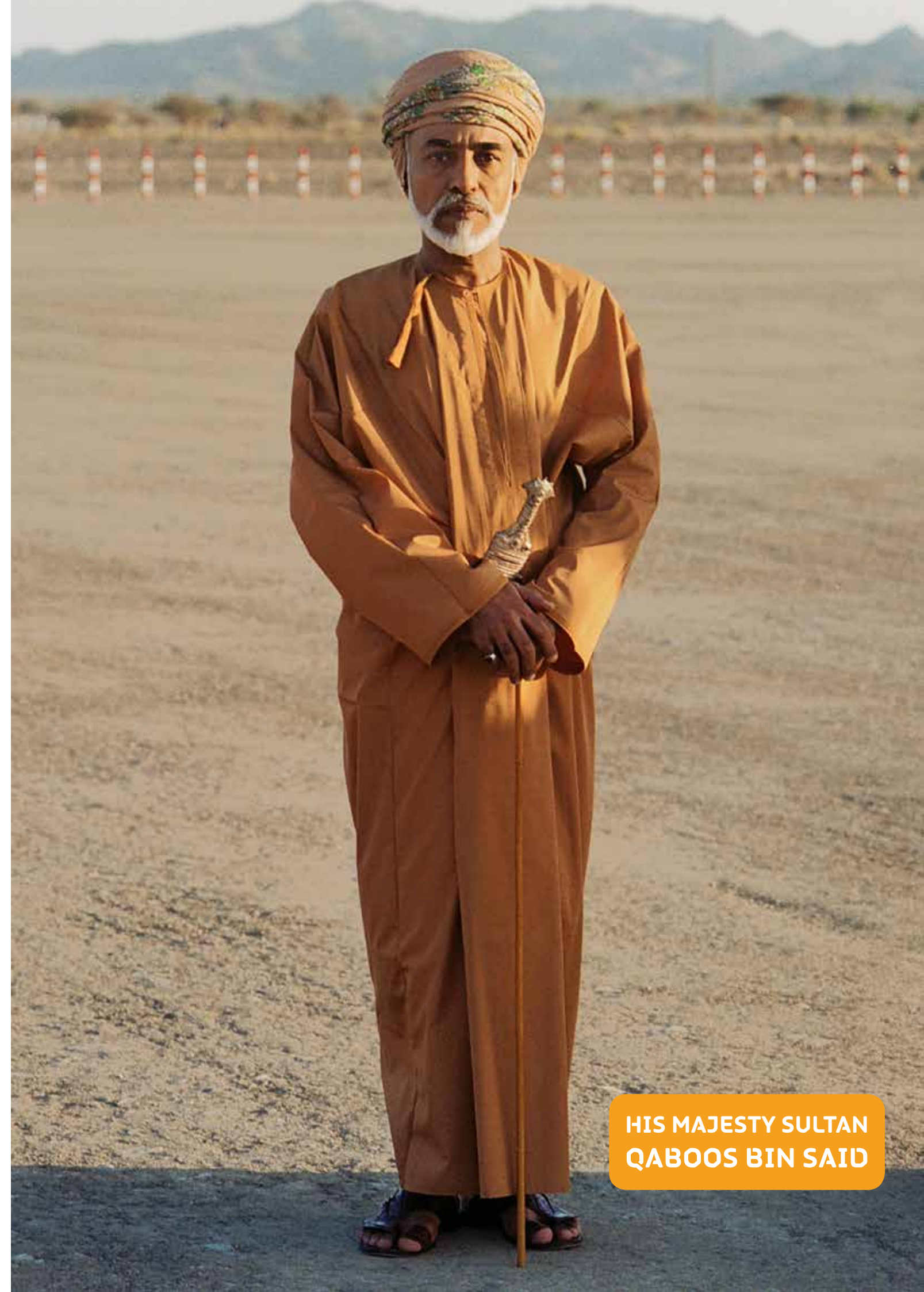




# TRANSFORMING LIFESTYLES

Annual Report 2016

عمانتل  
Omantel



**HIS MAJESTY SULTAN  
QABOOS BIN SAID**



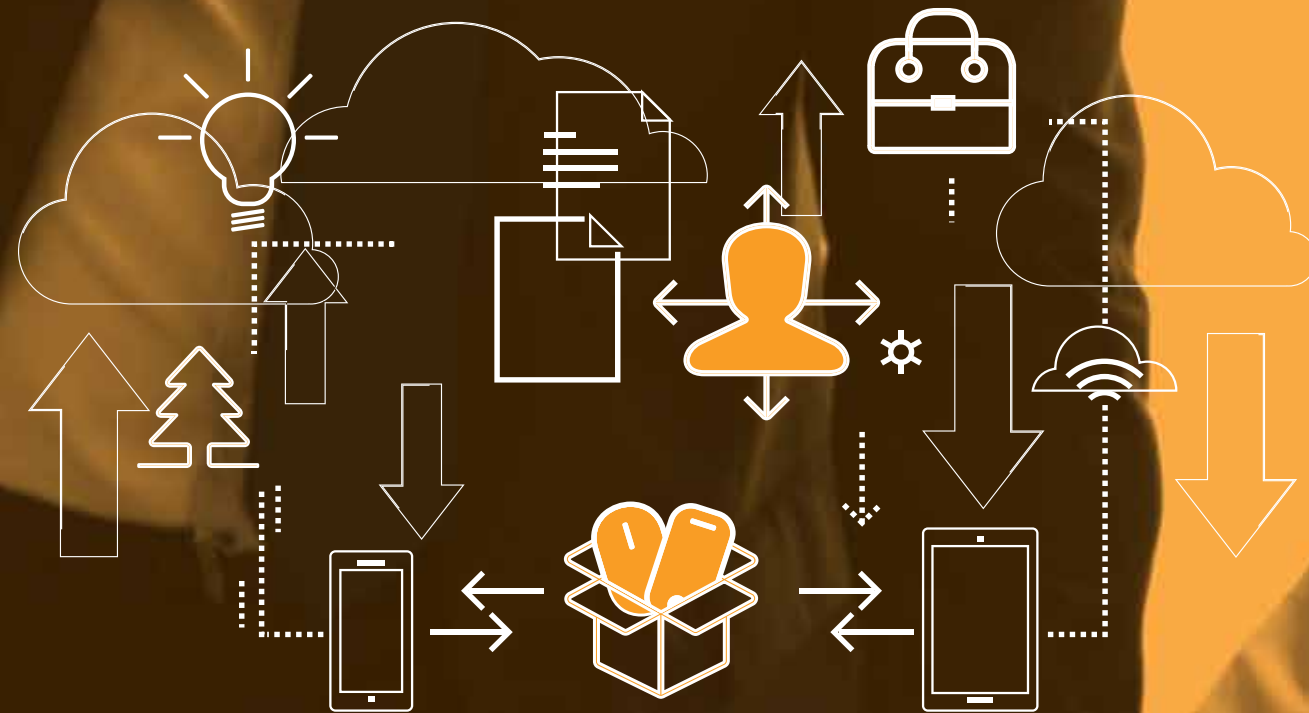
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# EXECUTIVE OVERVIEW







# CHAIRMAN'S REPORT

## Respected Shareholders,

We are pleased to present to you a summary of the results of the operations for the year 2016.

## Operating performance:

### REVENUE

Group Revenue for the year ended 31st December 2016 has grown to RO 523.6 million, an increase of 3.2% compared to RO 507.3 million for the corresponding period of year 2015.

Parent company Revenues has recorded a growth of 3.1% and now reached RO 519.3 million compared to RO 503.7 million for the corresponding period of year 2015. Parent company contributes 99% of the group revenues. The growth is mainly driven by Broadband revenues which increased by 11% and Wholesale revenues by 19%. Conventional revenue streams such as voices and SMS have continued its declining trend due to Over The Top (OTT) services.

### EXPENSES

Group Total Operating expenses increased by 6.5% to RO 396.1 million compared to RO 372 million for the corresponding period of year 2015. Operating Expenses (**excluding Cost of Sales, Depreciation and Royalty**) increased by 0.2% compared to the corresponding period. Depreciation and Amortization Increased by 16.3% is mainly from increased investment in network expansion and modernization of both mobile and fixed networks to meet the growing demand of broadband services.

### NET PROFIT

Group Net Profit after tax is RO 116.7 million compared to RO 48.5 million of the corresponding period of year 2015, which is an increase of 140.6%. The group net profit for Year 2015 includes one off charges of impairment with respect to its investment in subsidiary and Voluntary end of services. If this is excluded, the net profit for year 2015 would have been RO 115 Mn.

Group Earning per Share (EPS) for the year ended 31 Dec'16 is RO 0.156 compared to RO 0.065 for the corresponding period of year 2015.

## Final Dividend:

Board has recommended a final dividend of 70 bz per share which will be subject to the approval of AGM. This is in addition to the interim dividend of 40 bz per share paid in Aug 2016. This is bringing the total dividend of 110 bz per share for the financial year 2016.

## Royalty Increase

Telecom Regulatory Authority in Oman has formally reverted the royalty percentage rate from 7% to its previous rate of 12% on gross revenue. The rate will be effective from January 2017. A Royal Decree issued on February 19<sup>th</sup>, 2017, increasing the Corporate Taxation from 12% to 15%.

## Subsidiary Companies:

- 1) **Oman Data Park LLC:** is a joint venture of Omantel and 4Trust LLC. The paid up capital is RO 1.5 million and Omantel owns 60%. The revenue for the year ended 31 Dec'16 is RO 4.8 Mn an increase of 26.6% compared to RO 3.8 Mn for the corresponding period of year 2015. EBITDA margin for the period is 20% compared to 13% of the corresponding period. The company has incurred a loss of RO 0.4 Mn for the year ended 31 Dec'16 as compared to a loss of RO 0.9 Mn in the previous period.
- 2) **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 by mid of next year.
- 3) **Worldcall Telecom Limited (WTL):** On 11 October 2016, Omantel signed a Share Purchase Agreement with World-Call Services (Pvt) Limited and Ferret Consulting FZC for sale of ordinary and convertible preference shares respectively of WTL held by Omantel. The acquirers are working on completion of the transaction process, which is subject to the approval of the regulators including the Public Offer to minority shareholders of WTL in Pakistan. At 31 December 2016, Worldcall Telecom Limited (WTL) was classified as **"asset held for sale"**. The completion of the transaction is not expected to have any material financial impact on the Group's reported profit.
- 4) **Internet of things LLC (Momkin):** Omantel owns 55% shareholding in the company. The Company is engaged in the development of applications and services across a wide spectrum of smart, connected objects and M2M communications. The commercial operation is expected to start in 2017.

## Associate Companies:

- 1) **Oman Fibre Optic Co SAOG (OFOC):** Omantel owns 40.96% shareholding in the OFOC. The Revenue for the year ended 31 Dec'16 increased by 29% to RO 29.1 million compared to RO 22.6 million for the corresponding period of year 2015. The company has achieved a net profit after tax of RO 2.5 million for the year ended 31 Dec'16 compared to RO 1.6 million for the corresponding period of year 2015.
- 2) **Infoline LLC:** Omantel has 45% shareholding in the company. The Revenue for the year ended 31 Dec'16 increased by 14% to RO 7.2 million compared to RO 6.3 million for the corresponding period of year 2015. The Company's net profit after tax for the year ended 31 Dec'16 is RO 261 K compared to corresponding period profit of RO 340 K.

## Market Share:

Omantel's Mobile network market share (including Mobile Resellers) is estimated at 58.4% with a revenue share of 59.1%. The Fixed Telephone (post & pre-paid) market share is estimated at 73.7% with a revenue market share of 82.4%. The total domestic subscriber base as of December 2016 (including mobile and fixed businesses) has reached 3.350 million (excluding Mobile Resellers) compared to 3.384 million of the corresponding period of the previous year. However, total subscriber base with mobile resellers reached 4.521 Mn.

Awards and recognitions:

Omantel won the following awards during the Year 2016:

1. Omantel was awarded His Majesty Sultan Qaboos Excellence in e-Government Services Award, for best mobile application (mobile app) in the private sector.
2. Omantel got the prestigious award in the field of brand within the prize of “World Branding Awards” in a ceremony held in London, where Omantel got “Brand of the Year”.
3. The best company in the field of Investor Relations and Best Investor Relations Professional in the field of investor relations in the Sultanate of Oman for the year 2016 by the Middle East Investor relations Society, Dubai.

Corporate Social Responsibility (CSR):

As part of its ongoing commitment to support the society and environment, 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 2016:

1. Edlal (Partnership with the The Lounge) is the first Omani digital platform to enrich the Arabic e-content and targeting Arab youth. This knowledge-based platform aims to contribute in preparing young Omanis to join the workforce by equipping them with the required skills and knowledge for the market. It also plays a role in enhancing the Arab content on the internet with timely and reliable information.
2. Omantel in partnership with The Research Council “TRC”, Information Technology Authority, Public Authority for SME development, Riyadh & Innovation Development Oman “IDO” Initiated “Upgrade” an ICT startup project focusing on E-government, Smart city solution, Internet of things, cyber security etc.
3. Omantel also launched an interactive IT program for Kids named “Hour of Code” in partnership with a local SME “Engineering Village”. This initiative aims to educate school children about the basics of programming and was held in Dhofar Governorate.
4. Other CSR activities include 1) Autism awareness day in collaboration with SQU hospital, 2) Arab Orphan Day (by providing media pads for successful graduates), 3) Provides special printer to Omar ibn Al Khatab institute for blinds for printing in braille and Tablet devices to Almal School for deaf, 4) House Maintenance Project for underprivileged in association with Dar Al Ataa as part of Ramadan Campaign. 5) Support to Oman Cancer Association (In partnership with OCA) and 6) Supporting with IT systems for Early Intervention Association.

Future outlook:

The Omani telecom market in 2017 will see the impact of several fundamental regulatory changes. First, the increase of royalties from 7% to 12% on gross revenue, which is estimated at 17% of the year 2016 net profit. This is in addition to the increase in corporate taxation from 12% to 15%. This is expected to conclude to a negative impact on Omantel’s net profitability in 2017. Secondly, the advent of a 3<sup>rd</sup> licensed mobile operator becomes a strong reality, as TRA finally invited bids for a 3<sup>rd</sup> class-1 license in November 2016. Omantel and all the existing operators are expected to get significantly impacted by the hyper competition, coupled with the newly imposed Access & Interconnection (‘A&I’) regulations going forward. And finally, the effect of the oil price and economic environment will continue to affect consumer and enterprise spending behaviour. At the same time, the OTT (over-the-top) players in the domains of voice, messaging and content are further putting pressure on the traditional markets in the telecom sector. Combined, these market dynamics will likely pose challenges for the growth opportunities as well as the capability for operators to maintain their current levels of investment and profitability.

The execution of our “Omantel 3.0” strategy is the essential tool for Omantel to defend our position in the market and deal with the changed market dynamics. Our focus on maximizing the share of wallet and value for customer, through excelling in customer experience as well as expanding in beyond the core services such as ICT solutions will assure further growth in the market. We continue to invest in our network to meet the increasing demand for data services and to enhance customer experience. Our Carrier of Carriers strategy as part of Wholesale proposition in the region enables us also to assure we provide the best connectivity to international players.

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 wholeheartedly appreciate the sincere contribution of the Executive Management and Employees for the remarkable performance in the challenging situation. With your support, we are confident that Omantel will continue its good performance and will be able to 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 are honored to 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 guard him as a precious asset and a source of pride for his beloved homeland and loyal people, and grant him all 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



- 1- H.E. Eng. Sultan bin Hamdoon Al-Harhi
- 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



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C.R. No. 1224013  
PR No. HMH/15/2015; HMA/9/2015

## TO THE SHAREHOLDERS OF OMAN TELECOMMUNICATIONS COMPANAY SAOG

We have performed the procedures agreed with you pursuant to the Capital Market Authority's (CMA) circular no. E/4/2015, dated 22 July 2015, with respect to the Board of Directors' corporate governance report of Oman Telecommunications Company SAOG (the "Company") as at and for the year ended 31 December 2016 and its application of the corporate governance practices in accordance with amendments to CMA Code of Corporate Governance issued under circular no. E/10/2016 dated 1 December 2016 (collectively the "Code"). 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 and are summarised as follows:

- 1) We obtained the corporate governance report (the "report") issued by the Board of Directors and checked that the report of the Company includes as a minimum, all items suggested by the CMA to be covered by the report as detailed in the Annexure 3 of the Code by comparing the report with such suggested content in Annexure 3; and
- 2) We obtained the details regarding areas of non-compliance with the Code identified by the Company's Board of Directors for the year ended 31 December 2016. The Company's Board of Directors has not identified any areas of non-compliance with the Code.

We have no exceptions to report in respect of the procedures performed.

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 Oman Telecommunications Company SAOG to be included in its annual report for the year ended 31 December 2016 and does not extend to any financial statements of Oman Telecommunications Company SAOG, taken as a whole.

*Ernst & Young LLC*

Muscat  
23 February 2017

A member firm of Ernst & Young Global Limited

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.

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.

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-Harthy	24/3/2014	3 Years	Chairman	Non-Executive, Independent, representing Govt. Share	1	Nil	No
Mr. Saud bin Ahmed Al-Nahari	24/3/2014	3 Years	Deputy Chairman	Non-Executive, Independent, from share holders	2	1	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	Yes
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	3	Nil	Yes
Sheikh. Aimen bin Ahmed Al Hosni	24/3/2014	3 Years	Member	Non-Executive, Independent, representing Qurum Business Group	1	3	Yes
Sayyed. Zaki bin Hilal Al-Busaidi	24/3/2014	3 Years	Member	Non-Executive, Independent, from share holders	2	1	YES

H.E Eng. Sultan bin Hamdoon Al-Harthy 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 Oman Al Arabi Fund and member in Oman United Insurance Co. SAOG.

Mr. Abdul Kader Askalan was the Chief Executive Officer of Oman Arab Bank until 31 December 2013 and has a past experience in the banking sector. He is a board member of Galfar Engineering & Contracting SAOG.

Mr. Mehdi bin Mohammed Jawad Al Abduwani is the Chief 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, a board member of Al Maha Ceramics.

Mr. Abdul Rahim bin Salem Al-Harmi was the Advisor to the Minister of Transport and Communications for Meteorology Affairs. He has extensive experience in the field of civil aviation and meteorology. Prior to his appointment as the advisor to the Minister, he filled in the post of 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 Chief Executive Officer of Infoline LLC. He was the Director General of Knowledge Oasis Muscat, and has vast work experience in the field of Management and Information Technology for more than 20 years with a Master Degree in Business Administration.

Sheikh. Aimen bin Ahmed Al Hosni is the Chief Executive Officer of Oman Airports Management Company SAOC. He holds a Bachelor Degree in Political Science and a Master’s Degree in Public Administration. He is the Chairman of Oman National Engineering & Investment Company SAOG and Member of HSBC Bank Oman SAOG, Muscat National Holding Company SAOG and National Bureau of Commercial Information SAOC.

Sayyed. Zaki bin Hilal Al-Busaidi is the Chief Executive Officer 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 23 years of experience in the Telecommunications sector. He 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 12 meetings during the year 2016. These were in the following order:

#### Board Meetings:

Name of the Board Member	1	2	3	4	5	6	7	8	9	10	11	12
	31/1/16	14/2/16	28/2/16	24/3/16	25/4/16	12/5/16	6/6/16	14/8/16	22/9/16	17/10/16	9/11/16	8/12/16
H.E Eng. Sultan bin Hamdoon Al-Harthy	Yes	Yes	Yes	No	Yes	Yes	Yes	No	Yes	Yes	No	Yes
Mr. Saud bin Ahemed Al-Nahari	No	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes
Mr. AbdulKader Ahmed Askalan	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	No	Yes	Yes	Yes
Mr. Mehdi bin Moham-med Al-Abdwani	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes
Mr. Abdul Rahim bin Salem Al-Harmi	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Eng. Matar Saif Al-Mamari	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Eng. Mohamed bin Hamad Al-Maskari	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Sheikh. Aimen bin Ahmed Al Hosni	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Sayyed. Zaki bin Hilal Al-Busaidi	Yes	Yes	No	Yes	Yes	No	Yes	Yes	No	Yes	Yes	Yes

### The Committees stemming from the Board of Directors

#### 1. Executive Committee

##### A. Committee meetings

The Executive Committee held 3 Meetings during the year 2016. These were in the following order:

Name of the committee member	Position	Number and date of meeting		
		1	2	3
		5/1/16	8/2/16	6/11/16
H.E Eng. Sultan bin Hamdoon Al-Harthy	Chairman	Yes	Yes	Yes
Mr. Saud bin Ahmed Al-Nahari	D. Chairman	No	Yes	Yes
Mr. Mehdi bin Mohammed Al-Abdwani	Member	Yes	Yes	Yes
Eng. Matar bin Saif Al-Mamari	Member	Yes	Yes	Yes
*Sheikh. Aimen bin Ahmed Al-Hosni	Member	Yes	No	-

\* Sheikh. Aimen Al Hosni left the Committee from 3<sup>rd</sup> meeting.

