-
Convertible preference shares	USD	17.23% p.a.	Note (b)	**-**	-	**5,479**	5,540
Term finance certificates-3	PKR	6 months KIBOR+1.60%	2015	**6,180**	2,008	**-**	4,016
Short term borrowings	PKR	3 months KIBOR+1.50% to 5% p.a	-	**2,893**	3,140	**-**	-
Bank overdraft	OMR	3 months LIBOR+2% (floor of 5%p.a)	-	**258**	48	**-**	-
Bank overdraft	OMR	6.5% p.a	-	**-**	196	**-**	-
Finance lease liabilities	PKR	6 months KIBOR+ 2.5% p.a	-	**4**	186	**11**	6
Finance lease liabilities	OMR	12.695% p.a	-	**29**	50	**347**	360
				14,305	7,110	**21,213**	29,134

(a) Long term Loan

The subsidiary in Pakistan signed a foreign currency syndicated loan facility with Askari Bank Limited Off-Shore Banking Unit, Bahrain, with the lead arranger being Askari Bank Limited in the amount of USD 35 million. Interest is charged at three months average LIBOR plus 1.75% per annum and monitoring fee is payable at the rate of 1.2% per annum of the outstanding balance. To secure the facility an unconditional, irrevocable, first demand stand-by letter of credit has been issued by National Bank of Oman favoring Askari Bank Limited against the corporate guarantee of the Parent Company. The arrangement shall remain effective until all the obligations under the facility are settled. Initially, this loan is re-payable in 20 equal quarterly instalments with two years grace period commencing 6 June 2013. This loan has been rescheduled by Askari Bank Limited and is now repayable in 16 quarterly instalments commencing 6 June 2014.

21 Borrowings *(continued)*

(b) Convertible preference shares

These are denominated in US Dollar, non-voting, cumulative and convertible preference shares ("CPS", or "Preference Shares") having a face value of US$ 100 each, held by the Parent company and Habib Bank Limited (Investor) amounting to USD 20 million and USD 15 million respectively issued by the subsidiary in Pakistan.

The conversion option is exercisable by the holder at any time after the 1st anniversary of the issue date but no later than the 5th anniversary. On 5th anniversary, the CPS will be mandatorily converted into ordinary voting common shares. The CPS shall be converted fully or partially in multiples of USD 1 million at the conversion ratio defined in the agreement at 10% discount on share price after first anniversary and thereby increased by 10% additional discount for each completed year of anniversary.

The holders are entitled to a non cash dividend which will be calculated at the rate higher of 5.9% per annum or the dividend declared by the subsidiary for ordinary shareholders whichever is higher.

Omantel (Parent company) has provided a put option to the Investor in USD where the investor can sell its CPS at participation amount along with any accumulated and accrued dividend (put strike price) to Omantel. The put option may be exercised fully or partially in multiples of US$ 1 million from the 3rd anniversary of the CPS till the 5th anniversary or on occurrence of the trigger events as defined in the CPS agreement at any time during the term of the CPS.

22 Deferred tax liability

Consolidated

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

	1 January 2014 RO'000	Charged / (credited) to statement of income RO '000	Exchange differences RO '000	31 December 2014 RO '000	1 January 2013 RO'000	Charged / (credited) to statement of income RO '000	Exchange differences RO '000	31 December 2013 RO '000
Temporary differences								
Provision for impaired receivables	(6,418)	1,261	(45)	(5,202)	(5,604)	(927)	113	(6,418)
Provision for inventory obsolescence	(133)	(1)	(1)	(135)	(198)	59	6	(133)
Provision for capital contribution	616	19	16	651	679	(19)	(44)	616
Retirement benefit obligation	(420)	(32)	(10)	(462)	(527)	80	27	(420)
Fair value gain on investments	-	650	-	650	-	-	-	-
Depreciation and amortisation	18,231	738	300	19,269	20,613	(1,481)	(901)	18,231
	11,876	2,635	260	14,771	14,963	(2,288)	(799)	11,876
Unused tax losses and credits	(20,109)	(3,847)	(431)	(24,387)	(18,027)	(3,368)	1,286	(20,109)
	(8,233)	(1,212)	(171)	(9,616)	(3,064)	(5,656)	487	(8,233)

Deferred tax balances are recorded as below in the statement of financial position:

	2014 RO'000	2013 RO'000
Deferred tax asset relating to subsidiary in Pakistan (i)	12,581	9,332
Deferred tax liability relating to Parent Company	(2,965)	(1,099)
	9,616	8,233

(i) Based on approved business plan of the subsidiary, it is probable that sufficient taxable profit will be available for utilisation of deferred tax.