### B. The Committee's terms of reference:

- To review the Company's business plan;
- To study the Company's annual budget and submit their recommendations to the Board;
- To study and approve new tariffs;
- To study and approve the proposed changes to Company policies;
- To take action on the matters submitted by the Board or Chairman of the Board;
- To take an action on urgent matters submitted by Company's CEO and which fall within the committee's authority;

### 2. The Audit Committee

#### A. Committee meetings

The Audit Committee held 11 meetings during the year 2016. These were in the following order:

Name of the committee member	Position	Number and date of meeting										
		1	2	3	4	5	6	7	8	9	10	11
		19/1/16	14/2/16	28/2/16	24/3/16	12/5/16	24/5/16	14/8/16	4/9/16	7/11/16	7/12/16	22/12/16
Sheikh. Aimen bin Ahmed Al-Hosni	Chairman	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Mr. Mehdi bin Mohammed Al-Abdwani	D. Chair-man	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	No
Eng. Mohamed Hamad Al-Maskari	Member	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Mr. Abdul Rahim bin Salem Al-Harmi	Member	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Sayyed. Zaki bin Hilal Al-Busaidi	Member	Yes	Yes	No	Yes	No	Yes	Yes	Yes	Yes	Yes	No

### B. The committee's terms of reference:

- 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.
- Oversee the adequacy of the internal control system through the regular reports of the internal and external auditors. The committee may also appoint external consultants when required.
- Oversee the internal audit function in general and with particular reference to reviewing the 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.
- Serving as a channel of communication between external auditors and the Board and also internal auditors and the Board.
- 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.
- Oversee 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.
- Reviewing risk management policies and looking into the reasons of defaults in payment obligations of the Company, if any.
- 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. Nomination, Remuneration & HR Committee\*

A. Committee meetings

The HR committee held 5 meetings during the year 2016. These were in the following order:

Name of the committee member	Position	Number and date of meeting				
		1	2	3	4	5
		14/2/16	28/4/16	24/5/16	1/11/16	7/12/16
Mr. Mehdi bin Mohammed Al-Abduwani	Chairman	Yes	Yes	Yes	Yes	Yes
***Sheikh. Aimen bin Ahmed Al-Hosni	D. Chairman	Yes	Yes	-	-	-
Mr. Abdulrahim Salem Al-Harmi	Member	Yes	Yes	Yes	Yes	Yes
**Mr. Abdulkader Ahmed Askalan	Member	NO	Yes	Yes	Yes	Yes
***Eng. Mohammed Hamad Al-Maskari	Member	-	-	Yes	Yes	Yes

\*The committee's titled changed from HR committee to Nomination, Remuneration & HR Committee effective from 9th November 2016

\*\* Mr. Abdulkader Askalan was appointed as Deputy Chairman from 12th May 2016

\*\*\*Eng. Mohammed Al-Maskari joined the committee replacing Sheikh. Aimen Al-Hosni from 12th May 2016.

B. The committee's terms of reference:

1. Provide succession planning for the executive management.
2. Develop a succession policy of plan for the board or at least the chairperson.
3. Prepare detailed job description of the role and responsibilities for directors including the chairperson. This will facilitate orientate directors towards their tasks and roles, and appraise their performance.
4. Look for and nominate qualified persons to act as interim directors on the board in the event of a seat becomes vacant.
5. Notwithstanding the articles of association senior executive position, as required or directed by the board.
6. Prepare a bonus, allowances and incentive policy for the executive management.
7. Review such policies periodically, taking into account market conditions and company performance.
8. Taking into consideration avoiding conflict of interests, the committee may, upon obtaining the approval of the board, seek the assistance and advice of any other party in order to better deliver its tasks.
9. To review factors and developments which require an amendment to the organizational structure of the company;
10. To review the structure and the level of salaries and compensation before submission to the Board of Directors;
11. To review and recommend strategic plan and policies relating to Human Resources;
12. Any other business as directed by the Board.

4. Tender Committee

A. Committee meetings

The Tender committee held 4 Meetings during the year 2016. These were in the following order:

Name of the committee member	Position	Number and date of meeting			
		1	2	3	4
		9/2/16	27/4/16	10/7/16	19/9/16
Mr. Saud bin Ahmed Al-Nahari	Chairman	Yes	Yes	Yes	Yes
Mr. Mehdi bin Mohammed Al-Abduwani	D. Chairman	Yes	Yes	Yes	Yes
Eng. Matar bin Saif Al-Mamari	Member	Yes	Yes	Yes	Yes
Sayyed. Zaki bin Hilal Al-Busaidi	Member	No	Yes	Yes	Yes
Eng. Mohamed Hamad Al-Maskari	Member	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.

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

\* Omantel provides phone and internet services to Board members.

(1) The following table shows the details of the financial allocations paid to members of the Board of Directors during 2016:

Name of Board Member	Sitting fee (RO)
H.E Eng. Sultan bin Hamdoon Al-Harthy	5,700
Mr. Saud bin Ahmed Al-Nahari	7,400
Mr. Abdul Kader Askalan	6,600
Mr. Mehdi bin Mohammed Jawad Al-Abduwani	10,000
Mr. Abdul Rahim Salem Al-Harmi	10,000
Eng. Matar Saif Al-Mamari	8,800
Eng. Mohamed Hamed Al-Maskari	10,000
Sheikh. Aimen bin Ahmed Al Hosni	10,000
Mr. Zaki bin Hilal Al Busaidi	8,900
Total	77,400

(2) Directors' Remuneration:

Details	Amount in (RO)
Total directors' remuneration recommended for the year 2017	122,600
Total directors' remuneration paid to members for the year 2016	124,400

(3) The following table shows the details of the financial allocations paid to the executive management (top five) during 2016:

Salary and other allowances (RO)	Bonus (RO)	Social Security Cost and end of service benefits (RO)	Total (RO)
945,813	680,000	65,092	1,690,905

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

Details of Non-compliance by the Company

The Board is pleased to confirm that there were no penalties imposed on the company during the year 2016.

In the year 2015, TRA imposed a penalty of RO 1 million in relation to disruption of company's telecommunication services on 17<sup>th</sup> November 2014.

Channels and Methods of Communication with Shareholders and Investors

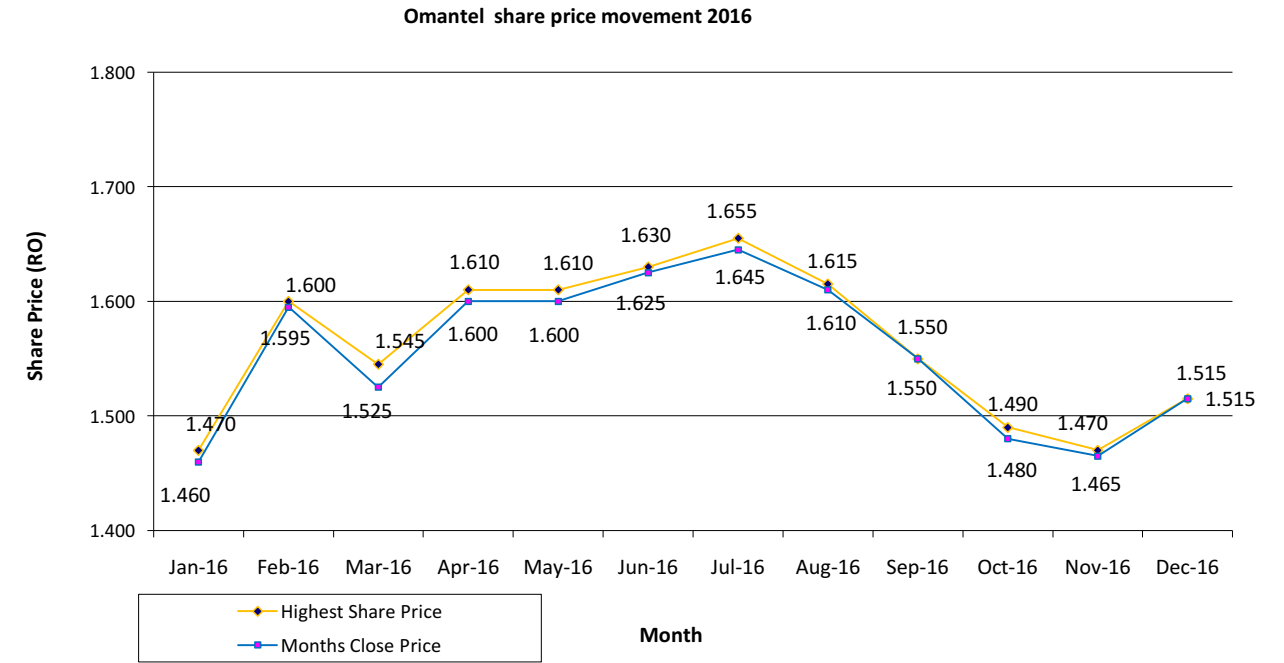
- The Company's quarterly financial reports are published in the local newspapers and are also uploaded to the website of Muscat Securities Market and on the Company's website. In addition, the shareholders are notified of the details of the financial results by sending them to the shareholders at their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

Details of Market Shares

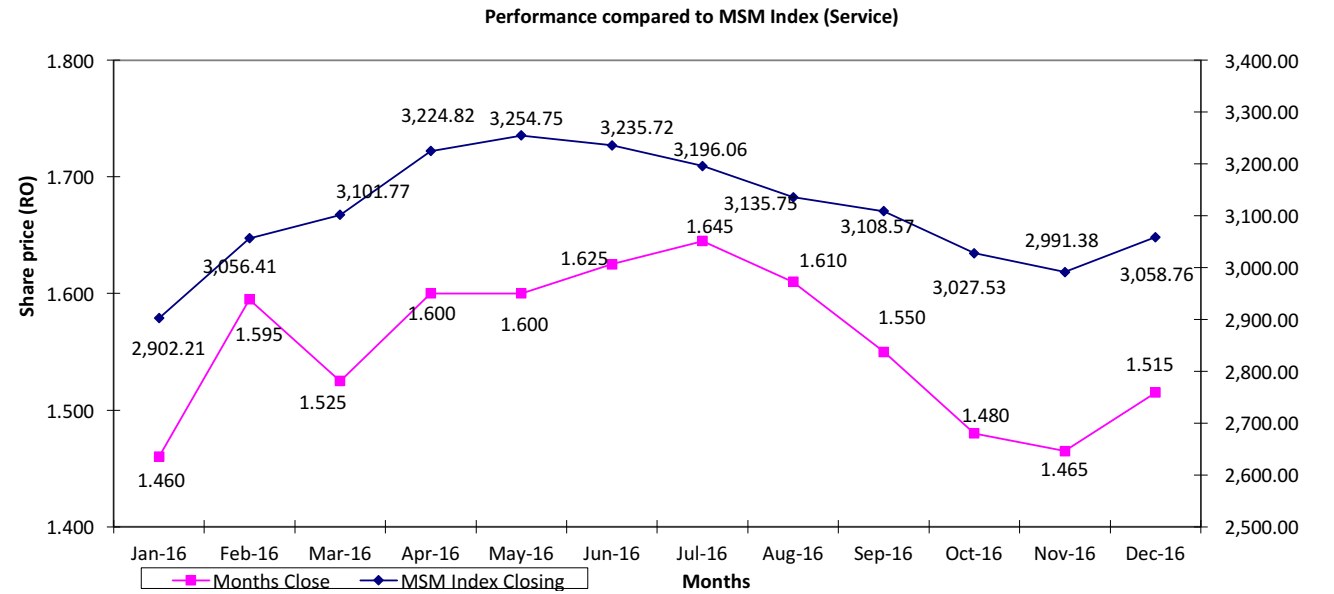
A) Details of prices for traded company shares:

Following are the details of the company's shares traded on the Muscat Securities Market (MSM) during the year 2016:

Month	Highest Share Price	Lowest Share Price
January	1.470	1.455
February	1.600	1.585
March	1.545	1.500
April	1.610	1.600
May	1.610	1.600
June	1.630	1.625
July	1.655	1.635
August	1.615	1.605
September	1.550	1.550
October	1.490	1.475
November	1.470	1.460
December	1.515	1.515



A) Comparison of Share Price with MSM Index (services)



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

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

Distribution of Company's shares

The following table illustrates the distribution of ownership of the Company's shares until 31/12/2016:

Sl. No	Number of Shares	No. of Shareholders
1	500 – 1	12,337
2	1,000 – 501	4,284
3	5,000 – 1,001	4,942
4	10,000 – 5,001	975
5	15,000 – 10,001	325
6	20,000 – 15,001	136
7	50,000 – 20,001	224
8	800,000 – 50,001	248
9	1,000,000 – 800,001	7
10	15,000,000 – 1,000,001	37
11	15,000,001 and above	7
Total		23,522

Professional Background of External Auditors

External auditor for Omantel

EY is a global leader in assurance, tax, transaction and advisory services. EY is committed to doing its part in building a better working world. The insights and quality services which EY delivers help build trust and confidence in the capital markets and in economies the world over.

The MENA practice of EY has been operating in the region since 1923 and employs over 6,500 professionals. EY has been operating in Oman since 1974 and is a leading professional services firm in the country. EY MENA forms part of EY's EMEIA practice, with over 4,400 partners and approximately 100,000 professionals. Globally, EY operates in more than 150 countries and employs 231,000 professionals in 700+ offices. Please visit ey.com for more information about EY.

The total audit fee paid/payable to the external auditor of the company for the financial year 2016 is as follows:

Details	Amount (RO)
Audit services	66,000
Tax services	7,100
Certifications	6,500
Other permitted Services	500
Total	80,100

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.



CHAIRMAN-BOARD OF DIRECTORS



# MANAGEMENT DISCUSSION & ANALYSIS

MANAGEMENT DISCUSSION & ANALYSIS for the Year Ended 31<sup>st</sup> December 2016

## MANAGEMENT DISCUSSION & ANALYSIS

Report – Year Ended 31<sup>st</sup> December 2016



The telecom sector continues to remain at the epicenter for technological evolution and innovation, which is in turn shaping virtually almost all other industries in the globe. Riding on the enormous technological advancements at both device and network levels, the sector itself continues to evolve at blistering pace while facing challenges from multiple forces such as stiffening regulatory regimes, sectoral liberalization and macro-economic deterioration etc.

Mounting pressures on growth and margins are enforcing operators to focus more and more on efficiencies and customer retention in an increasingly saturating market. Growth however is mainly driven by pursuing non-traditional business streams such as broadband services, Internet of Things (IoT) ecosystems & m-commerce. More and more operators are aligning themselves to achieve an enabling role in this rapidly evolving digital society. This is being done either through acquiring in-house capabilities or specialized but smaller emerging-technology players on the IoT, ICT and IT fronts.

The enormous footprint of OTT operators in the evolving socio-digital society continues to undercut traditional voice and messaging business. It is estimated that over 10% of the operators' annual voice traffic has been lost to OTT operators globally. As data traffic volumes increase rapidly due to multimedia content utilization, while ARPU growth therefrom remains relatively flat, operators are struggling to monetize the data amid competition, and scarcity of innovative product propositions.

The global economy continued to post weaker growth during 2016. Global GDP growth is estimated at 2.4% by IMF and World Bank, unchanged from a disappointing pace of 2015. MENA region, specially the oil exporting GCC economies due to sustained lower oil prices, therein continue to suffer economic contraction resulting in mounting fiscal deficits.

Oman's economy continued to suffer from oil price shocks during 2016 as Sultanate's oil revenues remained at significantly low levels during the year. Lower revenue impacted the overall Government spending during the year, resultantly impacting all sectors of the economy.

In line with the international telecom trends, the Sultanate's telecom landscape has also undergone series of changes amid social and technological advancements, shifting consumer preferences, increasing market liberalization, competitive and constricting regulatory landscape. A highly penetrated mobile market offers scarcer opportunities for further growth in traditional mobile business.

Despite all the above mentioned challenges, Omantel demonstrated solid operational and financial performance during 2016. We continued to lead the domestic telecom market as the Sultanate's flagship telecom operator, reflected by our expanding customer base and financial performance.

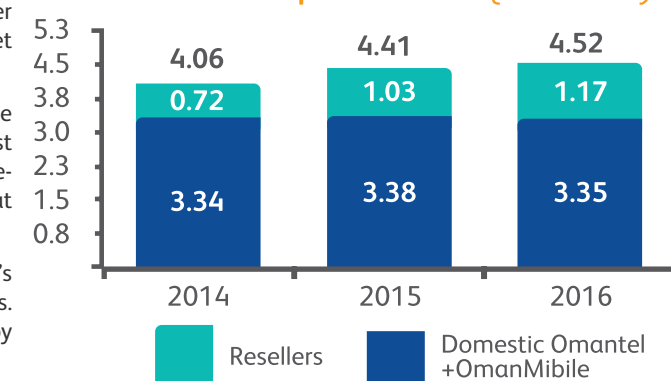
Amidst increasing operational challenges, Omantel continued to grow its revenue, although at a much slower pace. Based on our loyal customers, our largest and superior quality network, our focus on service delivery, quality and innovation, Omantel Group revenue posted a positive year-on-year growth of 3.2% in 2016, increasing from to RO 507.3 Mn in FY 2015 to RO 523.6 Mn in FY 2016.

Besides the extensive competition, we grew our customer base by 2.5%, especially in re-sellers, data and internet segments.

As at 31<sup>st</sup> Dec'16, Omantel's domestic customer base stood at 3.35 Mn (4.52 Mn including resellers) as against a total customer base of 3.38 Mn (4.41 Mn including resellers) in 2015. Our resellers grew by 14.3% and closed at 1.17 Mn customers on 31<sup>st</sup> Dec'16.

Omantel continues to stand out among the Sultanate's corporate sector through its high investor grade ratings. We carry 'BBB-' and 'Baa1' long term ratings assigned by

**Omantel Group Subscribers (in millions)**



Standard & Poor's and Moody's respectively with a stable outlook. These ratings are reflective of our resilient competitive profiling, strong stand alone financial positioning, low debt levels, high cash flow retention and an 'industry leading' EBITDA margin.

We continued to win international accolades and recognitions throughout the year. These achievements are depicted in the 'Awards' section later.

Omantel stands out as one of the prominent and most competitive wholesale telecommunication providers in the Middle East region. We are one of the leading companies in the field of submarine cable networks, and a key participant in several submarine cables, complemented by direct terrestrial links, connecting Asia, Europe and America passing through Oman. We have 13 international submarine cable landings through Omantel in the Sultanate of Oman and making Oman has one of the attractive international hub in the region and our submarine cable portfolio has grown to nearly 20 submarine cable systems around the world.

As we continue to work on our vision towards becoming a "Carrier of Carriers" in the region and beyond, Omantel celebrated the milestone landing of the Asia Africa Europe-1 (AAE-1) submarine cable system in Oman during 2016. AAE-1 is the third longest submarine cable in the world spanning approximately 25,000 kms, and connect 18 countries across Asia, Africa and Europe, all via Oman. The cable will provide an alternative and low latency short route between the east and the west while covering 50 per cent of the world's population.

Omantel recently became the first GCC operator to land a submarine cable in Europe as we landed the AAE-1 cable in the southern French city of Marseille. We also joined in a consortium with several East African telecommunications providers to lay the Gulf to Africa (G2A) undersea fibre-optic cable. The move reflects our planned expansion into East Africa.

The Bay of Bengal Gateway (BBG) cable system, the first cable system in the world connecting Singapore directly with the Middle East (in Oman with Omantel), became operational during 2016. BBG allows us to uniquely offer unchallenged quality between Frankfurt and Singapore.

Omantel's extensive international network will provide additional protection and diversity to the AAE-1 cable system through other systems like EPEG, which is another major high-capacity system consisting of redundant undersea cables to Iran and onwards terrestrial cable all the way via Azerbaijan and Russia to Frankfurt avoiding heavily congested existing cable systems on the route between Asia and Europe.

We continued to pursue our Corporate Strategy 'Omantel 3.0' during 2016 as Omantel prepares itself to face the intensifying competition with the advent of A&I regulations, and expected introduction of 3<sup>rd</sup> mobile operator in 2017. We strongly believe that the impact of the 3<sup>rd</sup> MNO specifically, combined with the A&I regulation will inevitably lead to increased pressure on overall operator returns. Relentless focus on becoming the customer experience leader in the market as well as leveraging our stronghold in the fixed area will strengthen Omantel market position and capability to protect value on the long term.

Strategy implementation is in progress and Omantel now has a dedicated organizational setup to ensure strategy implementation and monitoring the performance thereof.

### Industry Structure and Related Challenges

The Sultanate's population surpassed 4.5 million mark. Demographic composition of Oman comprises a significant majority of growing local population, and a substantial number of multiple nationalities residing in the country. Overall population is young and demographically diversified, scattered over a large geographical base in the country.

Given a low population base, Oman's telecom sector stands highly liberalized with 2 class-1 mobile operators, 3 class-1 fixed operators, 4 international gateway licensees, 1 class-1 maritime operator and, 6 class-2 re-sellers' licenses (3 are currently operational).

Besides a consistently growing telecom market in the country, fixedline and internet penetration levels are below the regional averages. According to the TRA, as at 31<sup>st</sup> October 2016, fixed line penetration in Oman remained 10.3% (based on population), and 81% (measured by households). Fixed internet services penetration was estimated at 6.12% (measured by population) and 48.1% (measured by households), and mobile penetration was 151%.

We continued to face excessive regulatory and operational challenges during the year 2016. An already crowded domestic telecom landscape continued to introduce new competition. A steadily strengthening foothold of MVNOs underlined the sectoral growth, as most of the mobile market expansion was captured by the resellers.

The advent of a 3<sup>rd</sup> licensed mobile operator becomes strong a strong reality, as TRA finally invited bids for a 3<sup>rd</sup> class-1 license in November 2016. Omantel and all the existing operators are expected to get significantly impacted by the hyper competition, coupled with the newly imposed Access & Interconnection ('A&I') regulations going forward.

TRA introduced new A&I regulation, which will be implemented soon. A&I regulations entail complete availability of existing operators' infrastructure to competitors at cost. This will put tremendous pressure on Omantel's revenue growth in the coming years. A&I regulations will also reduce interconnection and access wholesale rates, wholesale margins and reduce the entry barriers in wholesale arena.

Furthermore, in a tighter economic situation, demand for telecom services will tend to become further price sensitive. Reduction in the operators' incentives and an increased risk perception will reduce their willingness to further invest in the networks.

Expected from the heightened competitive disruption going forward, a significant proportion of Omantel's planned organic revenue for the coming years is at risk. Socio-political pressure on the operators for reducing prices (in addition to improving coverage/quality) is at all-time high as the country is in the midst of an economic downturn. In addition, the international calling market opened up for calling card operators through imposition of CCS and CPS obligations upon the existing class-1 operators will further put pressure on overall performance.

Recently, the Government has increased royalty from 7% to 12% on gross revenue, which is estimated at 17% of the year 2016 net profit. This is in addition to the increase in corporate taxation from 12% to 15%. This is expected to conclude to a negative impact on Omantel's net profitability in 2017.

A new fixed broadband operator rolled out its services in Muscat from the 2<sup>nd</sup> quarter 2016, introducing a new competitive pressure on Omantel's premier FBB service. This new competition is expected to further intensify competition during 2017 and Omantel may face a lesser than expected uptake of its fixed broadband services. Furthermore, the same operator has also been permitted to roll out its fixed and international telephony services. This will impact Omantel's international calling revenues going forward.

Operational and financial challenges emanating from intensive regulatory tightening, IP based OTT operators, persistently declining fixed voice business & international wholesale prices, and a tense macro-economic environment will continue to challenge the business outlook of Omantel.

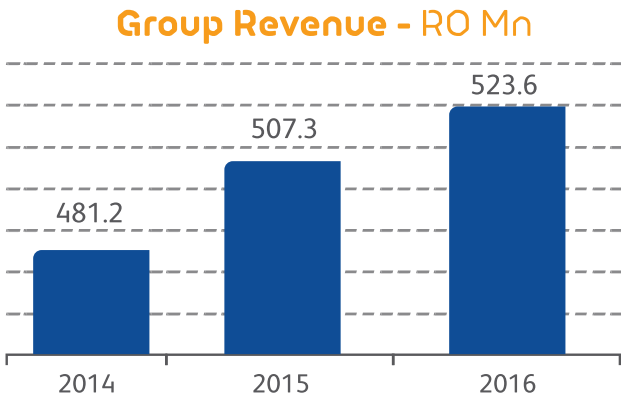
### Omantel Group Performance – 2016

Omantel Group revenue includes revenues from domestic Fixedline, Internet, Data, Mobile and Wholesale (external admin & Interconnection) services. In addition, Group's revenue includes the operations of subsidiary Oman Data Park LLC.

Oman Data Park is a locally incorporated subsidiary of Omantel Group providing data center, co-location, cloud and disaster recovery services in the country.

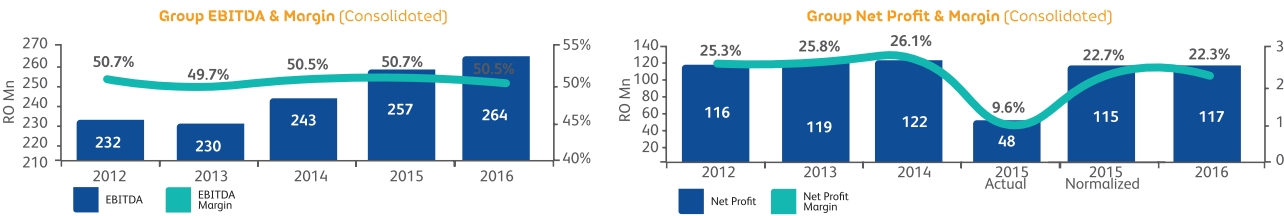
Omantel Group achieved a revenue of RO 523.6 Mn in the year 2016, compared to RO 507.3 Mn in 2015. Parent company contributes 99% of the group revenues.

This corresponded to an overall revenue growth of 3.2% during 2016, compared to 5.4% in the year 2015. Group's revenue growth was mainly driven by Omantel's parent operations, which recorded a growth of 3.1%.



### Profitability:

Group's EBITDA (Earnings before Interest, Taxation, Royalty, Depreciation and Amortization) increased from RO 257.3 Mn in 2015 to RO 264.2 Mn in 2016. EBITDA margin stands at 50.7% in year 2015 compared to 50.5% in 2016.



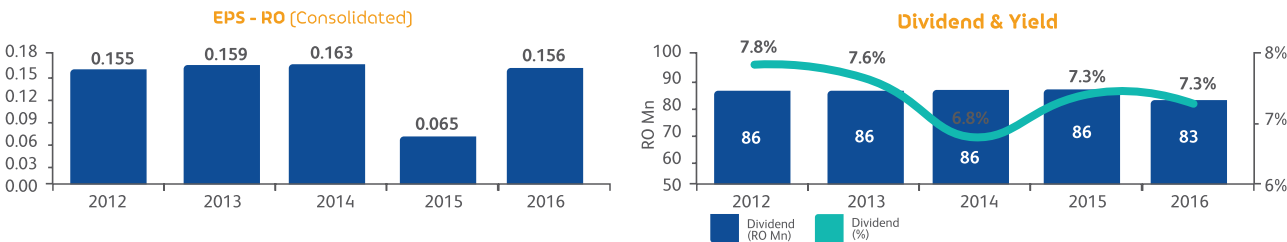
The group achieved an after tax Net Profit of RO 116.7 Mn for the year ended 31st December 2016, compared to the after tax profitability of RO 48.5 Mn in 2015, an increase of 141%. Net Profit in 2015 was severely impacted due to the realization of impairment of investment in WTL and Voluntary End of Service (VEOS) program. Without the impact of these events, the Group achieved a Net Profit of RO 114.9 Mn. Based on the normalized 2015 earnings of RO 114.9 Mn, Omantel posted a 1.5% growth in the net profit during 2016.

The Group's Net Profit Margin increased from 9.6% as recorded in 2015, to 22.3% in 2016.

### EPS, Dividend & Yield:

Omantel's EPS increased from RO 0.065 (Normalized 2015: RO 0.153) in 2015 to RO 0.156 in 2016. It is noteworthy to reiterate that EPS for 2015 was severely impacted due to impairment WTL investment & cost of VEOs program.

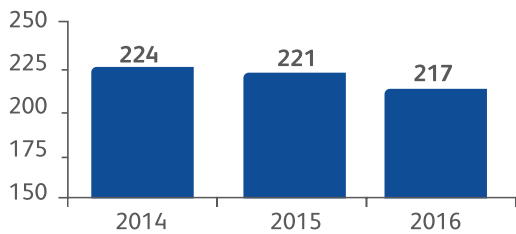
The Group continues to maintain a healthy shareholder relationship with a lucrative dividend distribution policy. In line with the dividends declared in the previous years, a dividend of RO 83 Mn has been assumed for 2016, which amounts to 110% of the share capital. As at 31<sup>st</sup> December 2016, Omantel share price closed 3% lower in value at RO 1.515, compared to RO 1.565 as at 31<sup>st</sup> Dec'15.



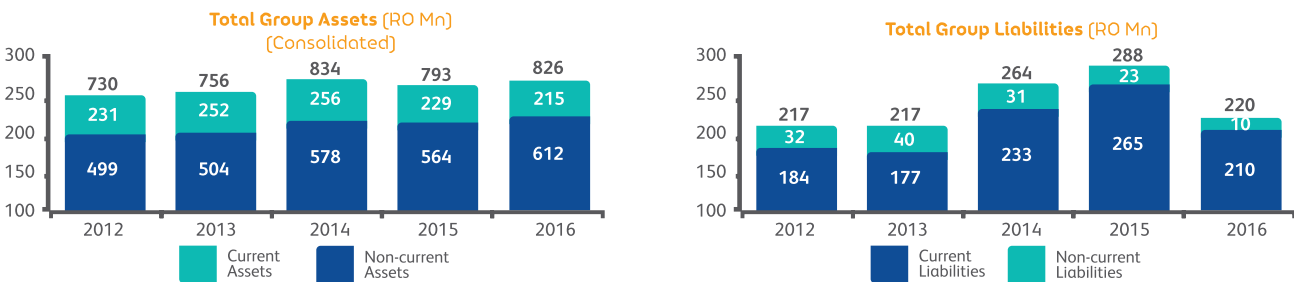
Omantel maintained its consistent cash generating position during 2016 through its domestic operations, and comfortably met its working capital and capital expenditure requirements.

Net cash flow generated from operating activities amounts to RO 212.2 Mn, which is 41% of revenue.

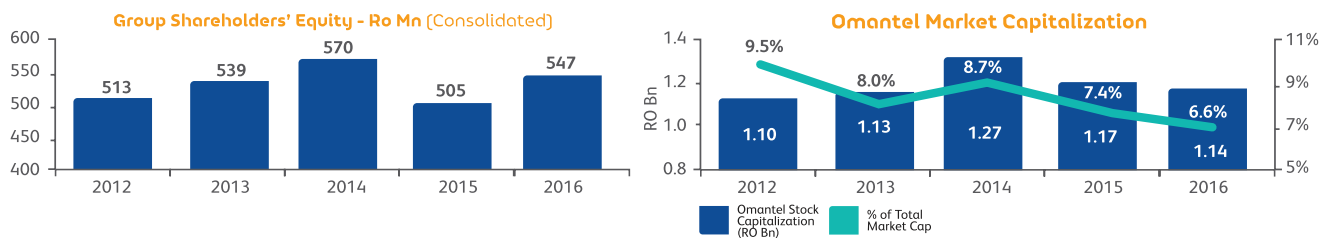
### Net Cash Flow From Operating Activities (RO Mn, Consolidated)



### Financial Position:

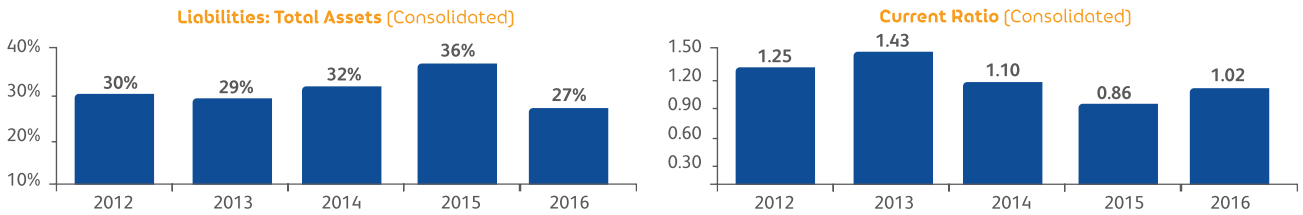


The overall assets of the Group depict a strong financial position, at the backdrop of Omantel's committed investments in its network in both mobile and fixed line services. Fixed assets (including intangible assets), principally telecom equipment and facilities currently account for 66% (up from 62% in FY 2015) of the Group's overall asset base.



Group's consolidated shareholders' equity posted an increase of 8% over 2015. The Shareholders' equity increased from RO 505.4 Mn in 2015 to RO 546.7 Mn in 2016. Omantel's market capitalization stood at RO 1.14 Billion as at 31<sup>st</sup> December 2016, down from RO 1.17 Billion at the corresponding date in 2015. This accounts for 6.6% of the overall market capitalization of Muscat Securities Market.

The Group's Total Liabilities remained about 27% Total Assets as at 31<sup>st</sup> Dec 2016, compared to 36% on the corresponding



date in 2015. The Group's current ratio was recorded at 1.02, representing a healthy liquidity position.

### Performance of Parent Company

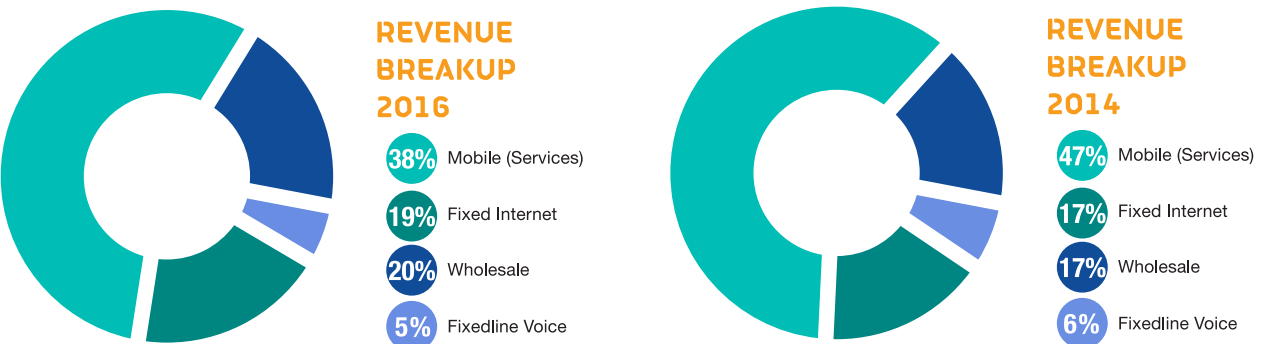
Despite the challenging operational environment as discussed earlier, Omantel's parent company demonstrated an overall positive performance underlined by a modest customer and revenue growth. Omantel's Parent company revenue posted a growth of 3.1% (RO 15.6 Mn) during the year 2016, over the revenue generated in 2015. Omantel achieved a revenue of RO 519.3 Mn in the year 2016, compared to RO 503.7 Mn in 2015. Parent company revenue growth was mainly driven by growth in internet, data and wholesale services.

Financial year ended 31 December (Parent Company)			
	2014	2015	2016
Fixed line (Voice)	27.5	26.0	24.5
Internet & Data	80.7	91.3	102.1
Mobile Service	281.2	300.7	290.7
Wholesale (In payment + Interconnection+ capacity sale)	79.7	85.8	102.3
<b>Total Service Revenues</b>	<b>469.1</b>	<b>503.7</b>	<b>519.3</b>
<b>Growth %</b>	%4.6	%7.4	%3.1

The growth in total revenues in the recent years is mainly driven by the increase in Broadband revenue resulting from growth in both mobile and fixed broadband business. Fixedline voice business continues to persistently decline, mainly due to a constant fixed to data & mobile substitution. Omantel's mobile business also posted a negative growth during 2016 owing to increasing competition in prepaid segment. The Fixed business retail revenues recorded a growth of 7.7%, whereas mobile business posted a negative growth of -3.3% mainly contributed by lower handset sales. Fixedline growth is driven by Broadband revenues, which witnessed an overall increase of around 20.7%. Mobile prepaid and Handset sales posted a decline of 3.4% and 29.6% respectively compared to Year 2015.

Broadband data revenue contributed 43% of Fixed and 40% of mobile retail revenues in the year 2016, compared to 38% and 36% respectively in 2015.

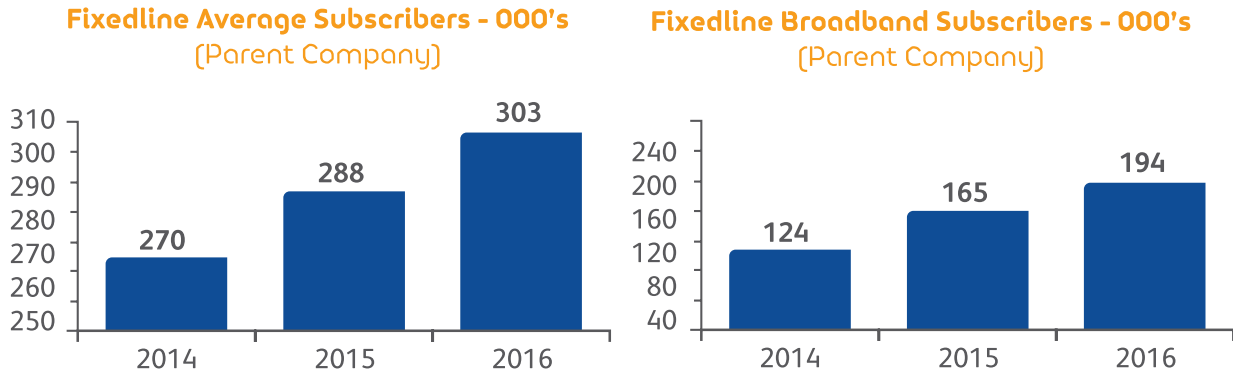
### Revenue and Subscribers:



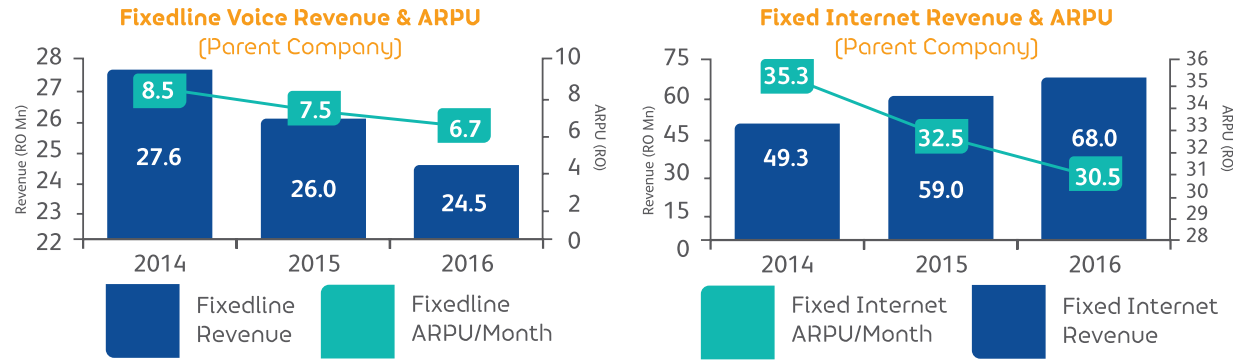


Fixed line Business:

Fixed line Business includes national and international fixed line voice (post and pre-paid) and prepaid cards (Jibreen) and payphones (Al Multaqa). Average fixed line subscribers posted an overall growth of 5% over 2015, and an y-o-y increase of 4.2k subscribers during 2016. Higher growth however, is witnessed in the fixed bundled broadband services. Fixedline internet subscribers comprising of Broadband, Internet dedicated and dialup, posted a healthy growth of 23% mainly driven by fixed broadband (FBB), and achieved an increase of 28.9k subscribers during 2016 compared to a net increase of 40.6k subscribers during the year 2015.



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 continued to decline during 2016. Average fixed line voice ARPU declined by 11%, i.e. from RO 7.5 per month in 2015 to RO 6.7 per month in 2016.

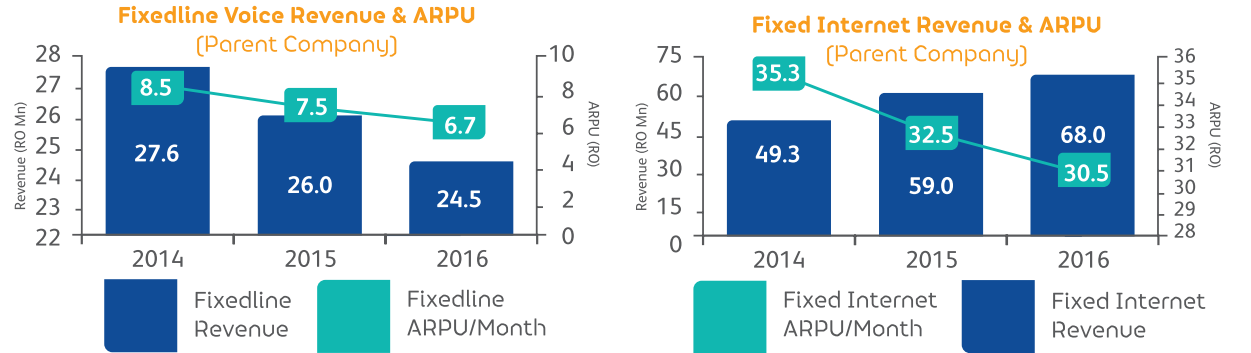


Overall revenue from Internet services (internet dialup, fixed broadband, internet dedicated) posted a growth of 15% during 2016, mainly driven by Broadband growth. However, the ARPU in this segment has declined by 6.3%; Fixed Broadband subscribers increased by 17.6% reaching 193.7k in 2016 compared to 164.6k in 2015. Fixed internet ARPU for is driven from revenues generated by all Internet services.