Parent Company

	1 January 2014 RO'000	Charged / (credited) to statement of income RO'000	31 December 2014 RO'000	1 January 2013 (Restated) RO'000	Charged/(credited) to statement of income (Restated) RO'000	31 December 2013 (Restated) RO'000
Temporary Differences						
Provision for impaired receivables	(4,399)	1,599	(2,800)	(4,418)	19	(4,399)
Provision for inventory Obsolescence	(54)	27	(27)	(114)	60	(54)
Fair value gain on investment	-	650	650	-	-	-
Impairment of investment in subsidiary (refer note 8)	(5,252)	(1,265)	(6,517)	(4,791)	(461)	(5,252)
Depreciation and Amortisation	5,552	(410)	5,142	6,543	(991)	5,552
	(4,153)	601	(3,552)	(2,780)	(1,373)	(4,153)

23 Retirement benefit obligation

The movement in retirement benefit obligation is as follows:

	Parent Company		Consolidated	
	2014 RO'000	2013 RO'000	2014 RO'000	2013 RO'000
At 1 January	4,414	3,981	5,671	5,398
Charge for the year (note 32)	633	619	946	962
Payments during the year	(1,081)	(186)	(1,427)	(621)
Acquisition of a subsidiary	-	-	-	21
Transfer to other payables	-	-	(63)	-
Recognition of actuarial income on defined benefit plan	-	-	89	(6)
Foreign exchange difference	-	-	33	(83)
At 31 December	3,966	4,414	5,249	5,671

24 Other liabilities – non current

	Consolidated	
	2014	2013
	RO '000	RO '000
Long term payables – (refer note below)	**4,519**	4,118
Long term deposits	**134**	155
	4,653	4,273
Long term payables		
Payable to Pakistan Telecommunication Authority	**-**	2,197
Suppliers	**4,519**	1,921
	4,519	4,118

Payable to Pakistan Telecommunication Authority (PTA)

Payable to PTA represents interest free Access Promotion Contribution ("APC") for USF payable to PTA. The installments have been discounted using the effective interest rate of 16% per annum.

Suppliers

Amounts payable to suppliers are unsecured and interest free.

25 Trade and other payables

	Parent Company		Consolidated	
	2014	2013	**2014**	2013
	RO '000	RO '000	**RO '000**	RO '000
Trade payables	**10,454**	9,476	**22,654**	22,272
Amounts due to other telecommunication administrators	**6,648**	5,842	**6,648**	5,842
Retentions payable	**23,258**	18,452	**23,555**	18,749
Licence fees payable (refer note (a))	**-**	-	**3,841**	3,744
Accruals	**53,401**	35,138	**58,484**	38,285
Deferred income	**24,175**	14,974	**24,482**	15,446
Billings in advance	**12,965**	7,215	**12,965**	7,215
Accrued interest	**-**	-	**760**	946
Other payables	**1,866**	1,946	**10,976**	6,831
	132,767	93,043	**164,365**	119,330

(a) Licence fees payable

This represents licence fee payable by a subsidiary to PTA for Wireless Local Loop Licence.

26 Royalty payable

In accordance with Article 4(1) of the fixed and mobile licence and as permitted by the TRA, the licencee is required to pay royalty to the TRA at the rate of 7% of its gross revenue excluding sale of terminal equipment and interconnection expenses.

27 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 reporting date by the number of shares outstanding:

	Parent Company		Consolidated	
	2014	2013	**2014**	2013
Net assets attributable to the owners of the parent (RO'000)	**577,362**	544,491	**570,164**	533,263
Number of shares outstanding (thousands)	**750,000**	750,000	**750,000**	750,000
Net assets per share (RO)	**0.770**	0.726	**0.760**	0.711

28 Wholesale revenue

	Parent Company		Consolidated	
	2014 RO'000	2013 RO'000	**2014 RO'000**	2013 RO'000
External administration revenue (note a)	**24,904**	25,391	**29,977**	33,371
Interconnection income (note b)	**16,908**	17,729	**16,931**	17,782
Capacity sales	**24,035**	22,107	**24,035**	22,107
Others	**13,899**	9,348	**13,899**	9,348
	79,746	74,575	**84,842**	82,608

a) External administration revenue represents the revenue derived from termination of other international operators traffic on the Group's network.

b) Interconnection income represents the revenue derived from licensed local operators for the use of transmission equipment, facilities and the charges for the termination of other operator's traffic on the Group's network.