Mobile Business:

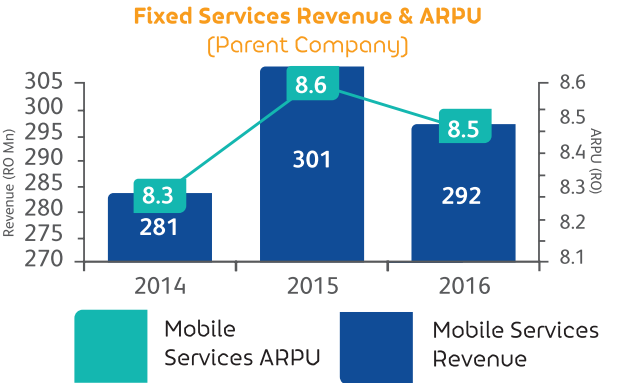
Mobile service includes postpaid, prepaid and other value added services. Omantel Group's mobile customer base (including Resellers) continued to grow at a slower rate during 2016 i.e. an increase from 3.93 Mn subscribers in 2015 to 4.01Mn subscribers in 2016.

Subscriber growth remained under tremendous pressure amid a saturated market and highly competitive scenario. Competition continued to intensify and customer demographics are evolving in favor of those operators targeting low income customer group (i.e. prepaid market & mobile resellers).



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

Omantel mobile retail revenue accounted for 56% of total domestic revenue in 2016. Given the decline in mobile revenue as witnessed during the year, the blended monthly mobile ARPU decreased from RO 8.6 in 2015 to RO 8.5 in 2016, a 2% reduction.

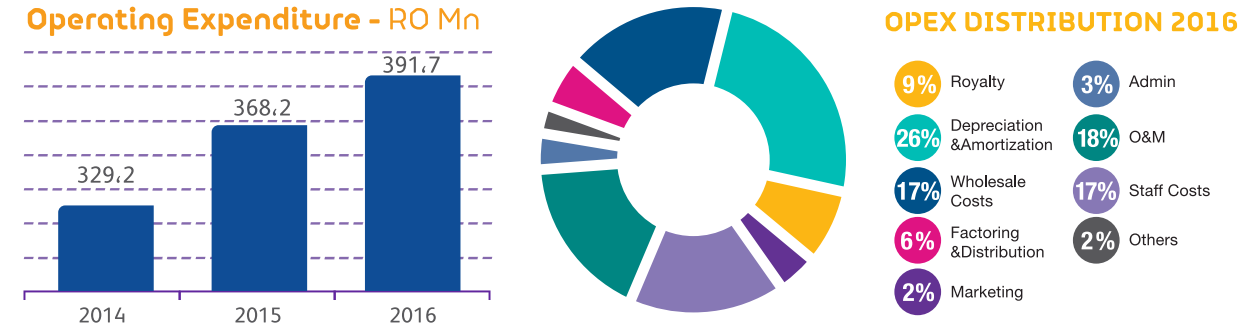


Operating Costs:

Total operating expenses ('opex') of the Omantel amounted to RO 391.8 Mn in 2016, i.e. an increase of RO 23.6 Mn over 2015. As a percentage of total service revenue, the Group's Opex to revenue ratio increased from 73.1% in year 2015 to 75.5% in the year 2016.

Evolution of Parent Company expenditure over the years

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



Financial year ended 31 December	Figures in RO Mn		
Omantel Opex (Parent Company)	2014	2015	2016
Staff costs	66.4	70.5	67.9
O&M (including IRU)	61.3	74.3	81.2
Administrative	9.6	12.7	11.1
Marketing & Advertising	6.7	7.8	8.3
Factoring, Collection & Distribution	22.9	22.5	22.3
Charge of impairment of receivables	0.3	1.4	2.1
<b>Total Controllable Opex</b>	<b>167.2</b>	<b>189.1</b>	<b>192.9</b>
Cost of content services	2.9	3.4	4.6
Cost of Roaming operator	4.6	6.2	5.5
External Administration	30.8	30.3	34.7
Interconnection expenses	13.5	13.5	13.9
Depreciation & Amortization	74.9	87.7	101.8
Annual License Fees to TRA	3.9	4.4	4.4
Royalty	31.5	33.6	33.9
<b>Total Uncontrollable Expenses</b>	<b>162.0</b>	<b>179.1</b>	<b>198.9</b>
<b>Total Operating Expenses</b>	<b>329.2</b>	<b>368.2</b>	<b>391.8</b>

### Staff Costs:

Staff costs include salaries and allowances, social security costs, end of service benefits, and other benefits. Staff costs have recorded a 3.6% decrease compared to Year 2015 due to implementation of voluntary end of service.

### Operating & Maintenance expenditure

Operating & Maintenance ("O&M") expenditures increased by 9.3%, mainly due to increase in cost of sales which is in line with increase of related revenue and satellite channel and frequency charges.

### Administrative expenditure

Administrative expenses have decreased by 12.5%, mainly for payment to TRA and consultancy costs on new Corporate Strategy and Spend optimization initiatives.

### Depreciation

Depreciation Increased by 15.3%, mainly due to increased investment in network expansion and modernization of both mobile and fixed networks to meet the growing demand of broadband services.

### Royalty charges

Royalty charges recorded an increase of 1% compared to Year 2015 which is in line with the increase in revenue. Royalty charges will witness a significant increase as TRA has increased the royalty rate on Omantel from 7% to 12%, effective from 2017.

### Investment & Finance income

Investment & Finance income decreased by 42%, mainly due to investments valuation at market price. This is evident from the economic slowdown of global markets in Q4 of 2016.

### Investor Rating:

Omantel was assigned investment grade financial ratings during 2016, by Standard and Poor's at 'BBB-', and 'Baa1' by Moody's. Our ratings are reflective of our persistent financial and operational strength demonstrated throughout the year.

### Internal Control Systems and 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.

### Omantel Group Subsidiaries:

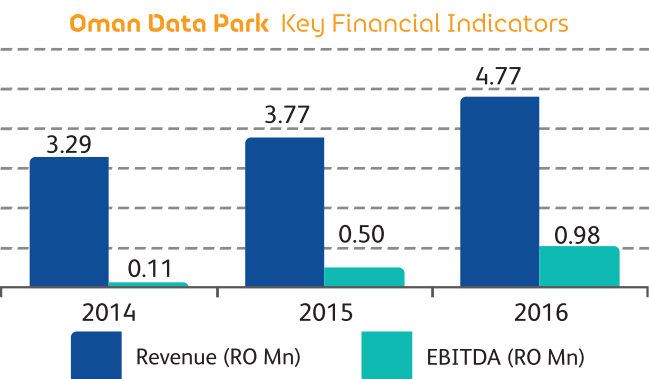
On 11 October 2016, Omantel signed a Share Purchase Agreement with WorldCall Services Limited and Ferret Consulting for sale of ordinary and convertible preference shares of WTL held by Omantel. The acquirers are working on completion of the transaction process which is subject to the approval of the regulators including the Public Offer to minority shareholders of WTL in Pakistan. At 31 December 2016, Worldcall Telecommunications Limited (WTL) was classified as a disposal group held for sale and as a discontinued operation. The completion of the transaction is not expected to have any material financial impact on the Group's reported profit

### Oman Data Park:

Omantel Group's subsidiary Oman Data Park ('ODP') continued to post solid topline growth during 2016.

ODP is providing disaster recovery, business continuity and cloud based IT services to the domestic corporate sector. Omantel holds 60% shareholding in ODP.

ODP has reported a healthy revenue growth and a positive EBITDA of RO 975 k for the year 2016. The Company posted a revenue of RO 4.8 Mn in 2016, up from RO 3.8 Mn recorded in 2015. The current operational and financial indicators, as well as the short term outlook of ODP growth stand promising.



### Group Achievements & Awards

Omantel continued to gain recognition across several international and domestic forums, and won following accolades during 2016:

- Omantel Mobile App recognized with Sultan Qaboos Award for Excellence in e-Government 2016 "best private sector mobile service award".
- Named 'Brand of the Year' in Oman at the world branding forum held in London.
- Highest ranking in the 'Sultanate's most Trusted Brands 2016' survey carried out by the Oman Economic Review., And
- received award in the telecom category from Muscat Daily's online survey.

- Omantel awarded the platinum category of ‘Quality choice prize 2016’ by the European society for quality research.
- Omantel recognized with the “Excellence in Building National Talents” award at the Alam Al Iktissad Wal Amaal (AIWA) Awards for the 2015 achievements.
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- Omantel puts Oman amongst fastest LTE speed worldwide, according to Open Signal February 2016 report, and ranked 2nd in the Arab region in the November 2016 report.
- Omantel joined a consortium with several East African telecommunication providers to lay the Gulf to Africa (G2A) undersea fiber-optic cable, set to revolutionize connectivity from Oman to East Africa with a 1500KM long cable.
- Successful landing of the Asia Africa Europe (AAE-1) cable system in the French city of Marseille spanning 25,000KM linking Asia, Africa and Europe, Omantel is the first GCC operator to land undersea cable system in Europe. Landing of first of a kind subsea cable to link Africa to Asia via Pakistan. This cable will create new ultra-low latency route options for customers and offer global connectivity in these rapidly developing regions
- Formation of a dedicated division for integrated ICT solutions focused on delivering ICT services to public and private sector clients across the Sultanate.
- Launch of first Internet balloon in Oman, in collaboration with SQU to provide mobile coverage to remote areas and use it in cases of emergencies.
- Signing agreement with Oman national transport company ‘Mwasalat’ to provide free Wi-Fi in all Mwasalat buses in addition to providing a number of other services and facilities.

Trends, Opportunities, Threats & Outlook

Emerging developments such as exponential growth in data usage, rapid advancements in 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 continue to re-define operators’ roadmaps in order for them to ensure sustainability.

Voice and data connectivity will continue to become cheaper at the cost of operators’ earnings amid stringent regulatory measures and extensive competition, both in retail and wholesale markets.

Connectivity in general, continues to lose its overall importance in the information value chain as status of service delivery and content generation continues to strengthen to retain customers in overly saturated markets. With the growing demand footprint of cloud computing, network security, internet of things and other data centered technologies, operators are spending enormous funds on constant upgradation of their networks. These trends will continue to suppress operators’ earnings and financial capabilities in the future.

Trends witnessed in the Sultanate’s telecom sector coincide with the global telecom direction, where data services are clearly emerging as engines of growth. Exponential growth in data consumption however, has not yet delivered any respite to operators from the excessive cannibalization of traditional voice and sms, mainly due to lack of data monetization, lower pricing and increasing OTT/VoIP service penetration.

Traditionally, the Sultanate’s telecom sector achieved growth based on consistent economic development of the country. However the crash in the oil prices, and resultant slowdown in overall Government’s spending has sent depressing effects across the country’s economic downstream.

Among all these threats and challenges, exists growth opportunities in the evolving segments such as IoT, IPTV, ICT, M2M etc. Rapidly digitizing commercial, industrial and socio-cultural environment offers opportunities to operators in provisioning of solution-based connectivity rather than traditionally provided mere voice /data connections.

As device ecosystems evolve rapidly towards greater affordability for corporate customers, Omantel is re-positioning itself to serve customers as per their demands. Our corporate strategy ‘3.0’ involves exploration of value across all segments of high speed data communication. We have already launched our IPTV services ‘Omantel TV+’ for our fixed broadband customers, ICT solutions and Internet-of-Things offerings are set to launch during 2017.

Broadband data in both consumer and corporate market is the fastest growth area 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, FTTH, 3G and 4G LTE technologies.

Our strategy remains focused on enriching customer experience, growth, retention, product innovation, and cost efficiencies, with the ultimate goal to enhance our shareholders’ value.

Outlook:

In addition to the general economic and sectoral trends, Sultanate’s telecom sector bears a unique set of challenges such as limited market size, extensive regulatory framework and an expanding list of operators in the country. Omantel is facing continuous competitive pressure in an already saturated market. Regulatory developments such as liberalization across mobile, fixed and wholesale segments, and new Access & Interconnection regulations will continue to put pressure on Omantel growth and margins.

‘Omantel 3.0’

Our Corporate Strategy “Omantel 3.0” kicked off in 2015, and the transformation program implementation has continued since then. The strategy focuses on revenue generating units as key metrics, strengthening our core services, expanding into near-core and non-core areas, and by becoming the key differentiator companion of choice and creator and enabler of digital ecosystems.

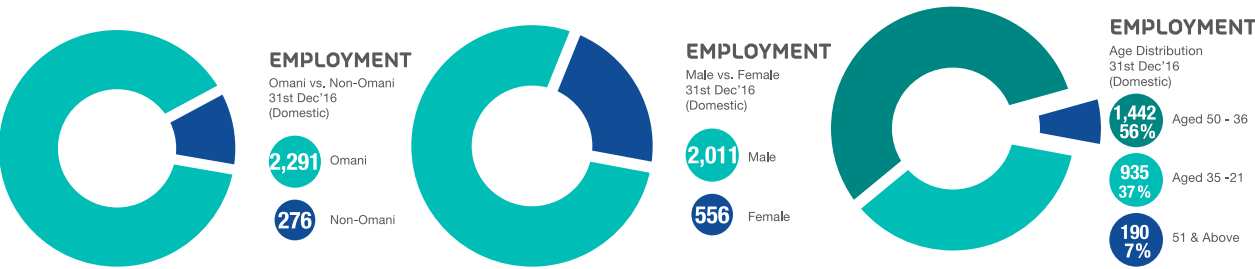
Our key focus areas for 2017 are the continuous execution of our Omantel 3.0 strategy, to ensure Omantel’s preparedness to face the intensifying competition in the market:

- Continue our growth in core services through innovative value propositions and strong focus on customer experience
- Special Focus on Broadband value propositions, with an aim to monetize data and compensate declines in traditional voice and messaging
- Increase relevance of near-core and beyond core services to drive revenue growth in both Consumer and Corporate segments
  1. Increase portfolio of Corporate ICT Solutions to grow new revenue streams as well as strengthen connectivity revenues
  2. Consolidate strategic advantage in the fixed communication solutions, mitigate threat from competition and increase relevance through positioning and developing the Home ecosystem, i.e. IPTV & content, WiFi, bundled offerings, Home automation etc.
- Strategic positioning of innovation and partnership ecosystem in the organization
- Investments to grow the Wholesale mass infrastructure (submarine cable systems) and to build a diversified service offering leveraging this infrastructure
- Strong focus on extending/modernizing the network to enhance customer experience
- Completion of major IT transformation projects to support the customer experience requirements

Employee Status:

Total number of employees in the group (Domestic Operations) as of Dec’16 stood at 2,567 (2,689 in Dec’15). With total number of Omanis of 2,291, compared to 276 Non-Omani employees, the Group’s Omanization achievement stands at 89.3%. Total Male employees accounted for 2,011 at 31<sup>st</sup> Dec’16, and female employees were reported at 556.

56% of the total employees are aged between 36-50 years, 36% are aged between 21-35 years and 7% of the employee force is aged above 51 years.



  
**Talal Said Al Mamari**  
Chief Executive Officer

  
**Martial Caratti**  
Chief Financial Officer



# ACHIEVEMENTS AND AWARDS 2016

## ACHIEVEMENTS AND AWARDS 2016

1. Omantel App recognised with Sultan Qaboos Award for Excellence in e-Government 2016 “best private sector mobile service award”.
2. Named ‘Brand of the Year’ at the world branding forum held in London.
3. Omantel got the highest ranking in the ‘Sultanate’s most trusted brands 2016’ survey carried out by the English publication Oman Economic Review, as the most trusted brand in telecom amongst top management polls as well as executives.
4. Omantel received the ‘most trusted brand’ award in the telecom category from Muscat Daily’s online survey.
5. Omantel awarded the platinum category of ‘quality choice prize 2016’ by the European society for quality research.
6. Omantel recognised with the “Excellence in Building National Talents” award at the Alam Al Iktissad Wal Amaal (AIWA) Awards for the 2015 achievements.
7. Omantel recognised with the ‘leading corporate for investor relations’ award in Oman. Gopinath Menon, GM Strategic Finance presented with the ‘best investor relations professional award’ at the MEIRA 8<sup>th</sup> annual conference.
8. Best brand in telecom sector in the Sultanate in an annual independent brand survey conducted by Business Today magazine.
9. Omantel awarded ISO 9001 certification for consistently delivering outstanding levels of service within corporate customer services division, exceed customer expectations, as well as strengthening and streamlining operational processes.
10. Omantel puts Oman amongst fastest LTE speed worldwide, according to Open Signal February 2016 report, and ranked 2<sup>nd</sup> in the Arab region in the November 2016 report.
11. Omantel joined a consortium with several East African telecommunication providers to lay the Gulf to Africa (G2A) undersea fibre-optic cable, set to revolutionise connectivity from Oman to East Africa with a 1500KM long cable.
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16. Signing agreement with Oman national transport company ‘Mwasalat’ to provide free Wi-Fi in all Mwasalat buses in addition to providing a number of other services and facilities.

# CORPORATE SOCIAL RESPONSIBILITY AT OMANTEL

## CORPORATE SOCIAL RESPONSIBILITY AT OMANTEL

Corporate Social Responsibility (CSR) is not just a word we use to enhance our corporate credentials. At Omantel, CSR is deeply embedded in our corporate philosophy. The key fundamentals that define our CSR philosophy are rooted in our passion and commitment to improve the social and economic fabric of the Sultanate. Our vision extends beyond sustainable management of our everyday business and encourages community development.



Our highly targeted CSR programmes recognise the underlying socio-economic issues in the Sultanate and their impact across industry verticals – especially as we move into a digital era.

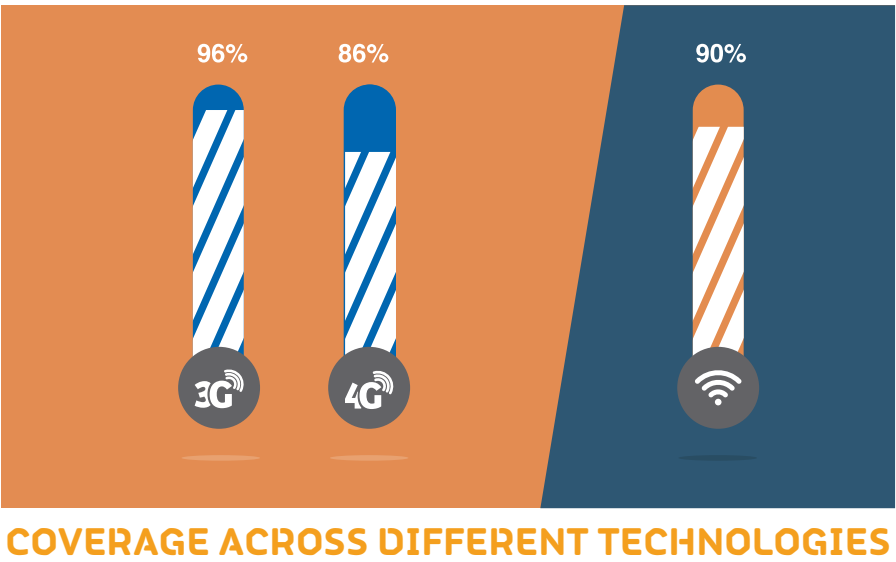
By generating an enriched experience for our customers, we help promote digital inclusion for the community around us. That is why, at Omantel, we focus our social investments on high-impact areas such as digital inclusion, environment, youth empowerment, talent development and encouraging entrepreneurship. We believe that these key areas will be instrumental in the Sultanate realising its long term ambitions to diversify the economy through Omanisation.

In 2016, Omantel utilised RO 500,000 from its CSR budget to implement various CSR initiatives and activities and also extended support to the community through sponsorship and events support activities.



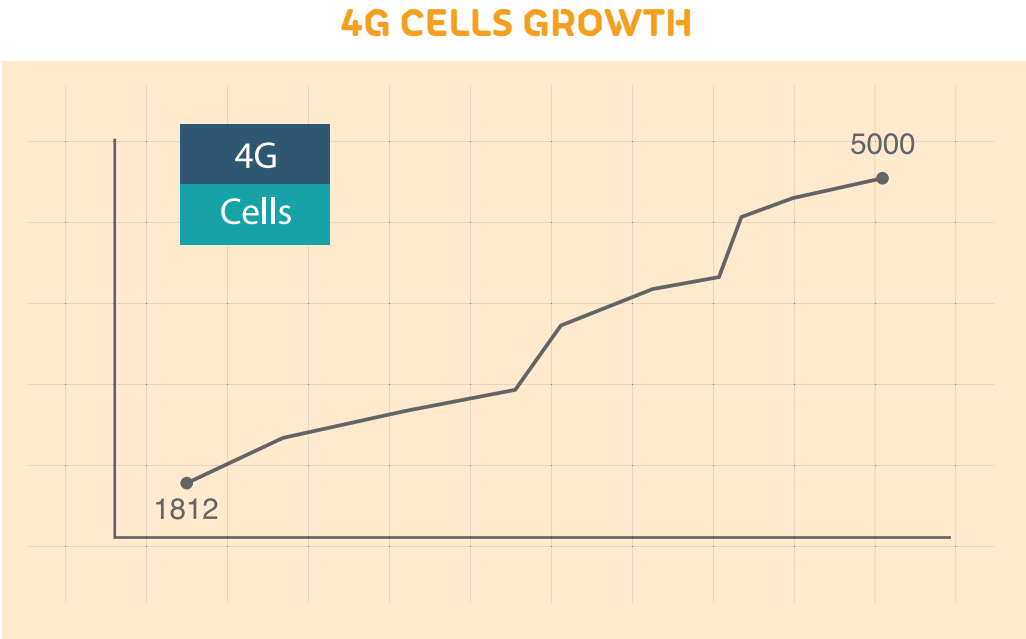


Omantel is proud to have reached hundreds of thousands of people through its community outreach programmes in 2016 as we look to enhance impact and contribution to our community. Furthermore, our highly targeted CSR platform has implemented over 30 community programmes - with the participation of Omantel staff volunteering - directly impacting a growing number of students, customers and staff alike.