29 Interconnection expense

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.

30 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.

31 External administration expense

External administration expense represents the charges paid by the Group to international operators for the termination of the traffic on the network of the operator.

32 Staff costs

	Parent Company		Consolidated	
	2014 RO'000	2013 RO'000	**2014 RO'000**	2013 RO'000
Salaries and allowances	**58,293**	56,294	**60,478**	58,381
Social security costs	**4,668**	4,150	**4,737**	4,167
Retirement benefits (Note 23)	**633**	619	**871**	867
Other employee benefits	**2,806**	2,613	**3,176**	2,860
	66,400	63,676	**69,262**	66,275

33 Operating and maintenance expenses

	Parent Company		Consolidated	
	2014 RO'000	2013 RO'000	**2014 RO'000**	2013 RO'000
Asset maintenance	**23,370**	20,700	**24,533**	22,104
Cost of sales	**9,318**	10,769	**10,771**	12,189
Satellite channels and frequency charge	**12,226**	10,683	**12,343**	10,819
Rental charges	**6,016**	5,729	**7,392**	6,804
Electricity and water	**2,810**	2,633	**3,605**	3,526
Maintenance and hire charges	**3,300**	3,423	**3,388**	3,509
Petrol, oil and lubricants	**543**	547	**645**	612
Insurance	**757**	909	**1,002**	1,185
Others	**2,939**	2,485	**3,762**	3,020
	61,279	57,878	**67,441**	63,768

34 Administrative expenses

	Parent Company		Consolidated	
	2014 RO'000	2013 RO'000	2014 RO'000	2013 RO'000
Training costs	1,968	2,074	1,980	2,089
Professional consultancy fees	1,688	1,787	2,077	2,185
Administrative services	3,429	2,662	3,647	2,852
Business travel	1,484	1,494	1,871	1,771
Office supplies and services	1,058	1,008	1,411	1,237
	9,627	9,025	10,986	10,134

35 Factoring, collection and distribution fees

The Group has awarded an agreement to OIFC whereby all amounts due from certain category of customers in the Sultanate of Oman are assigned and factored to OIFC.

Amounts due from such 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.

36 Finance income / (costs) - net

	Parent company		Consolidated	
	2014 RO'000	2013 RO'000	**2014 RO'000**	2013 RO'000
Finance income				
Interest income	**4,712**	3,253	**5,123**	3,556
Exchange gain	**-**	256	**1,561**	-
	4,712	3,509	**6,684**	3,556
Investment income				
Dividend income	**1,706**	852	**1,026**	762
Fair value gain on held for trading investments	**-**	1,073	**-**	1,073
Fair value gain on investments at fair value through profit and loss	**1,779**	867	**1,779**	867
Realised gain on held for trading investments	**339**	786	**339**	786
Realised gain on investments at fair value through profit and loss	**-**	308	**-**	308
Fair value loss on held for trading investments	**(851)**	-	**(851)**	-
Impairment losses on available for sale financial assets	**-**	-	**-**	(75)
	2,973	3,886	**2,293**	3,721
Finance cost				
Exchange loss	**(3)**	-	**(3)**	(1,960)
Interest on borrowings	**-**	(24)	**(8,392)**	(2,849)
	(3)	(124)	**(8,395)**	(4,809)

37 Other income / (costs) - net

	Parent Company		Consolidated	
	2014 RO'000	2013 RO'000	**2014 RO'000**	2013 RO'000
Miscellaneous income	**1,841**	626	**1,401**	519
Impairment loss on held for sale (Note 5 (b)	**-**	-	**(910)**	-
Impairment loss on others	**-**	-	**(517)**	-
Loss on re-measurement of investment property (Note (8))	**-**	-	**(154)**	-
Liability no longer required written back	**555**	1,502	**555**	1,502
	2,396	2,128	**375**	2,021

38 Taxation

(a) The tax charge for the year comprises:

	Parent Company		Consolidated	
	2014 RO'000	2013 (Restated) RO'000	**2014 RO'000**	2013 RO'000
Current taxation	**18,468**	17,974	**18,562**	18,101
Tax relating to prior years (refer note (d) below	**1,367**	-	**1,819**	-
Deferred taxation (Note 22)	**601**	(1,373)	**(1,212)**	(5,656)
	20,436	16,601	**19,169**	12,445

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

Tax on accounting profit	**16,726**	16,325	**12,432**	12,241
Add / (less) tax effect of:				
Expenses not deductible	**338**	691	**2,959**	1,027
Income not subject to tax	**(41)**	(415)	**(87)**	(823)
Tax relating to prior years	**1,367**	-	**1,819**	-
Deferred tax relating to prior years	**2,046**	-	**2,046**	-
Tax charge as per statement of income	**20,436**	16,601	**19,169**	12,445

(c) Status of tax assessments

Assessments have been completed for tax years up to the taxable year 2009 for the Parent Company.

(d) Prior year tax

Tax relating to prior years include an amount of RO 2.918 million relating to adjustment of amortization of mobile license cost for the tax years 2004-2013 for the parent company. Further it includes an amount of RO 1.5mn which relates to reversal of certain excess provisions on account of finalisation of tax assessments for years 2008 and 2009 for the parent company.

39 Basic earnings per share

The earnings per share has been derived by dividing the profit for the year attributable to the owners of the Parent Company by the weighted average number of shares outstanding.

40 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 mutually agreed terms and conditions.

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

Parent company

(i) Purchase of goods and services

	2014 RO'000	2013 RO'000
Subsidiaries	95	509
Associates	4,616	6,305
Other related parties	-	38
	4,711	6,852

(ii) Sale of services

	2014 RO'000	2013 RO'000
Other related party	-	4
Subsidiaries	348	188
	348	192

(iii) Others- Subsidiaries

	2014 RO'000	2013 RO'000
Interest on preference shares	1,736	193
Management and facilitation fee on preference shares	356	156
	2,092	349

(iv) Sitting fees and remuneration to directors

	2014 RO'000	2013 RO'000
Directors' sitting fees - non executive	82	64
Directors' remuneration - non executive	118	136
Total	200	200

40 Related parties *(continued)*

(v) Key management compensation

	2014 RO'000	2013 RO'000
Basic salaries and allowances	1,157	1,014
Other benefits and expenses	1,404	1,061
Social security costs	96	73
Retirement benefits	37	30
	2,694	2,178

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

	Receivables		Payables	
	2014 RO'000	2013 RO'000	2014 RO'000	2013 RO'000
Subsidiaries	11,529	8,976	78	344
Associates	-	-	1,242	1,066
Other related party	28	1	-	5
	11,557	8,977	1,320	1,415

40 Related parties *(continued)*

Consolidated

(i) Purchase of goods and services

	2014 RO'000	2013 RO'000
Associates	4,616	6,305
Other related party	346	38
Total	4,962	6,343

(ii) Sale of goods and services

	2014 RO'000	2013 RO'000
Other related parties	-	4

(iii) Sitting fees and remuneration to directors

	2014 RO'000	2013 RO'000
Directors' sitting fees - non executive	84	67
Directors' remuneration - non executive	118	136
	202	203

(iv) Key management compensation

	2014 RO'000	2013 RO'000
Basic salaries and allowances	1,623	1,543
Other benefits and expenses	1,404	1,061
Social security costs	96	73
Retirement benefits	37	30
Total	3,160	2,707

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

	Receivables		Payables	
	2014 RO'000	2013 RO'000	2014 RO'000	2013 RO'000
Associates	-	-	1,242	1,066
Other related party	190	1,176	51	39
	190	1,176	1,293	1,105

41 Commitments and contingencies

(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	
	2014 RO'000	2013 RO'000	**2014 RO'000**	2013 RO'000
Commitment for fixed capital expenditure	**79,112**	59,485	**86,072**	68,085
Investment	**5,400**	10,300	**5,400**	10,300

(b) Contingent liabilities

	Parent Company		Consolidated	
	2014 RO'000	2013 RO'000	**2014 RO'000**	2013 RO'000
Letters of credit	**-**	-	**123**	365
Bank guarantees	**-**	5	**4,543**	4,268
Bid bonds	**-**	-	**236**	33
Performance bonds	**-**	-	**188**	103

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 cannot be quantified or estimated.