Omantel is committed to supporting the Government's vision for digital transformation and making IT infrastructure more accessible to people living in the Sultanate. Currently, Omantel is heavily invested in rolling out its state-of-the-art mobile broadband 4G network that exceeds international benchmarks at 27% versus the global average of 18%.

Omantel's investments in the construction and expansion of its networks exceeded RO 143 million over the past year, which has contributed to raising the volume of 3G coverage by 96% and 4G coverage by 86% in inhabited areas.



According to an Inclusive Internet Index commissioned by Facebook and undertaken by the Economist Intelligence Unit, the Sultanate has been ranked first in the Middle East and placed 24th globally among 75 countries in terms of internet access. Oman had the highest score among the four Middle Eastern countries included in the index and the report credited the country's infrastructure as a key strength – especially the 4G network coverage. The Sultanate is also the third Arab country to launch 4G in the Middle East.

Omantel has played a tremendous role in positioning the Sultanate among the top 20 countries with the fastest 4G networks in the world, and the second in the Arab world according to Open Signal report.

Omantel has worked hard to enable the Sultanate to be at the forefront of technology application, with some of the highest connectivity and smartphone usage rates in the GCC through converged networks.



### 1. Digital inclusion

We recognise that our business practices have a huge impact on society, and are committed to promoting digitisation and technology innovation as key drivers shaping the economic growth of the Sultanate. In keeping with this commitment, Omantel in 2016 undertook a range of education-oriented initiatives aimed at encouraging digital adoption and IT literacy especially among the youth.



#### Salon Ma'an

Omantel has installed videoconference suites in OCCI offices in Muscat, Salalah, Ibra and Sohar. Plus, one videoconferencing suite in Riyadh head office in Gala. The videoconferencing suites allow SME operators and aspiring Omani entrepreneurs to meet in a virtual environment without the need for out of town travel, making it convenient to attend lectures and briefings, as well as meeting prospective customers and suppliers - all via hi-definition videoconference hookup.



#### Edlal online platform

Omantel, in partnership with 'Rudha' and 'Point' startups, launched the first Omani open e-learning platform 'Edlal', to prepare young Omanis to join the workforce by equipping them with the required skills and knowledge for the market, in addition to enriching the Arabic online content.



#### ICT internship opportunities with Huawei

The ongoing Omantel-Huawei internship programme targets ICT students and graduates from Sultan Qaboos University, GUTech and the Caledonian College of Engineering offering internship opportunities for over 100 students to benefit from the training and knowledge transfer.



#### Upgrade

Omantel, in cooperation with The Research Council (TRC), Public Authority for SME Development (Riyyada), Information Technology Authority (ITA) and Oman Innovation Development Company (IDO), launched a multi-sectoral initiative titled 'Upgrade' to transform graduating students' class projects into financially viable information and communication technology (ICT) start-ups.



#### Trial of balloon to provide coverage

Omantel signed an agreement with SQU launched for the first internet balloon trial in Oman. This project will boost research to find alternative solutions to provide communication services during emergencies and to expand them across areas where the geographical location doesn't allow access to traditional services.



#### Hour of Code

Omantel collaborated with Engineering Village – a startup enterprise – a global educational initiative for kids (from 8 to 14) where they learn basics of coding and computer science within one hour through simple, easy and interactive programs. The global movement involves a one-hour introduction to computer.



#### Tablets for School Students

The year 2016 saw Omantel provide 3,500 tablet devices to over 100 schools in the Sultanate. This is a testament to Omantel's commitment towards digital adoption in school learning while encouraging them to aspire careers in science and technology. In a separate initiative, Omantel also provided 24 hearing impaired students of Al Amal School with tablet devices that feature assistive technologies.



#### Imagine Cup

Aimed at enhancing creativity and IT skills among Omani youth, Omantel partnered with Microsoft Corporation to organize the annual competition. which brings together young technologists worldwide to help resolve some of the world's toughest challengesorganise an annual competition called the 'Imagine Cup'. The competition brings together young from around the Sultanate, enabling them to help resolve global challenges through mobile apps.

We are committed to promoting digitisation and technology innovation as key drivers shaping the economic growth of the Sultanate.

#### Omantel Wal Alawael

An initiative that targets training elderly people on using new technology in Ibra. This was the third session as part of a continuous initiative running for many years. The initiative aims to bridge the digital gap among older generations and enable them to benefit from the new advancements.

#### Providing Braille printer to Omar Ibn Al Khattab Institute

Omantel donated a Braille printer to Omar Ibn Al Khattab Institute, benefiting over 300 visually impaired students to improve their learning process. This special printer which prints documents, images and maps in Braille helps students read text and images. During the year, Omantel also helped construct a building for the Oman Association for visual impaired.

#### Enhance IT infrastructure of Early Intervention for Kids Association.

Last year, Omantel supported the Early Intervention for Kids Association by upgrading their IT systems that includes setting up of a new server, desktop computers, security cameras, hearing impairment equipment, and software installations, in addition to management of overall systems. Additionally, Omantel donated and helped install surveillance cameras in three government schools in Masirah.

#### Arab Orphans Day

Omantel, in partnership with the Omani Women Association in Samail, celebrated the graduation of 21 orphaned children and provided them with tablet devices and data subscription.



## 2. Responsibility

While we focus on innovation and technology and youth development, responsibility towards other stakeholders and areas of concern remain a key priority for Omantel. As part of our endeavour to incorporate sustainable practices, we organised a series of initiatives that covered different areas. Among those initiatives:  
Team work, leadership and management skills.



### Ramadan Campaign

Omantel organized the 8th edition of its annual Ramadhan charity campaign under the theme: Give. Share. Care. This year, the campaign aims to cover the cost of renovation of 20 houses of less-privileged families across the Sultanate.



### 'Color their World'

An online CSR initiative targeting Omantel customers on social media to be part of Omantel CSR programs, where we asked artists to volunteer with us in spreading smiles on the faces of children with disabilities. The artists colored and painted the walls and classes of Association for Welfare of Handicapped Children in Muscat. As part of this initiative, Omantel also provided new furniture to the children classes.



### Earth Hour competition

In 2016, Omantel facilitated an Earth Hour Competition which received a good number of entries from several organisations and individuals in the Sultanate. Hosted online, the initiative was very successful in further spreading awareness about carbon emissions and its impact on the environment.



### Omantel Olympics School Days

Continuing its commitment towards supporting communities within the Sultanate and to create a positive environment to help the nation's youth achieve their full potential, Omantel partnered with the Ministry of Education to launch the Omantel School Olympics, an initiative that motivates students from different schools to meet, socialise and engage in friendly competition and in doing so, foster friendships, reward achievements and promote a healthy lifestyle



### Summer Academy Programme

This initiative aims to improve the academic skills of the Sultanate's school children, Omantel partnered with GUtech. Oman is supporting the summer academic programme. The programme involved the development of academic skills, sporting activities, as well as cultural, social and technical skills aimed at developing



### Annual Cancer Awareness Walkathon

During the year, Omantel supported Oman Cancer Association in organising various fundraising activities to provide required medicines and supplements for cancer patients in the Sultanate.



### Fundraising activity for Environment Society Oman (ESO)

Omantel supported an eco-bowling tournament in Muscat last year to raise funds in support of the society's outreach, awareness, conservation.



### Center for emergency & Crisis management at MoH

Is a center that provides the highest level of medical services during emergencies to protect lives and reduce damage and human losses through; support control and prevention of hazards, develop contingency plans in all health institutes departments in the governorates with continues follow up, reduce the effect of risks and minimize its consequences, ensure prompt and effective response and ensure optimal use of resources and capabilities. Omantel supported the Centre with some of the required equipment.



### Autism Awareness Day

Omantel, in collaboration with SQU Hospital, hosted two workshops for over 300 mothers of autistic children on various parenting topics, including tactical strategies when dealing with complex behaviours and situations.

### Road Safety Campaign

Omantel has launched an awareness campaign using video to enhance road safety across the Sultanate and encourage drivers to adopt and follow the best practices while driving.

### World Disabled Day

Within Omantel's social responsibility commitment, the company provided interactive equipment and assistive technology to Dar Alaman which is part of the Ministry of Development. The interactive equipment coupled with sensory effects will enhance the delivery of information process and make it more attractive and suitable for people with mental and physical disability.

# FINANCIAL STATEMENTS



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# INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS

## FOR THE YEARS ENDED 31 DECEMBER 2016



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PR No. HMH/15/2015; HMA/9/2015

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

#### Report on the audit of the consolidated and separate financial statements

##### *Opinion*

We have audited the consolidated and separate financial statements (the "financial statements") of Oman Telecommunications Company SAOG (the "Parent Company" or the "Company") and its subsidiaries (the "Group"), which comprise the statement of financial position as at 31 December 2016, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Group and separate financial position of the Company as at 31 December 2016 and their respective financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

##### *Basis for opinion*

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in the Sultanate of Oman, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

##### *Key audit matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

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

*Key audit matters (continued)*

*Revenue recognition*

The accuracy and completeness of revenue amounts recorded is an inherent industry risk. The Group's revenue is categorised broadly into service and wholesale revenue. Service revenue mainly consists of income from mobile, broadband, fixed line, rentals and installations. Wholesale revenue comprises revenue from interconnection, external administration, capacity sales and from resellers.

We considered revenue recognition as a key audit matter as the amount involved is material to the financial statements and due to the complexity of the Group's systems and processes used to record revenue. The Group's accounting policy and relevant disclosures relating to revenue are set out in notes 2.4 and 30, respectively to the financial statements.

Our audit procedures included, among others, the following:

- Testing of controls, assisted by our IT specialists including those over set-up of customer accounts, pricing data, segregation of duties, and the linkage to usage data that results in revenue recognition;
- Testing the IT environment relating to billing, rating and other relevant support systems, including the change control procedures in place around systems that bill significant revenue streams;
- Testing the end-to-end reconciliation from business support systems to billing and rating systems to the general ledger;
- Performed tests on the accuracy of customer bill generation process on a sample basis and testing of a sample of the credits and discounts applied to such customer bills;
- Performed substantive analytical procedures over the significant revenue streams by developing an expectation based on rates, disconnections and installations;
- Assessed transactions taking place before and after year-end to ensure that revenue was recognised in the appropriate period;
- Assessed the appropriateness of the Group's revenue recognition accounting policies including compliance with the relevant IFRS.

*Discontinued operations and held for sale treatment for Worldcall Telecom Limited (WTL)*

The Group evaluated its option to divest its holding in WTL, which is a significant subsidiary of the group, and signed a Share Purchase Agreement (SPA) on 11 October 2016 with WorldCall Services (Pvt.) Limited and Ferret Consulting (FZC) ("buyers") for sale of its ordinary and convertible preference shares of WTL. The buyers are in the process of completing the transaction, which is subject to the approval of the regulators in Pakistan including the Public Offer to non-controlling shareholders of WTL. WTL is presented as discontinued operation and its assets and liabilities are disclosed as 'Assets held for sale' and 'Liabilities held for sale' respectively. The Parent Company continues to consolidate the results and the financial position of WTL as it controls WTL.



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

*Key audit matters (continued)*

*Discontinued operations and held for sale treatment for Worldcall Telecom Limited (WTL) (continued)*

We considered this as a key audit matter as WTL is a material subsidiary and there is a risk inappropriately consolidating the results and the financial position of WTL and that the presentation as held for sale and discontinued operations and related disclosure requirements are not in line with the relevant requirements of IFRS. In addition WTL is exposed to various legal, regulatory, tax and governmental proceedings. The potential significance of these commitments and contingencies cannot be predicted with certainty, and the assessment as to whether or not a liability should be recognised and whether amounts can be reliably estimated requires judgment from management.

The related accounting policies and disclosures are set out in notes 2.14 and 5 respectively, to the financial statements.

In responding to this area of focus, our procedures, among others, included the following:

- We assessed whether the proposed treatment was consistent with the requirements of IFRS and agreed key assumptions or facts to underlying documentation such as the sale and purchase agreement (SPA).
- Further, we considered whether the pending sales negotiations met the 'highly probable' threshold of IFRS 5 - Non-Current Assets Held for Sale and Discontinued Operations as at 31 December 2016 to assess whether or not WTL is correctly presented as assets 'held for sale'. For this purpose we inquired into the status of transaction and corroborated with the SPA entered by the Parent Company for divestment in WTL.
- We gained an understanding of the SPA. Our focus was on understanding the contractual terms associated with the sale of WTL and which define the assets and liabilities to be divested and, in particular, any liabilities or obligations retained or created.
- Checked the related computation for disclosures of discontinued operation and held for sale.
- Circulated group audit instructions to the WTL auditors to perform audit procedures of significant balances and evaluated the responses received from them.
- Obtained a further understanding of the commitments and contingencies, including contingencies associated with regulatory and taxation matters, and related audit work performed by the component team. We also discussed with the component auditors and the Parent Company's management to assess the risk associated with such commitments and contingencies.
- Assessed whether the financial statement disclosures appropriately reflect the requirements of IFRS.

*Provision for impairment of trade receivables*

We focused on this area as the provision for impairment of trade receivables requires the application of judgment and the use of subjective assumptions as described in critical accounting estimates and judgments in note 4. The related details are set out in notes 14 and 45 respectively, to the financial statements.





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**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF  
OMAN TELECOMMUNICATIONS COMPANY SAOG (CONTINUED)**

*Key audit matters (continued)*

*Provision for impairment of trade receivables (continued)*

We evaluated management's assumptions and methods applied in the calculating the provision for impairment of trade receivables by carrying out the following procedures, among others:

- Obtained an update of the understanding of the process relating to the provision for impairment of trade receivables and performed tests of a sample of transaction to confirm our understanding;
- Obtained an ageing report of trade receivables and tested the accuracy by checking the ageing of individual invoices on a sample basis;
- Obtained the management's calculation of the provision for various age categories made in accordance with the Parent Company's impairment policy and checked these in line with the assumptions made by the management. We have also considered the appropriateness of the policy based on the Parent Company's historical experience.
- Considered appropriateness of the disclosures in the financial statements in accordance with the relevant requirements of IFRSs.

*Capitalisation of property, plant and equipment and related depreciation charge*

There are several areas where management judgement impacts the carrying value of property, plant and equipment and its respective depreciation profiles. These include:

- The amounts being capitalised do not meet capitalisation criteria;
- The timeliness of the transfer from assets in capital work in progress; and
- The assessment of useful lives to compute the related depreciation charge.

The related accounting policies, critical accounting estimates and judgements and disclosures are set out in notes 2.9, 4 and 7 respectively, to the financial statements.

In addressing this area of focus, our procedures, among others, included the following:

- Assessed the design and implementation and tested the operating effectiveness of key controls over the property, plant and equipment cycle;
- Assessed the nature of costs incurred in network infrastructure and capital projects through testing, on a sample basis, of amounts recorded and assessing whether the description of the expenditure met capitalisation criteria;
- Tested, on a sample basis, the assets transferred from capital work in progress and considered as put to use by the management upon the issuance of provisional acceptance certificate;
- Assessed the appropriateness of asset lives applied in the calculation of depreciation and performed analytical procedures on depreciation charge to assess the reasonability of depreciation charge for the year; and
- Considered appropriateness of the disclosures in the financial statements in accordance with the relevant requirements of IFRSs.

*Other information included in the Group's 2016 Annual Report*

Those charged with governance and management are responsible for the other information. Other information consists of the information included in the Group's 2016 Annual Report other than the financial statements and our auditor's report thereon. We obtained the following information prior to the date of our auditor's report, and we expect to obtain the published 2016 Annual Report after the date of our auditor's report:



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**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF  
OMAN TELECOMMUNICATIONS COMPANY SAOG (CONTINUED)**

*Other information included in the Group's 2016 Annual Report (continued)*

- Chairman's report
- Corporate governance report
- Management discussion and analysis

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of the auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

*Responsibilities of management and those charged with governance for the financial statements*

Those charged with governance are responsible for the preparation and fair presentation of the financial statements in accordance with IFRS and the relevant requirements of the Commercial Companies Law of 1974, as amended, and the Capital Market Authority ("the CMA") of the Sultanate of Oman, and for such internal control as those charged with governance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, those charged with governance are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless those charged with governance either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

*Auditor's responsibilities for the audit of the financial statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.





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

*Auditor's responsibilities for the audit of the financial statements (continued)*

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of those charged with governance's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Report on other legal and regulatory requirements**

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

*Ernst & Young LLC*

*Sanjay Kawatra*  
Sanjay Kawatra  
Muscat  
23 February 2017

## STATEMENT OF FINANCIAL POSITION

as at 31 December 2016

	Notes	Parent Company		Consolidated	
		2016	2015	2016	2015
		RO'000	RO'000	RO'000	RO'000
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	7	507,954	457,023	516,679	463,292
Investment in subsidiaries	8	1,676	1,126	-	-
Investment property		-	-	-	140
Other intangible assets	10	24,704	28,105	25,094	28,625
Investment in associated companies	11	3,896	3,896	9,776	9,381
Deferred tax	23	9,411	9,072	9,411	9,072
Other financial assets	12	50,626	52,990	50,626	53,470
		<u>598,267</u>	<u>552,212</u>	<u>611,586</u>	<u>563,980</u>
<b>Current assets</b>					
Inventories	13	9,339	7,507	9,340	8,328
Trade and other receivables	14	86,683	81,008	86,594	85,497
Other financial assets	12	88,944	73,266	88,944	73,764
Prepayments		10,348	16,421	10,481	16,645
Cash and bank balances		8,456	42,992	10,022	44,980
Receivable from subsidiaries	15	1,181	727	-	-
		<u>204,951</u>	<u>221,921</u>	<u>205,381</u>	<u>229,214</u>
Assets classified as held for sale	5	-	-	9,136	-
<b>Total assets</b>		<u>803,218</u>	<u>774,133</u>	<u>826,103</u>	<u>793,194</u>
<b>EQUITY AND LIABILITIES</b>					
Share capital	16	75,000	75,000	75,000	75,000
Legal reserve	17	25,000	25,000	25,000	25,000
Voluntary reserve	18	49,875	49,875	49,875	49,875
Capital contribution	19	44,181	44,181	44,181	44,181
Fair value reserve	21	37	34	890	690
Retained earnings		388,604	346,095	387,399	345,728
<b>Attributable to equity holders of the parent</b>		<b>582,697</b>	540,185	<b>582,345</b>	540,474
Non-controlling interests relating to discontinuing operations		-	-	(720)	(35,107)
Non-controlling interests relating to continuing operations		-	-	(34,924)	-
		-	-	<u>(35,644)</u>	<u>(35,107)</u>
<b>Total equity</b>		<b>582,697</b>	<b>540,185</b>	<b>546,701</b>	<b>505,367</b>

# STATEMENT OF FINANCIAL POSITION

as at 31 December 2016

	Notes	Parent Company		Consolidated	
		2016	2015	2016	2015
		RO'000	RO'000	RO'000	RO'000
<b>LIABILITIES</b>					
<b>Non-current liabilities</b>					
Borrowings	22	-	-	5,740	14,595
Retirement benefit obligation	24	4,426	4,378	4,477	5,772
Provisions	25	13,667	20,301	-	-
Other liabilities	26	-	2,162	-	2,290
		<u>18,093</u>	<u>26,841</u>	<u>10,217</u>	<u>22,657</u>
<b>Current liabilities</b>					
Borrowings	22	-	-	2,431	23,057
Trade and other payables	27	152,622	155,589	157,572	190,595
Royalty payable	28	33,903	33,611	33,903	33,611
Taxation		15,903	17,907	15,904	17,907
		<u>202,428</u>	<u>207,107</u>	<u>209,810</u>	<u>265,170</u>
<b>Total liabilities</b>		<u>220,521</u>	<u>233,948</u>	<u>220,027</u>	<u>287,827</u>
Liability associated with asset held for sale	5	-	-	59,375	-
<b>Total equity and liabilities</b>		<u>803,218</u>	<u>774,133</u>	<u>826,103</u>	<u>793,194</u>
<b>Net assets per share (RO)</b>					
	29	<u>0,777</u>	<u>0,720</u>	<u>0,076</u>	<u>0,721</u>