The Group's subsidiary in Pakistan is also exposed to certain claims arising out of regulatory, taxation and operational matters. The subsidiary's management believes that none of these claims are expected to have any significant implication on its financial statements.

42 Credit risk

(a) Exposure to credit risk

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

	Parent Company		Consolidated	
	2014	2013	**2014**	2013
	RO'000	RO'000	**RO'000**	RO'000
Trade and other receivables	**119,294**	102,773	**131,181**	115,178
Other financial assets	**134,813**	123,801	**135,846**	125,409
Cash and bank balances	**45,955**	62,511	**48,828**	71,843
Receivables from subsidiaries	**11,332**	8,976	**-**	-
	311,394	298,061	**315,855**	312,430

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

	Parent Company		Consolidated	
	2014	2013	**2014**	2013
	RO'000	RO'000	**RO'000**	RO'000
Oman Investment Finance Company SAOG	**37,167**	31,518	**37,167**	31,518
Due from other operators	**29,487**	26,577	**29,487**	26,577
Government debts	**12,591**	14,368	**12,591**	14,368
Agents for prepaid card sales	**11,167**	1,314	**11,167**	1,314
Other customers	**28,882**	28,996	**40,769**	41,401
	119,294	102,773	**131,181**	115,178

(b) The ageing of trade receivables and related impairment losses at the reporting date was:

Consolidated

	2014		2013	
	Gross	**Impairment**	Gross	Impairment
	RO'000	**RO'000**	RO'000	RO'000
Not past due	**42,487**	**-**	30,510	-
Past due 1 - 180 days	**22,276**	**2,769**	23,296	3,634
Past due 181 - 365 days	**10,315**	**543**	7,640	850
1 - 2 years	**11,060**	**3,043**	7,866	2,318
More than 2 years	**45,043**	**40,949**	45,866	42,448
	131,181	**47,304**	115,178	49,250

42 Credit risk *(continued)*

(a) Exposure to credit risk *(continued)*

Parent company

	2014		2013	
	Gross RO'000	Impairment RO'000	Gross RO'000	Impairment RO'000
Not past due	39,754	-	27,370	-
Past due 1 - 180 days	21,021	2,765	20,319	3,409
Past due 181 - 365 days	9,882	524	7,324	795
1 - 2 years	10,030	2,605	7,074	1,895
More than 2 years	38,607	34,512	40,686	37,267
	119,294	40,406	102,773	43,366

(i) Included in the Group's trade receivable balance are debtors with a carrying amount of RO 41.4 million (31 December 2013: RO 35.419 million) which are past due at the reporting date for which the Group has not provided any amount as there has not been any significant change in the 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	
	2014 RO'000	2013 RO'000	2014 RO'000	2013 RO'000
Opening balance	43,366	43,525	49,250	47,484
Net foreign currency exchange difference	-	-	226	(342)
Charge for the year	2,868	1,751	3,656	4,019
Written back during the period / year	(2,593)	(1,910)	(2,593)	(1,911)
Transfer to Government	(2,736)	-	(2,736)	-
Adjustment	(499)	-	(499)	-
Closing balance	40,406	43,366	47,304	49,250

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 owed is possible; at that point the amount considered irrecoverable is written off against the financial asset.

In the event of a 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 is credited to the Government and the remaining balance, if any is credited to the statement of income.

43 Liquidity risk

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

31 December 2014

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	36,543	9,829	5,217	6,358	15,139
Accrued interest	760	760	-	-	-
Trade payables	23,636	20,442	1,952	1,242	-
Amount due to other telecommunication administrators	6,648	6,648	-	-	-
Retention payable	23,555	23,413	142	-	-
Accruals	58,484	58,484	-	-	-
Other payables	12,132	10,728	-	-	1,404
Royalty payable	31,543	31,543	-	-	-
Other long term liabilities	133	-	-	-	133
Licence fee payable	3,841	3,841	-	-	-
	197,275	165,688	7,311	7,600	16,676

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
Trade payables	10,454	10,454	-	-	-
Amount due to other telecommunication administrators	6,648	6,648	-	-	-
Retention payable	23,258	23,258	-	-	-
Accruals	53,401	53,401	-	-	-
Other payables	1,866	1,866	-	-	-
Royalty payable	31,543	31,543	-	-	-
	127,170	127,170	-	-	-