The financial statements were approved and authorised for issue by the Board of Directors on 23 February 2017 and were signed on their behalf by:



CHAIRMAN



DIRECTOR



CHIEF EXECUTIVE OFFICER

# STATEMENT OF INCOME

for the year ended 31 December 2016

	Notes	Parent Company		Consolidated	
		2016	2015	2016	2015
		RO'000	RO'000	RO'000	RO'000
<b>Continuing operations</b>					
<b>Revenue</b>					
Service revenue		417,020	417,904	421,349	421,547
Wholesale revenue	30	102,277	85,755	102,241	85,719
		<u>519,297</u>	<u>503,659</u>	<u>523,590</u>	<u>507,266</u>
<b>Expenses</b>					
Roaming operator services		(5,472)	(6,237)	(5,472)	(6,237)
Interconnection expense	31	(13,937)	(13,493)	(13,937)	(13,493)
Cost of content services	32	(4,624)	(3,379)	(4,624)	(3,379)
External administration expenses	33	(34,731)	(30,287)	(34,731)	(30,287)
Marketing and advertising expenses		(8,346)	(7,756)	(8,361)	(7,777)
Staff costs	34	(67,946)	(70,507)	(68,975)	(71,502)
Operating and maintenance expenses	35	(81,154)	(74,272)	(83,141)	(76,064)
Administrative expenses	36	(11,116)	(12,701)	(11,441)	(12,957)
Depreciation of property, plant and equipment	7	(93,575)	(81,180)	(94,315)	(81,786)
Factoring, collection and distribution fees	37	(22,291)	(22,456)	(22,291)	(22,456)
Provision for impairment of receivables – net	45B(2)	(2,087)	(1,401)	(2,082)	(1,436)
Amortisation of intangible assets	10	(8,253)	(6,494)	(8,453)	(6,604)
Annual licence fees and other regulatory charges		(4,375)	(4,400)	(4,375)	(4,400)
Royalty	28	(33,914)	(33,611)	(33,914)	(33,611)
		<u>(391,821)</u>	<u>(368,174)</u>	<u>(396,112)</u>	<u>(371,989)</u>
<b>Operating profit</b>		<b>127,476</b>	<b>135,485</b>	<b>127,478</b>	<b>135,277</b>
Impairment losses (other than discontinuing operations)	9	(905)	(60,390)	-	(309)
Finance income	38	2,991	4,178	2,991	4,197
Investment income/(loss)	38	2,292	602	1,515	(225)
Finance costs	38	-	-	(1,295)	(435)
Voluntary employees' end of service	39	-	(12,578)	-	(12,578)
Share of results of associated companies	11	-	-	1,172	809
Other income – net	40	1,829	4,443	1,825	4,486
<b>Profit before taxation from continuing operations</b>		<b>133,683</b>	<b>71,740</b>	<b>133,686</b>	<b>131,222</b>
Taxation	41 (A)	(16,174)	(11,451)	(16,174)	(16,186)
<b>Profit for the year from continuing operations</b>		<u><b>117,509</b></u>	<u><b>60,289</b></u>	<u><b>117,512</b></u>	<u><b>115,036</b></u>
<b>Loss from discontinuing operations after tax</b>					
	5	-	-	(1,731)	(101,716)
<b>Profit / (loss) for the year</b>		<u><b>117,509</b></u>	<u><b>60,289</b></u>	<u><b>115,781</b></u>	<u><b>13,320</b></u>
<b>Attributable to:</b>					
Equity holders of the parent		117,509	60,289	116,671	48,493
Non-controlling interests		-	-	(890)	(35,173)
<b>Profit for the year</b>		<u><b>117,509</b></u>	<u><b>60,289</b></u>	<u><b>115,781</b></u>	<u><b>13,320</b></u>
<b>Basic and diluted earnings per share from continuing operations (RO)</b>					
	42	<u><b>0,157</b></u>	<u><b>0,080</b></u>	<u><b>0,156</b></u>	<u><b>0,153</b></u>

The attached notes 1 to 50 form part of these financial statements.

# STATEMENT OF OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2016

	Notes	Parent Company		Consolidated	
		2016	2015	2016	2015
		RO'000	RO'000	RO'000	RO'000
Profit for the year from continuing operations		<u>117,509</u>	<u>60,289</u>	<u>117,512</u>	<u>115,036</u>
Continuing operations					
Other comprehensive income / (expense):					
Fair value change in available for sale Investments	21	<u>3</u>	<u>34</u>	<u>3</u>	<u>34</u>
Other comprehensive income for the year		<u>3</u>	<u>34</u>	<u>3</u>	<u>34</u>
Total comprehensive income for the year from continuing operations		<u>117,512</u>	<u>60,323</u>	<u>117,515</u>	<u>115,070</u>
Loss for the year from discontinuing operations		<u>-</u>	<u>-</u>	<u>(1,731)</u>	<u>(101,716)</u>
Discontinuing operations					
Total comprehensive income for the year from discontinuing operations	5	<u>-</u>	<u>-</u>	<u>350</u>	<u>19,441</u>
Total comprehensive income for the year from discontinuing operations		<u>117,512</u>	<u>60,323</u>	<u>(1,381)</u>	<u>(82,275)</u>
Total comprehensive income for the year		<u>117,512</u>	<u>60,323</u>	<u>116,134</u>	<u>32,795</u>
Equity holders of the parent		<u>117,512</u>	<u>60,323</u>	<u>116,871</u>	<u>67,810</u>
Non-controlling interests		<u>-</u>	<u>-</u>	<u>(737)</u>	<u>(35,015)</u>
		<u>117,512</u>	<u>60,323</u>	<u>116,134</u>	<u>32,795</u>

The attached notes 1 to 50 form part of these financial statements.

## CONSOLIDATION STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2016

Attributable to the owners of the parent									
	Notes	Share capital	Legal reserve	Voluntary reserve	Capital contribution	Fair value reserve	Retained earnings	Non-controlling interests	
		RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	Total	Total
		RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
At 1 January 2016		<u>75,000</u>	<u>25,000</u>	<u>49,875</u>	<u>44,181</u>	<u>690</u>	<u>345,728</u>	<u>540,474</u>	<u>505,367</u>
Profit for the year		-	-	-	-	-	116,671	116,671	115,781
Fair value change in available for sale investments	21	-	-	-	-	200	-	200	353
Other comprehensive income for the year		-	-	-	-	200	-	200	353
Total comprehensive income for the year		-	-	-	-	200	-	200	116,134
Transaction with shareholder		-	-	-	-	-	-	-	200
Dividend paid	16	-	-	-	-	-	(75,000)	(75,000)	(75,000)
At 31 December 2016		<u>75,000</u>	<u>25,000</u>	<u>49,875</u>	<u>44,181</u>	<u>890</u>	<u>387,399</u>	<u>582,345</u>	<u>546,701</u>

The attached notes 1 to 50 form part of these financial statements.



## CONSOLIDATION STATEMENT OF CHANGES IN EQUITY

### for the year ended 31 December 2016

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
<b>At 1 January 2015</b>	<u>75,00</u>	<u>25,000</u>	<u>49,875</u>	<u>44,181</u>	<u>(19,208)</u>	<u>616</u>	<u>394,700</u>	<u>570,164</u>	<u>(92)</u>	<u>570,072</u>
Profit for the year		-	-	-	-	-	48,493	48,493	(35,173)	13,320
Exchange difference on translation of a foreign operation	20	-	-	-	(226)	-	-	(226)	100	(126)
Re measurement of retirement benefit obligation of a subsidiary	24	-	-	-	-	-	35	35	27	62
Reclassification of exchange difference translation to statement of income	20	-	-	-	19,434	-	-	19,434	-	19,434
Reclassification of fair value reserve to statement of income	21	-	-	-	-	(16)	-	(16)	-	(16)
Fair value change in available for sale investments	21	-	-	-	-	90	-	90	31	121
<b>Other comprehensive income</b>		-	-	-	19,208	74	35	19,317	158	19,475
<b>Total comprehensive income for the year</b>		-	-	-	19,208	74	48,528	67,810	(35,015)	32,795
Dividend paid	16	-	-	-	-	-	(97,500)	(97,500)	-	(97,500)
<b>At 31 December 2015</b>	<u>75,00</u>	<u>25,000</u>	<u>49,875</u>	<u>44,181</u>	<u>-</u>	<u>690</u>	<u>345,728</u>	<u>540,474</u>	<u>(35,107)</u>	<u>505,367</u>

The attached notes 1 to 50 form part of these financial statements.

## PARENT COMPANY STATMENT OF CHANGES IN EQUITY

### for the year ended 31 December 2016

Notes	Share capital RO'000	Legal reserve RO'000	Legal reserve RO'000	Capital contribution RO'000	Voluntary reserve RO'000	Retained earnings RO'000	Total RO'000
<b>1 January 2016</b>	<u>75,000</u>	<u>25,000</u>	<u>49,875</u>	<u>44,181</u>	<u>34</u>	<u>346,095</u>	<u>540,185</u>
Profit for the year	-	-	-	-	-	117,509	117,509
Fair value change in available for sale investments	-	-	-	-	3	-	3
<b>Total comprehensive income for the year</b>	-	-	-	-	3	117,509	117,512
Dividend paid	-	-	-	-	-	(75,000)	(75,000)
<b>At 31 December 2016</b>	<u>75,000</u>	<u>25,000</u>	<u>49,875</u>	<u>44,181</u>	<u>37</u>	<u>388,604</u>	<u>582,697</u>

The attached notes 1 to 50 form part of these financial statements.

## PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

### for the year ended 31 December 2016

	Notes	Share Capital RO'000	Legal reserve RO'000	Voluntary reserve RO'000	Capital contribution RO'000	Fair value reserve RO'000	Retained earnings RO'000	Total RO'000
<b>1 January 2015</b>		<u>75,000</u>	<u>25,000</u>	<u>49,875</u>	<u>44,181</u>	-	<u>383,306</u>	<u>577,362</u>
Profit for the year		-	-	-	-	-	60,289	60,289
Fair value change in available for sale investments	21	-	-	-	-	34	-	<u>34</u>
Total comprehensive income for the year		-	-	-	-	34	60,289	<u>60,323</u>
Dividend paid	16	-	-	-	-	-	(97,500)	<u>(97,500)</u>
<b>At 31 December 2015</b>		<u>75,000</u>	<u>25,000</u>	<u>49,875</u>	<u>44,181</u>	<u>34</u>	<u>346,095</u>	<u>540,185</u>

The attached notes 1 to 50 form part of these financial statements.

## STATEMENT OF CASH FLOWS

### for the year ended 31 December 2016

	Parent Company		Consolidated	
	2016 RO'000	2015 RO'000	2016 RO'000	2015 RO'000
<b>Operating activities</b>				
Profit before tax from continuing operations	<b>133,683</b>	71,740	<b>134,038</b>	131,223
Loss before tax from discontinuing operations	-	-	<b>(2,083)</b>	(109,769)
Adjustments for:				
Depreciation of property, plant and equipment	<b>93,575</b>	81,180	<b>34,315</b>	86,071
Impairment losses	-	60,390	-	72,298
Foreign currency translation reserve	-	-	-	19,434
Profit on sale of property, plant and equipment	<b>(478)</b>	(944)	-	(834)
Provision for impairment of receivables	<b>2,087</b>	1,401	<b>2,559</b>	1,787
(Release of)/provision for inventory obsolescence-net	<b>(366)</b>	734	<b>(366)</b>	1,275
Amortisation cost of receivables	-	-	-	(69)
Amortisation of intangible assets	<b>8,253</b>	6,494	<b>8,453</b>	7,161
Voluntary employees' end of service	-	12,578	-	12,578
Loss on re-measurement of investment property	-	-	-	(56)
Fair value (gain)/loss on investments	<b>(1,152)</b>	1,966	<b>(1,152)</b>	1,937
Realised loss on investments – net	<b>1,069</b>	352	<b>1,068</b>	352
Interest income	<b>(2,818)</b>	(4,006)	<b>(2,818)</b>	(2,790)
Dividend income	<b>(2,210)</b>	(2,920)	<b>(1,433)</b>	(2,093)
Interest expense	-	-	<b>1,360</b>	3,589
Share of results of associates	-	-	<b>(1,172)</b>	(809)
(Gain) loss on exchange translation	-	-	<b>(478)</b>	1,080
Net movement in retirement benefits	<b>48</b>	412	<b>197</b>	629
	<b>231,691</b>	229,377	<b>232,488</b>	222,994
<b>Working capital adjustments:</b>				
Inventories	<b>(1,330)</b>	223	<b>(1,323)</b>	1,012
Trade and other receivables	<b>(7,631)</b>	(878)	<b>(8,109)</b>	1,635
Prepayments	<b>6,074</b>	(3,592)	<b>6,097</b>	(3,645)
Long term deposit and payable	-	-	-	(1,213)
Long term receivable	-	-	-	149
Royalty payable	<b>293</b>	2,068	<b>293</b>	2,068
Trade and other payables	<b>110</b>	12,031	<b>2,897</b>	12,800
Receivable from subsidiaries	<b>(1,368)</b>	(2,576)	-	-
<b>Cash generated from operations</b>	<b>227,839</b>	236,653	<b>232,336</b>	235,800
Interest received	<b>2,687</b>	3,894	<b>2,687</b>	3,997
Voluntary end of service paid	<b>(5,239)</b>	-	<b>(5,239)</b>	-
Tax paid	<b>(17,604)</b>	(18,873)	<b>(17,604)</b>	(19,014)
<b>Net cash from operating activities</b>	<b>207,683</b>	221,674	<b>212,180</b>	220,783

## STATEMENT OF CASH FLOWS

for the year ended 31 December 2016

	Parent Company		Consolidated	
	2016	2015	2016	2015
	RO'000	RO'000	RO'000	RO'000
<b>Investing activities</b>				
Net purchase of property, plant and equipment	(149,396)	(129,217)	(152,653)	(128,967)
Proceeds from sale of property, plant and equipment	379	1,099	379	1,769
Purchase of intangibles	(1)	(7,712)	(1)	(8,028)
Net acquisition of investments	(3,181)	(12,275)	(3,181)	(12,275)
Proceed from fixed deposits	(10,046)	18,548	(10,046)	18,548
Investment in subsidiaries	(550)	(500)	-	-
(Dividend received (including associates	2,210	2,920	2,210	2,920
<b>Net cash used in investing activities</b>	<b>(160,585)</b>	<b>(127,137)</b>	<b>(163,292)</b>	<b>(126,033)</b>
<b>Financing activities</b>				
Share capital raised from non-controlling interests	-	-	200	-
Dividend paid	(75,000)	(97,500)	(75,000)	(97,500)
Borrowings-net	-	-	(237)	460
Finance lease liability paid	-	-	(78)	(82)
Payment of put option	(6,634)	-	(6,634)	-
Interest paid	-	-	(350)	(1,392)
<b>Net cash used in financing activities</b>	<b>(81,634)</b>	<b>(97,500)</b>	<b>(81,203)</b>	<b>(98,514)</b>
<b>Net change in cash and cash equivalents</b>	<b>(34,537)</b>	<b>(2,963)</b>	<b>(33,213)</b>	<b>(3,764)</b>
Cash and cash equivalents at beginning of the year	42,992	45,955	44,980	48,828
Currency translation adjustments	-	-	-	(84)
<b>Cash and cash equivalents</b>	<b>8,456</b>	<b>42,992</b>	<b>11,768</b>	<b>44,980</b>
<b>Cash and cash equivalent of discontinued operation</b>	<b>-</b>	<b>-</b>	<b>(1,747)</b>	<b>-</b>
<b>Cash and cash equivalent of continued operation</b>	<b>8,456</b>	<b>42,992</b>	<b>10,022</b>	<b>44,980</b>

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2016

### 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
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
Internet of Things LLC	Sultanate of Oman	Will be engaged in developments of app and services for smart and M2M communication	Subsidiary	55	55
Omantel France SAS	France	Will be engaged in provision of wholesale services	Subsidiary	100	100
First Issue SAOC	Sultanate of Oman	Special purpose vehicle	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
CLL enilofnI	Sultanate of Oman	Engaged in the provision of IT enabled services	Associate	45	45

The attached notes 1 to 50 form part of these financial statements.



# NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2016

## 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 as disclosed in the accounting policies below. The financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”) and the 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 2016 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”.

#### (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) Standards, amendments and interpretation effective in 2016

For the year ended 31 December 2016, the Parent Company and the Group has adopted all of the following 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 periods beginning on 1 January 2016.

- IFRS 14 Regulatory Deferral Accounts
- Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests
- Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants
- Amendments to IAS 27: Equity Method in Separate Financial Statements
- Annual Improvements 2012-2014
  - IFRS 5 Non- Current Assets Held for Sale and Discontinued Operations
  - IFRS 7 Financial Instruments: Disclosures
  - IAS 19 Employee Benefits
  - IAS 34 Interim Financial Reporting
- Amendments to IAS 1 Disclosure Initiative
- Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying consolidation exception

The adoption of these standards and interpretations has not resulted in any significant changes to the Parent Company’s and Group’s accounting policies and has not affected the amounts reported for the current year.

# NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2016

## 2 Summary of significant accounting policies (continued)

### 2.1 Basis of preparation (continued)

#### (d) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Parent Company and Group

The following new standards and amendments have been issued by the International Accounting Standards Board (IASB) which may impact the financial statements of the Parent Company and Group but are not yet mandatory for the year ended 31 December 2016:

**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. Except for hedge accounting, retrospective application is required but comparative information is not compulsory. The Group has performed a high-level impact assessment of all three aspects of IFRS 9 and expects no significant impact on its balance sheet and equity. The Group plans to adopt the new standard on the required effective date.

**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 2018 with early adoption permitted. The Group is currently assessing the impact of IFRS 15 and plan to adopt the new standard on the required effective date. The Group is considering the clarifications issued by the IASB in an exposure draft in July 2015 and will monitor any further developments.

**IFRS 16 Leases:** The IASB issued IFRS 16 Leases (IFRS 16), which requires lessees to recognise assets and liabilities for most leases. For lessors, there is little change to the existing accounting in IAS 17 Leases. The Group will perform a detailed assessment in the future to determine the extent. The new standard will be effective for annual periods beginning on or after 1 January 2019. Early application is permitted, provided the new revenue standard, IFRS 15 revenue from Contracts with Customers, has been applied, or is applied at the same date as IFRS 16.

#### 2.2.1 Subsidiary companies

The financial statements comprise the financial statements of the Parent Company and its subsidiaries as at 31 December 2016. 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.

# NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2016

## 2 Summary of significant accounting policies (continued)

### 2.2.1 Subsidiary companies (continued)

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.

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.

# NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2016

## 2 Summary of significant accounting policies (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 income outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

The financial statements of associates 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 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.

# NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2016

## 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.

# NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2016

## 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 EIR 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 pre-paid 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. 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.

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. A Group may dispose or partially dispose of its interest in a foreign operation through sale, liquidation, repayment of capital or abandonment of all, or part of, that entity.

### 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



# NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2016

## 2 Summary of significant accounting policies (continued)

### 2.9 Property, plant and equipment (continued)

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.

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 (CWIP) is not depreciated until it is taken to fixed assets when the asset is available for use. CWIP is tested for impairment, if any.

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.

# NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2016

## 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	4 to 25 years
Software	3-5 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:
  - 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.

# NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2016

## 2 Summary of significant accounting policies (continued)

### 2.13 Financial instruments (continued)

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

##### Available-for-sale financial assets (continued)

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.

##### 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.

# NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2016

## 2 Summary of significant accounting policies (continued)

### 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 transaction 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. Costs to sale are the incremental costs directly attributable to the sale, excluding the finance costs and income tax expense.

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. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sale will be withdrawn. Management must be committed to the sale expected within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- Represents a separate major line of business or geographical area of operations
- Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations or,
- Is a subsidiary acquired exclusively with a view to resale

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of income.

Additional disclosures are provided in Note 5. All other notes to the financial statements include amounts for continuing operations, unless otherwise mentioned.

### 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.

#### (b) 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.

# NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2016

## 2 Summary of significant accounting policies (continued)

### 2.16 Retirement benefits (continued)

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.

A subsidiary of the Group operates an unfunded defined benefit gratuity plan for all permanent employees. 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.

### 2.20 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 Parent Company's Memorandum of Association and are subject to the approval of shareholders. Dividend distribution to the Parent Company's shareholders is recognised as a liability in the Parent Company's financial statements only in the period in which the dividends are approved by the Parent Company's shareholders.

# NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2016

## 2 Summary of significant accounting policies (continued)

### 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 recognised 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.



# NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2016

## 3 Financial risk management(continued)

### 3.1 Financial risk factors (continued)

#### Overview (Continued)

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

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 37.46% (31 December 2015: 30.86%) 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 23.71% (31 December 2015: 27.08% 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 45.

# NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2016

## 3 Financial risk management(continued)

### 3.1 Financial risk factors (continued)

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 46.

#### (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

In respect of the 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.

#### 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 47.

#### 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.

The following table demonstrates the sensitivity of the Group's profit or loss to a 5% change in the price of its equity holdings, assuming all other variables in particular foreign currency rates remain constant.

	Change in price	RO'000
2016	+/- 5%	3,074
2015	+/- 5%	2,924

#### 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 Parent 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.

# NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2016

## 3 Financial risk management (continued)

### 3.2 Fair value estimation

#### Investments

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

#### 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 48.

## 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.

#### 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 118.190 million (31 December 2015: RO 125.588 million), and the provision for impaired debts is RO 40.398 million (31 December 2015: RO 48.469 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 12.406 million (31 December 2015: RO 12.720 million) with provision for old and obsolete inventories of RO 3.066 million (31 December 2015: RO 4.392 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 and investment in subsidiary

The relevant details are set out in 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

# NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2016

## 4 Critical accounting estimates and judgements (continued)

#### 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.

# NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2016

## 5 Discontinuing operations

On 11 October 2016, the Parent Company signed a Share Purchase Agreement with WorldCall Services Pvt Limited and Ferret Consulting FZY for sale of ordinary and convertible preference shares of WTL respectively held by Omantel. The acquirers are in the process of completing the transaction process which is subject to the approval of the regulators including the Public Offer to non-controlling shareholders of WTL in Pakistan. At 31 December 2016, Worldcall Telecom Limited (WTL) was classified as a disposal group held for sale and as a discontinuing operation. The completion of the transaction is not expected to have any material financial impact on the Group's reported profit.

Accordingly, the results of WTL are not presented:

- Under "fixed line" in the primary reporting segments.
- Pakistan is not presented as separate geographical segment.

The results of WTL are presented below:

	Notes	2016 RO'000	2015 RO'000
Revenue		7,079	7,008
Expenses		(8,561)	(20,271)
Operating loss		(1,482)	(13,263)
Impairment losses	9	-	(71,989)
Reclassification of foreign currency translation reserve from other comprehensive income		-	(19,434)
Finance costs		(966)	(5,032)
Other income/(expense) – net		365	(51)
<b>Loss before taxation</b>		<b>(2,083)</b>	<b>(109,769)</b>
Taxation		352	(8,053)
<b>Loss for the year from discontinuing operations</b>		<b>(1,731)</b>	<b>(101,716)</b>
<b>Attributable to:</b>			
Equity holders of Parent		(983)	(66,904)
Non-controlling interests		(748)	(34,812)
<b>Loss for the year from discontinued operations</b>		<b>(1,731)</b>	<b>(101,716)</b>
<b>Basic loss for the year and diluted earnings per share (RO) from discontinuing operations</b>		<b>0.001</b>	<b>0.089</b>
<b>The net cash flows generated/(incurred):</b>			
Operating		(599)	675
Financing		899	(1,508)

Adjustments relating to impairment losses and reclassification of foreign currency translation reserve were recorded by the Group as consolidation adjustments.

# NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2016

## 5 Discontinuing operations (continued)

	Notes	2016 RO'000	2015 RO'000
<b>Loss for the year from discontinued operations</b>		<b>(1,731)</b>	<b>(101,716)</b>
<b>Other comprehensive income / (expense):</b>			
Reclassification of foreign currency translation reserve to statement of income	20	-	19,434
<b>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</b>			
Actuarial gain on defined benefit plan of a subsidiary		-	62
Exchange difference on translation of foreign operation	20	-	(126)
Reclassification of fair value reserve to statement of income	21	-	(16)
Fair value change in available for sale Investments	21	350	87
Other comprehensive income for the year		350	19,441
<b>Total comprehensive income for the year from discontinuing operations</b>		<b>(1,381)</b>	<b>(82,275)</b>
<b>Total comprehensive income / (expense) for the year attributable to:</b>			
Equity holders of the parent		(786)	(47,621)
Non-controlling interests		(595)	(34,654)
		<b>1,381</b>	<b>(82,275)</b>



# NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2016

## 5 Discontinuing operations (continued)

The assets and liabilities of WTL classified as held for sale as at 31 December 2016 are as follows:

	2016 RO'000	2015 RO'000
<b>ASSETS</b>		
Investment property		
Other financial assets	140	140
Other financial assets	408	480
	<u>546</u>	<u>620</u>
<b>Current assets</b>		
Inventories	813	820
Trade and other receivables	5,076	3,093
Other financial assets	882	496
stnemyaperP	72	62
Cash and Bank balances	<u>1,747</u>	<u>1,447</u>
	<u>8,590</u>	<u>5,918</u>
<b>Total assets</b>	<u>9,136</u>	<u>6,538</u>
<b>LIABILITIES</b>		
<b>Non-current liabilities</b>		
Borrowings	198	6,958
Retirement benefit obligation	1,492	1,358
Other liabilities	127	128
	<u>1,817</u>	<u>8,443</u>
<b>Current liabilities</b>		
Borrowings	22,372	21,347
Trade and other payables	<u>35,186</u>	<u>34,548</u>
	<u>57,558</u>	<u>55,895</u>
<b>Total liabilities</b>	<u>59,375</u>	<u>64,339</u>

The disclosures pertaining to borrowings are set out in Note 22.

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

# NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2016

## 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 other than relating to WTL as explained in note 5 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 2016, 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.

#### Mobile

Operation of Global System for Mobile Communication (GSM) for prepaid and post paid services, equipment rentals, internet services and amounts derived from the sale of telecommunication equipment and other associated services falling within the Group's ordinary activities (mobile).

### Segment revenues and results

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

Inter-segment sales are charged at prevailing market prices. The segment results for the year ended 31 December 2016 are as follows:

	Fixed line and other RO'000	Mobile RO'000	Consolidation adjustments RO'000	Total RO'000
<b>Revenue</b>				
External sales	195,706	327,884	-	523,590
Inter-segment sales	53,871	7,270	(61,141)	-
<b>Total revenue</b>	<u>249,577</u>	<u>355,154</u>	<u>(61,141)</u>	<u>523,590</u>
<b>Segment result</b>	<u>32,308</u>	<u>95,170</u>	-	<u>127,478</u>
Finance and investment income				4,506
Finance costs				(1,295)
Other non-operating income - net				<u>2,997</u>
Profit before taxation				133,686
Taxation				<u>(16,174)</u>
Profit for the year from continuing operations				<u>117,512</u>

# NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2016

## 6 Segment reporting (continued)

The segment results for the year ended 31 December 2015 were as follows:

	Fixed line and other RO'000	Mobile RO'000	Consolidation adjustments RO'000	Total RO'000
Revenue				
External sales	172,673	334,593	-	507,266
Inter-segment sales	84,097	7,946	(92,043)	-
<b>Total revenue</b>	<b>256,770</b>	<b>342,539</b>	<b>(92,043)</b>	<b>507,266</b>
<b>Segment result</b>	<b>51,743</b>	<b>83,534</b>	<b>-</b>	<b>135,277</b>
Finance and investment income				3,972
Finance costs				(435)
Voluntary employees' end of service				(12,578)
Other non-operating income - net				4,986
Profit before taxation				131,222
Taxation				(11,451)
Profit for the year from continuing operations				119,771

Other segment items for the year ended 31 December 2016 included in the statement of income are as follows:

	Fixed line and other RO'000	Mobile RO'000	Total RO'000
Depreciation	44,212	50,103	94,315
Amortisation	3,588	4,865	8,453

Other segment items for the year ended 31 December 2015 included in the statement of income are as follows:

	Fixed line and other RO'000	Mobile RO'000	Total RO'000
Depreciation	41,075	40,711	81,786
Amortisation	3,264	3,340	6,604

The segment assets and liabilities at 31 December 2016 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	444,202	272,438	100,327	816,967
Liabilities	137,298	87,885	(5,156)	220,027
Capital expenditures	100,844	67,303	-	168,147

The segment assets and liabilities at 31 December 2015 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	450,047	264,725	78,422	793,194
Liabilities	119,906	100,676	67,245	287,827
Capital expenditures	60,799	82,228	-	143,027

# NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2016

## 7 Property, plant and equipment

Consolidated - movement in property, plant and equipment

	Freehold land RO'000	Buildings RO'000	Network infrastructure and equipment RO'000	Furniture and office RO'000	Motor vehicles and equipment RO'000	Capital work- in-progress RO'000	Total RO'000
Cost							
1 January 2016	1,125	79,677	1,012,237	33,106	5,593	68,437	1,200,175
Additions	-	-	3,882	107	2,268	156,293	162,550
Transfers	-	1,596	143,417	2,451	-	(147,464)	-
Transfer to other assets	-	-	-	-	-	(5,057)	(5,057)
Adjustment	-	(4,866)	8,785	(2,435)	(47)	-	1,437
Disposals/write-off	-	-	(97,522)	(718)	(999)	-	(99,239)
31 December 2016	1,125	76,407	1,070,799	32,511	6,815	72,209	1,259,866
Depreciation							
1 January 2016	-	45,293	660,304	29,556	1,730	-	736,883
Charge for the year -continuing operations	-	3,738	87,291	1,927	1,359	-	94,315
Adjustment	-	(1455)	5,282	(2,343)	(47)	-	1,437
Disposals/write-off	-	-	(87,750)	(718)	(980)	-	(89,448)
31 December 2016	-	47,576	665,127	28,422	2,062	-	743,187
Net book value							
At 31 December 2016	1,125	28,831	405,672	4,089	4,753	72,209	516,679

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.

During the year, salary cost amounting to RO 5.522 million was capitalised. (2015 : RO Nil).

# NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2016

7 Property, plant and equipment (continued)

Consolidated - movement in property, plant and equipment

	Freehold land	Buildings	Network infrastructure and equipment	Furniture and office	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 2015	1,199	77,898	1,017,620	35,416	3,862	60,542	1,196,537
Additions	-	20	6,883	154	3,289	126,008	136,354
Transfers	-	3,813	106,544	1,737	-	(112,094)	-
Transfer to other assets	-	-	-	-	-	(2,852)	(2,852)
Adjustment	-	-	(768)	329	708	-	269
Net foreign currency exchange differences	(2)	(35)	282	(28)	(4)	(73)	140
Disposals	-	(796)	(15,250)	(3,474)	(1,684)	-	(21,204)
Write off	-	-	-	-	-	(1,936)	(1,936)
Impairment losses (note 9)	(72)	(1,223)	(103,074)	(1,028)	(578)	(1,158)	(107,133)
31 December 2015	1,125	79,677	1,012,237	33,106	5,593	68,437	1,200,175
Depreciation							
1 January 2015	-	42,483	654,608	31,684	2,394	-	731,169
Charge for the year-continuingoperations	-	4,081	75,030	2,027	648	-	81,786
Transfer to held for sale	-	-	-	-	269	-	269
Charge for the year-discontinuing operations	-	44	4,169	63	9	-	4,285
Net foreign currency exchange differences	-	14	1,567	88	39	-	1,708
Disposals	-	(717)	(9,718)	(3,377)	(1,529)	-	(15,341)
Impairment losses (note 9)	-	(612)	(65,352)	(929)	(100)	-	(66,993)
31 December 2015	-	45,293	660,304	29,556	1,730	-	736,883
Net book value							
At 31 December 2015	1,125	34,384	351,933	3,550	3,863	68,437	463,292

# NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2016

7 Property, plant and equipment (continued)

Parent - movement in property, plant and equipment

	Freehold land	Buildings	Network infrastructure and equipment	Furniture and office	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 2016	1,125	79,677	1,005,956	32,161	5,560	68,022	1,192,501
Additions	-	-	3,548	102	2,268	153,366	159,284
Transfers	-	1,596	143,367	1,778	-	(146,741)	-
Reclassification	-	(4,866)	8,785	(2,435)	(47)	-	1,437
Transfers to other assets	-	-	-	-	-	(4,987)	(4,987)
Disposals	-	-	(97,522)	(718)	(999)	-	(99,239)
31 December 2016	1,125	76,407	1,064,134	30,888	6,782	69,660	1,248,996
Depreciation							
1 January 2016	-	45,293	659,352	29,136	1,697	-	735,478
Charge for the year	-	3,738	86,806	1,672	1,359	-	93,575
Reclassification	-	(1,455)	5,282	(2,343)	(47)	-	1,437
Disposals	-	-	(87,750)	(718)	(980)	-	(89,448)
31 December 2016	-	47,576	663,690	27,747	2,029	-	741,042
Net book value At 31 December 2016	1,125	28,831	400,444	3,141	4,753	69,666	507,954



At 31 December 2016

7 Property, plant and equipment (continued)

Parent - movement in property, plant and equipment

	Freehold land RO'000	Buildings RO'000	Network infrastructure and equipment RO'000	Furniture and office RO'000	Motor vehicles and equipment RO'000	Capital work- in-progress RO'000	Total RO'000
<b>Cost</b>							
<b>1 January 2015</b>	1,125	76,667	909,514	33,753	3,499	56,535	1,081,093
Additions	-	13	6,567	93	3,289	124,705	134,667
Transfers	-	3,793	105,108	1,537	-	(110,438)	-
Transfers to other assets	-	-	-	-	-	(2,780)	(2,780)
Disposals	-	(796)	(15,233)	(3,222)	(1,228)	-	(20,479)
<b>31 December 2015</b>	<u>1,125</u>	<u>79,677</u>	<u>1,005,956</u>	<u>32,161</u>	<u>5,560</u>	<u>68,022</u>	<u>1,192,501</u>
<b>Depreciation</b>							
<b>1 January 2015</b>	-	41,929	594,490	30,481	2,273	-	669,173
Charge for the year	-	4,081	74,575	1,877	647	-	81,180
Disposals	-	(717)	(9,713)	(3,222)	(1,223)	-	(14,875)
<b>31 December 2015</b>	<u>-</u>	<u>45,293</u>	<u>659,352</u>	<u>29,136</u>	<u>1,697</u>	<u>-</u>	<u>735,478</u>
<b>Net book value At 31 December 2015</b>	<u>1,125</u>	<u>34,384</u>	<u>346,604</u>	<u>3,025</u>	<u>3,863</u>	<u>68,022</u>	<u>457,023</u>

# NOTES TO THE FINANCIAL STATEMENTS

## At 31 December 2016

### 8 Investment in subsidiaries

	Parent Company	
	2016	2015
	RO'000	RO'000
Equity investment in WTL	-	73,559
Convertible preference shares investment in WTL	-	7,740
	-	81,299
Provision for impairment of investment (note 9)	-	(81,299)
	-	-
Investment in Oman Data Park LLC	900	600
Investment in Omantel France SAS	26	26
Investment in First Issue SAOC	500	500
Internet of Things LLC	250	-
At 31 December	<u>1,676</u>	<u>1,126</u>

### 9 Goodwill

	Consolidated	
	2016	2015
	RO'000	RO'000
At 1 January	-	14,735
Impairment losses	-	(13,925)
foreign currency exchange difference	-	(810)
At 31 December	<u>-</u>	<u>-</u>

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

From the date of the investment, the parent Company has been constantly engaged with the subsidiary (WTL) in monitoring and evaluation of performance on a continuing basis. However this has not resulted in the desired returns on account of significant competition and changes in the regulatory landscape. Management's evaluation has indicated that given the current financial situation of the subsidiary, coupled with market challenges, it is not likely that turnaround can materialise without significant capital injection. Management evaluated the case for investing further in WTL but since the risks outweighed the potential benefits decided not to invest further in WTL. Therefore on account of significant uncertainties surrounding the subsidiaries operations, the parent company recognised an impairment charge against the full carrying value of goodwill and the Pakistan operations comprising its assets. During the year, WTL is classified as disposal group as held for sale (note 5).

# NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2016

## 9 Goodwill (continued)

The details of impairment charge recognised in Group's statement of income with respect to WTL is as follows:

	Consolidated	
	2016	2015
	RO'000	RO'000
Property, plant and equipment	-	40,140
Goodwill	-	13,925
Other intangible assets	-	4,674
Deferred tax assets	-	9,697
Assets of disposal group held for sale	-	3,553
	<u>-</u>	<u>71,989</u>

Impairment charge recognised in Parent Company's statement of income is as follows:

	Parent Company	
	2016	2015
	RO'000	RO'000
Investment in equity	-	19,168
Investment in convertible preference shares (CPS)	-	7,740
Impairment in value of equity and CPS	-	26,908
Receivable from subsidiary-trade receivables (refer note 15)	-	13,181
Receivable from subsidiary-corporate guarantee (refer note 25)	905	13,667
Receivable from subsidiary-put option (refer note 25)	-	6,634
	<u>905</u>	<u>60,390</u>

# NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2016

## 10 Other intangible assets

Consolidated	License	Patents and copyrights	Software	Subscriber acquisition costs	Total
	RO'000	RO'000	RO'000	RO'000	RO'000
Cost					
At 1 January 2015	63,488	8	22,027	161	85,684
Addition during the year	7,657	-	2,909	-	10,566
Transfers	-	-	(2,718)	-	(2,718)
(9 Impairment losses (note	(8,310)	(8)	(64)	-	(8,382)
Adjustment	-	-	(52)	-	(52)
Net foreign currency exchange difference	(297)	-	(2)	-	(299)
<b>31 December 2015</b>	<u>62,538</u>	<u>-</u>	<u>22,100</u>	<u>161</u>	<u>84,799</u>
1 January 2016	<b>62,538</b>	-	<b>22,100</b>	<b>161</b>	<b>84,799</b>
Addition during the year	-	-	<b>4,922</b>	-	<b>4,922</b>
Adjustment	-	-	<b>(1,203)</b>	-	<b>(1,203)</b>
Disposals	-	-	<b>(12)</b>	-	<b>(12)</b>
<b>At 31 December 2016</b>	<u>62,538</u>	<u>-</u>	<u>25,807</u>	<u>161</u>	<u>88,506</u>
Amortisation					
<b>At 1 January 2015</b>	36,856	7	18,593	161	55,617
Charge for the year-continuing operations	4,252	-	2,352	-	7,604
Charge for the year- discontinuing operations	546	-	11	-	557
Disposal	-	-	(2,718)	-	(2,718)
Impairment losses (note 9)	(3,662)	(6)	(40)	-	(3,708)
Adjustment	-	-	(54)	-	(54)
Net foreign currency exchange difference	(121)	(1)	(2)	-	(124)
<b>At 31 December 2015</b>	<u>37,871</u>	<u>-</u>	<u>18,142</u>	<u>161</u>	<u>56,174</u>
<b>1 January 2016</b>	<b>37,871</b>	-	<b>18,142</b>	<b>161</b>	<b>56,174</b>
Charge for the year-continuing operations	<b>5,655</b>	-	<b>2,798</b>	-	<b>8,453</b>
Disposal	-	-	<b>(12)</b>	-	<b>(12)</b>
Adjustment	<b>(5)</b>	-	<b>(1,198)</b>	-	<b>(1,203)</b>
<b>At 31 December 2016</b>	<u>43,521</u>	<u>-</u>	<u>19,730</u>	<u>161</u>	<u>63,412</u>
Net book value					
<b>At 31 December 2016</b>	<u>19,017</u>	<u>-</u>	<u>6,077</u>	<u>-</u>	<u>25,094</u>
31 December 2015	<u>24,667</u>	<u>-</u>	<u>3,958</u>	<u>-</u>	<u>28,625</u>

# NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2016

## 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 2015	54,881	18,075	161	73,117
Additions	7,657	2,524	-	10,181
Adjustment	-	3,463	-	3,463
Disposal	-	(2,718)	-	(2,718)
31 December 2015	<u>62,538</u>	<u>21,344</u>	<u>161</u>	<u>84,043</u>
At 1 January 2016	<b>62,538</b>	<b>21,344</b>	<b>161</b>	<b>84,043</b>
Additions	-	<b>4,852</b>	-	<b>4,852</b>
classification	-	<b>(1,203)</b>	-	<b>(1,203)</b>
Disposal	-	<b>(12)</b>	-	<b>(12)</b>
At 31 December 2016	<u><b>62,538</b></u>	<u><b>24,981</b></u>	<u><b>161</b></u>	<u><b>87,680</b></u>
Amortisation				
At 1 January 2015	33,624	14,914	161	48,699
Charge for the year	4,252	2,242	-	6,494
Adjustment	-	3,463	-	3,463
Disposal	-	(2,718)	-	(2,718)
31 December 2015	<u>37,876</u>	<u>17,901</u>	<u>161</u>	<u>55,938</u>
1 January 2016	<b>37,876</b>	<b>17,901</b>	<b>161</b>	<b>55,938</b>
Charge for the year	<b>5,655</b>	<b>2,598</b>	-	<b>8,253</b>
Reclassification	<b>(5)</b>	<b>(1,198)</b>	-	<b>(1,203)</b>
Disposal	-	<b>(12)</b>	-	<b>(12)</b>
At 31 December 2016	<u><b>43,531</b></u>	<u><b>19,289</b></u>	<u><b>161</b></u>	<u><b>62,976</b></u>
Net book value				
At 31 December 2016	<u><b>19,012</b></u>	<u><b>5,692</b></u>	<u>-</u>	<u><b>24,704</b></u>
31 December 2015	<u>24,662</u>	<u>3,443</u>	<u>-</u>	<u>28,105</u>

# NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2016

## 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	
	2016 RO'000	2015 RO'000	2016 RO'000	2015 RO'000
Opening balance	<b>3,896</b>	3,896	<b>9,381</b>	9,399
Share of results	-	-	<b>1,172</b>	809
Dividend received	-	-	<b>(777)</b>	(827)
Closing balance	<u><b>3,896</b></u>	<u>3,896</u>	<u><b>9,776</b></u>	<u>9,381</u>

(a) 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 13,506,502 (31 December 2015: RO 13,505,218) as compared to the cost of RO 3,445,511 (31 December 2015: RO 3,445,511). The fair value is determined under Level 1.