43 Liquidity risk *(continued)*

31 December 2013

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	36,244	3,801	3,309	8,966	20,168
Accrued interest	946	946	-	-	-
Trade payables	23,661	20,554	1,185	1,206	716
Amount due to other telecommunication administrators	5,842	5,842	-	-	-
Retention payable	18,749	18,629	120	-	-
Accruals	38,285	38,285	-	-	-
Other payables	7,246	4,752	298	529	1,667
Royalty payable	30,495	30,495	-	-	-
Other long term liabilities	155	-	-	-	155
License fee payable	3,744	3,744	-	-	-
	165,367	127,048	4,912	10,701	22,706

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
Trade payables	9,476	9,476	-	-	-
Amount due to other telecommunication administrators	5,842	5,842	-	-	-
Retention payable	18,452	18,452	-	-	-
Accruals	35,138	35,138	-	-	-
Other payables	1,946	1,946	-	-	-
Royalty payable	30,495	30,495	-	-	-
	101,349	101,349	-	-	-

44 Interest rate risk

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

	Parent Company		Consolidated	
	2014 RO'000	2013 RO'000	**2014 RO'000**	2013 RO'000
Floating rate instruments				
Financial liabilities	**-**	-	**(29,337)**	(28,650)
Fixed rate instruments				
Financial assets	**87,793**	99,245	**87,793**	99,546
Financial liabilities	**-**	-	**(6,181)**	(7,594)
	87,793	99,245	**81,612**	91,952

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 reporting date would not affect profit or loss.

45 Foreign currency risk

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

The net exposure to the currency risk as at the reporting date is as follows:

	2014 PKR'000	2013 PKR'000
Total assets	**21,765,361**	24,223,539
Goodwill	**3,836,094**	3,836,094
Total liabilities	**(21,557,122)**	(20,330,672)
Non-controlling interest	**(86,342)**	(1,668,842)
	3,957,991	6,060,119

The following significant exchange rates were applied during the year:

	Pakistani Rupees
Average exchange rate from 1 January 2014 to 31 December 2014	**258.805**
Exchange rate as at 31 December 2014	**265.957**

A 5% strengthening of Rial Omani against the above currency would have decreased equity by RO 0.709 million (31 December 2013: RO 1.06 million) . The analysis assumes that all other variables, in particular interest rates remain constant.

A 5% weakening of Rial Omani would have had an equal but opposite effect.

46 Fair value of assets and liabilities

Fair value versus carrying amounts

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

Fair value measurements recognised in the statement of financial position

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

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs) These investments are valued based on share of net assets of investee which approximates to the fair value at the end of the reporting period.

	Level 1	Level 2	Level 3	Total 31 December 2014
	RO'000	RO'000	RO'000	RO'000
Investments at fair value through profit or loss				
Investment in mutual funds	-	13,807	-	13,807
Fixed income instruments	-	1,698	-	1,698
Unquoted equity instruments	-	1,934	5,983	7,917
Quoted equity instruments	3,637	-	-	3,637
Held for trading				
Quoted equity instruments	17,787	-	-	17,787
Available-for-sale investments at fair value				
Mutual funds	-	204	-	204
Quoted equity instruments	281	-	-	281
	21,705	17,643	5,983	45,331

46 Fair value of assets and liabilities *(continued)*

	Level 1 RO'000	Level 2 RO'000	Level 3 RO'000	Total 31 December 2013 RO'000
Investments at fair value through profit or loss				
Investment in mutual funds	-	10,139	-	10,139
Unquoted equity instrument	-	-	4,325	4,325
Quoted equity instruments	1,835	-	-	1,835
Held for trading				
Quoted equity and bonds	15,163	-	-	15,163
Available-for-sale investments at fair value				
Mutual funds	-	241	-	241
Quoted equity instruments	305	-	-	305
	17,303	10,380	4,325	32,008

There were no transfers between the levels during the year.

47 Comparative figures

The financial statements for the year ended 31 December 2013 has been restated and the impact is set out in note 8. Apart from the restatement, certain comparative figures have been reclassified to conform to current year presentation and are not material and have no impact on the previously reported profit or equity position of the group.

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