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

	Assets RO'000	Liabilities RO'000	Revenue RO'000	Profit RO'000	Percentage shareholding %
<b>31 December 2016</b>					
Oman Fiber Optic Co. SAOG	<b>41,878</b>	<b>22,953</b>	<b>29,115</b>	<b>2,536</b>	<b>40.96</b>
Infoline LLC	<b>2,854</b>	<b>1,062</b>	<b>7,198</b>	<b>261</b>	<b>45</b>
<b>31 December 2015</b>					
Oman Fiber Optic Co. SAOG	37,902	19,946	22,563	1,608	40.96
Infoline LLC	2,613	862	6,290	340	45



# NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2016

## 12 Other financial assets

	Consolidated			
	Current	Non Current		
	2016 RO'000	2015 RO'000	2016 RO'000	2015 RO'000
<b>Investments at fair value through profit or loss</b>				
Financial assets designated as at fair value through profit or loss (a)	-	-	34,452	29,507
Held for trading investments (b)	27,024	24,442	-	-
<b>Available for sale investment carried at cost</b>				
Unquoted equity (c)	-	-	2,933	1,825
<b>Available for sale investment carried at fair value</b>				
Quoted investments	-	319	241	238
<b>Held to maturity investments</b>				
Bonds (d)	3,420	6,371	9,000	11,420
<b>Long term deposits at cost</b>				
Deposits with financial institutions	-	-	-	4
Margin deposits (e)	-	125	-	-
Fixed deposit with banks (f)	58,500	42,455	4,000	10,000
Others	-	-	-	127
<b>Long term receivables</b>				
Trade receivables	-	-	-	334
<b>Loans carried at amortised cost</b>				
Loans and advances to employees (g)	-	52	-	15
	<u>88,944</u>	<u>73,764</u>	<u>50,626</u>	<u>53,470</u>

	Parent Company			
	Current	Non Current		
	2016 RO'000	2015 RO'000	2016 RO'000	2015 RO'000
<b>Investments at fair value through profit or loss</b>				
Financial assets designated as at fair value through profit or loss (a)	-	-	34,452	29,507
Held for trading investments (b)	27,024	24,442	-	-
<b>Available for sale investment carried at cost</b>				
Unquoted equity (c)	-	-	2,933	1,825
<b>Available for sale investment carried at fair value</b>				
Quoted investments	-	-	241	238
<b>Held to maturity investments</b>				
Bonds (d)	3,420	6,371	9,000	11,420
<b>Long term deposits at cost</b>				
Fixed deposit with banks (f)	58,500	42,453	4,000	10,000
	<u>88,944</u>	<u>73,266</u>	<u>50,626</u>	<u>52,990</u>

# NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2016

## 12 Other financial assets (continued)

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

	Parent Company & Consolidated			
	Carrying amount as at 31 December 2015	Additions/ (disposals) during the year	Gains/(losses) recognised in profit or loss	Carrying amount as at 31 December 2016
	RO'000	RO'000	RO'000	RO'000
Equities	10,293	1,545	717	12,555
Fixed income instruments	4,657	2,298	54	7,009
Mutual funds	14,557	374	(43)	14,888
	<u>29,507</u>	<u>4,217</u>	<u>728</u>	<u>34,452</u>

### (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 & Consolidated			
	2016	2015	Effective rate of interest	Maturity
	RO'000	RO'000	(.p.a)	(year)
<b>Current</b>				
Bonds	-	5,771	%8	2016
Subordinated notes	-	600	%4,5	2016
Subordinated bonds	1,420	-	%5,5	2017
Subordinated notes	2,000	-	%6,5	2017
<b>Non-current</b>				
Subordinated bonds	-	1,420	%5,5	2017
Subordinated notes	-	2,000	%6,5	2017
Subordinated notes	5,000	5,000	%5,757	2018
Islamic bonds	1,000	1,000	%5	2018
Subordinated notes	1,000	1,000	%4	2019
Islamic bonds	1,000	-	%8,5	2021
Subordinated notes	<u>1,000</u>	<u>1,000</u>	%5,5	2021

### (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 and financing companies. The average annual interest rate on these deposits is 4% (2015: 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: Nil (2015 : RO 0.017 million).

# NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2016

## 13 Inventories

	Parent Company		Consolidated	
	2016	2015	2016	2015
	RO'000	RO'000	RO'000	RO'000
Stores and spares	9,335	8,973	9,336	10,481
Prepaid cards and handsets	<u>3,070</u>	<u>2,230</u>	<u>3,070</u>	<u>2,239</u>
	12,405	11,203	12,406	12,720
Provision for inventory obsolescence	<u>(3,066)</u>	<u>(3,696)</u>	<u>(3,066)</u>	<u>(4,392)</u>
	<u>9,339</u>	<u>7,507</u>	<u>9,340</u>	<u>8,328</u>

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

Opening balance	3,696	2,962	4,392	3,128
Charge for the year-continuing operations	-	734	-	734
Charge for the year-discontinuing operations	-	-	-	541
Released during the year	(366)	-	(366)	-
Write off during the year	(264)	-	(264)	-
Transfer to held for sale assets	-	-	(696)	-
Net foreign currency exchange difference	-	-	-	(11)
Closing balance	<u>3,066</u>	<u>3,696</u>	<u>3,066</u>	<u>4,392</u>

# NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2016

## 14 Trade and other receivables

	Parent Company		Consolidated	
	2016	2015	2016	2015
	RO'000	RO'000	RO'000	RO'000
Amounts due from customers	42,759	49,303	44,365	58,807
Amounts due from Oman Investment (Finance Company SAOG (OIFC	44,274	38,767	44,274	38,767
Amounts due from other operators	28,403	27,243	28,403	27,243
Other receivables	<u>1,148</u>	<u>771</u>	<u>1,148</u>	<u>771</u>
	116,584	116,084	118,190	125,588
Provision for impairment of receivables	<u>(40,279)</u>	<u>(41,431)</u>	<u>(40,398)</u>	<u>(48,469)</u>
	76,305	74,653	77,792	77,119
Deposits	4,846	3,657	4,846	3,657
Advances	<u>5,532</u>	<u>2,698</u>	<u>3,956</u>	<u>4,721</u>
	<u>86,683</u>	<u>81,008</u>	<u>86,594</u>	<u>85,497</u>

The movement in provision for impairment of receivables is disclosed in note 45 (b)(ii).

The deposits amounting to RO 4.846 million includes RO 1.7 million held with TRA and RO 1.1 million held with the taxation authorities of Oman respectively under protest as set out in note 28 (royalty) and note 41 (taxation) respectively.

# NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2016

## 15 Receivable from subsidiary

	Parent Company	
	2016	2015
	RO'000	RO'000
Receivable from		
Worldcall Telecom Limited (WTL)		
-Trade Receivable	-	13,181
-Corporate Guarantee (note 25)	-	13,667
-Put option (note 25)	-	6,634
	-	33,482
Provision for impairment (note 9)	-	(33,482)
Oman Data Park LLC	882	716
Omantel France SAS	18	11
Internet of Things LLC	281	-
	<u>1,181</u>	<u>727</u>

## 16 Share capital and dividends

The share capital comprises 750,000,000 (31 December 2015 - 750,000,000) authorised and issued, ordinary shares of RO 0.100 (31 December 2015: RO 0.100) each fully paid. Shareholders of the Parent Company who own not less than 10% of the Parent Company's shares at reporting date are as follows:

	2016		2015	
	Shares held	%	Shares held	%
Oman Investment Fund	414,225,000	55.23	-	-
Government of the Sultanate of Oman	-	-	382,500,000	51

The directors have recommended a dividend of RO 0.070 (2015: RO 0.060) per share amounting to RO 52.50 million (2015: RO 45 million) which is subject to approval of the shareholders at the annual general meeting.

For the year 2015, a final cash dividend of RO 0.060 per share (2014: RO 0.075 per share) amounting to RO 45 million (2014: RO 56.25 million) was approved by the shareholders at the annual general meeting held on 30 March 2016.

An interim cash dividend of RO 0.040 (30 September 2015: RO 0.055) amounting to RO 30 million (30 September 2015: RO 41.250 million) was approved by the Board of Directors on 14 August 2016.

# NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2016

## 17 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.

## 18 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.

## 19 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.

## 20 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.

During 2015, the Group believed that there was a significant depreciation of Pakistani Rupee (PKR) against Omani and was not expected to reverse in the foreseeable future. Further the Group recognised an impairment charge against the full carrying value of goodwill and the Pakistani operations comprising their assets. Considering the liquidity position of WTL and the Parent Company's decision to not to invest/support WTL any further, the Group considered this as an abandonment of a foreign operation in accordance with the requirement of IAS 21 – The Effect of changes in foreign exchange rates. Consequently, the Group reclassified the cumulative foreign currency translation losses on investment in WTL (subsidiary) to statement of income during 2015.

## 21 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.



# NOTES TO THE FINANCIAL STATEMENTS

## At 31 December 2016

### 22 Borrowings

Consolidated	Currency	Nominal interest rate	Year of maturity	Current		Non Current	
				2016 RO'000	2015 RO'000	2016 RO'000	2015 RO'000
Secured-at amortised cost							
Bank loan	OMR	3 months LIBOR%2.5+ (floor of %5p.a)	2019-2017	1,900	1,150	5,475	7,331
Long term loans							
	PKR	1 month KIBOR%3+ p.a and 3 month KIBOR+ %0.5 p.a	Note (a (i) and (ii))	-	161	-	319
Long term loan	USD	3 months LIBOR%3.25+	2022 Note (a(iii))	-	13,667	-	-
Convertible preference share	USD	%5.9 p.a	Note (b)	-	-	-	6,634
3- Term finance certificates	PKR	6 months KIBOR%1.6+	2021 (c)	-	5,467	-	-
Short term borrowings	PKR	3 to 6 months KIBOR%1.5+ to %4					
			-	-	2,047	-	-
Bank overdraft							
	OMR	3 months LIBOR%2.5+ (floor of %5p.a)		489	524	-	-
Finance lease liabilities	PKR	6 months KIBOR+ %2.5p.a					
			-	-	5	-	6
Finance lease liabilities	OMR	%12.695 p.a	-	42	36	265	305
				2,431	23,057	5,740	14,595

#### (a) Long term Loans

This represent term loan facility from banks and comprise the following:

- i) Loan from Soneri Bank Ltd of PKR 50 million which is repayable in 23 monthly instalments ending on 28 February 2016. It carries a mark up of one month KIBOR plus 3% per annum and is payable monthly. The mark up rate charged during the period on the outstanding balance ranges between 9% to 12.09% (2015: 9%to 12.09%) per annum. It is secured through joint pari passu hypothecation agreement over current and movable fixed assets.

# NOTES TO THE FINANCIAL STATEMENTS

## At 31 December 2016

### 22 Borrowings (continued)

#### (a) Long term Loans (Continued)

- ii) This represents a term loan facility of PKR 125 million obtained through restructuring of running finance facility. The facility is repayable in 43 monthly instalments ending on 31 July 2018. The mark up rate to be charged on the outstanding balance w.e.f April 01, 2015 will be 3 months KIBO R+50 Bps to be reset and recoverable quarterly. It is secured through a joint pari passu charge on present and future current and fixed assets excluding land and building of the subsi diary in Pakistan with a 25% margin.

- iii) The subsidiary in Pakistan signed a foreign currency syndicated loan facility amounting to USD 35 million from National Bank of Oman SAOG and Ahli Bank SAOG with the lead ar-ranger being National Bank of Oman. It is repayable in 16 quarterly instalments commencing 30 September 2017. Profit is payable quarterly and is charged at three months average London Inter-Bank Offer Rate (LIBOR) plus 1.75% per annum and monitoring fee at 1.5% per annum. To secure the facility, the corporate guarantee of the Parent Company has been furnished. This arrangement shall remain effective until all obligations under the facility are settled. As of the reporting date, the subsidiary is in breach of a covenant of the facility. Moreover, the subsidiary has failed to pay interest against this facility for the quarter ended 31 December 2016 which led to the consortium adjusting the payable against interest with the Debt Service Reserve Account Balance ("security") held with them. These constitute events of default under the facility and empowers the consortium to demand the outstanding amount at their will. Consequently, the total amount has become immediately payable. The Parent Company has recorded a full provision towards its corporate guarantee issued (refer note 25 (i))

#### (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, hel d 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.

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. The Parent Company has recorded a full provision during FY 2015 towards put option (refer note 25 (ii)). During the year, the put option was exercised in full by the investor and was settled by the Parent Company at RO 7 million

#### (c) Term finance certificates-3

Term finance certificates-3 were earlier rescheduled in December 2012 under which the principal was repayable in three semi-annual installments ending on 7 October 2015. In July 2014, the subsidiary initiated the process of second restructuring with the TFC holders. On 3 April 2015, the TFCs were rescheduled and the terms of the revised rescheduling agreement are effective from 7 October 2014. As per revised terms, the tenure of the TFCs were extended by seven years with p rincipal instalments ending in October 2021. As per terms of second rescheduling, payments in respect of principal and markup aggregating to Rs 230 million (RO 0.83 million) (includes interest of PKR 60 million (RO 0.22 million)) were required to be made during year. However, payments of Rs 146.625 million (RO 0.53 million) (includes interest of PKR 20 million (RO 0.07 million)) were made, hence, constituting a default as per the terms. Consequently, the total amount has been classified in current liabilities during FY 2015. These certificates are included under discontinuing operation under note 5.

23 Deferred tax assets

Consolidated

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

	1 January 2016	Charged / (credited) to statement of income	Others	31 December 2016	1 January 2015	Charged / (credited) to statement of income	Charge pertaining to discontinued operations	Impairment losses (note 9)	Exchange differences	31 December 2015
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
Temporary differences										
Provision for impaired receivables	(2,968)	125	-	(2,843)	(5,202)	(168)	314	2,069	19	(2,968)
Provision for inventory obsolescence	(115)	75	-	(40)	(135)	(88)	9	68	31	(115)
Provision for capital contribution	-	-	-	-	651	-	(91)	(538)	(22)	-
Retirement benefit obligation	-	-	-	-	(462)	-	32	414	16	-
Fair value gain on investments	490	93	-	583	650	(160)	-	-	-	490
Impairment of investment in subsidiary	(11,252)	(109)	-	(11,361)	-	-	(11,252)	-	-	(11,252)
Depreciation and amortisation	4,773	92	-	4,863	19,269	(369)	(2,029)	(11,645)	(453)	4,773
Licence amortisation	-	-	(615)	(615)	-	-	-	-	-	-
	(9,072)	276	(615)	(9,411)	14,771	(785)	(13,017)	(9,632)	(409)	(9,072)
	(9,072)	276	(615)	(9,411)	(24,387)	-	4,203	19,329	855	-
Unused tax losses and credits					(9,616)	(785)	(8,814)	9,697	446	(9,072)

## NOTES TO THE FINANCIAL STATEMENTS

### At 31 December 2016

#### Parent Company:

	1 January 2016	Charged / (credited) to statement of income	Others	31 December 2016	1 January 2015	Charged / (credited) to statement of income	31 December 2016
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
<b>Temporary Differences</b>							
Provision for impaired receivables	(2,968)	125	-	(2,843)	(2,800)	(168)	(2,968)
Provision for inventory obsolescence	(115)	75	-	(40)	(27)	(88)	(115)
Fair value gain on investment	490	93	-	583	650	(160)	490
Impairment of investment in a subsidiary	(11,252)	(109)	-	(11,361)	(6,517)	(4,735)	(11,252)
Depreciation and amortisation	4,773	92	-	4,865	5,142	(369)	4,773
Licence amortisation	-	-	(615)	(615)	-	-	-
	(9,072)	276	(615)	(9,411)	(3,552)	(5,520)	(9,072)

#### 24 Retirement benefit obligation

	Parent Company		Consolidated	
	2016	2015	2016	2015
	RO'000	RO'000	RO'000	RO'000
At 1 January	4,378	3,966	5,772	5,249
Charge for the year	728	714	746	1,101
Payments during the year	(680)	(302)	(690)	(458)
Transfer to liability associated with held for sale	-	-	(1,351)	-
Recognition of actuarial income on defined benefit plan	-	-	-	(62)
Foreign exchange difference	-	-	-	(58)
At 31 December	<u>4,426</u>	<u>4,378</u>	<u>4,477</u>	<u>5,772</u>

Charge for 2015 include an amount of RO 0.372 million reclassified to discontinued operations

# NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2016

## 25 Provisions

	Parent Company		Consolidated	
	2016	2015	2016	2015
	RO'000	RO'000	RO'000	RO'000
Corporate guarantee Note (i)	13,667	13,667	-	-
Put option note (ii)	-	6,634	-	-
At 31 December	<u>13,667</u>	<u>20,301</u>	<u>-</u>	<u>-</u>

- (i) In accordance with IAS 37: Provisions, contingent liabilities and Contingent assets, the Corporate guarantee provided by the Parent Company to guarantee the long term loan raised by Subsidiary from National Bank of Oman (refer note 22a(iii)), is provided at a best estimate of payments which may be required to be made under the borrowing arrangement.
- (ii) In accordance with IAS 37: Provisions, contingent liabilities and Contingent assets, the put option provided by the Parent Company to guarantee the convertible preference shares raised by Subsidiary (refer note 22 (b)), is provided at a best estimate of payments which may be required to be made under the contract. During the year, Habib Bank Limited (HBL) exercised the put option and the amount was settled by the parent company by utilising the related provision amount.

## 26 Other liabilities – non current

	Parent Company		Consolidated	
	2016	2015	2016	2015
	RO'000	RO'000	RO'000	RO'000
Long term deposits	-	-	-	128
Voluntary end of service (note 39) At 31 December	-	2,162	-	2,162
At 31 December	<u>-</u>	<u>2,162</u>	<u>-</u>	<u>2,290</u>

## 27 Trade and other payables

	Parent Company		Consolidated	
	2016	2015	2016	2015
	RO'000	RO'000	RO'000	RO'000
Trade payables	16,402	17,662	20,840	39,971
Amounts due to other telecommunication administrators	8,512	8,530	8,512	8,530
Retentions payable	27,838	27,121	27,838	27,410
Licence fees payable	-	-	-	3,708
Accruals	61,056	54,339	61,158	60,698
Deferred income	13,510	16,358	13,510	16,686
Billings in advance	15,970	15,716	15,970	15,716
Accrued interest	-	-	-	799
Voluntary end of service (note 39)	6,337	10,416	6,337	10,416
Other payables	<u>2,997</u>	<u>5,447</u>	<u>3,407</u>	<u>6,661</u>
	<u>152,622</u>	<u>155,589</u>	<u>157,572</u>	<u>190,595</u>

# NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2016

## 28 Royalty payable

In accordance with Article 4 (1) of the fixed and mobile licence and as permitted by the TRA, the licensee is required to pay royalty to the TRA at the rate of 7% of its gross revenue excluding certain categories of wholesale revenue and interconnection expenses. Details regarding recent demand made by TRA are set out in note 44 (c) (i). TRA has increased the royalty rate to 12% with effect from 1 January 2017.

The deposits amounting to RO 1.6 million held with TRA under protest as set out in note 14.

## 29 Net assets per share

Net assets per share attributable to equity holders of the Parent Company is calculated by dividing the net assets at the reporting date by the number of shares outstanding:

	Parent Company		Consolidated	
	2016	2015	2016	2015
	RO'000	RO'000	RO'000	RO'000
Net assets attributable to the owners of the parent 000'RO	582,696	540,185	582,345	540,474
Number of shares outstanding (thousands)	750,000	750,000	750,000	750,000
Net assets per share (RO)	<u>0.770</u>	<u>0.720</u>	<u>0.760</u>	<u>0.721</u>

## 30 Wholesale revenue

	Parent Company		Consolidated	
	2016	2015	2016	2015
	RO'000	RO'000	RO'000	RO'000
External administration revenue (note a)	28,997	24,755	28,997	24,749
Interconnection income (note b)	16,677	17,977	16,677	17,984
Capacity sales	32,661	23,043	32,625	23,006
Others	<u>23,942</u>	<u>19,980</u>	<u>23,942</u>	<u>19,980</u>
	<u>102,277</u>	<u>85,755</u>	<u>102,241</u>	<u>85,719</u>

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.

## 31 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.



## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2016

### 32 Cost of content services

Cost of content services represents the charges paid by the Group to various content service providers such as provision of audio text services and SMS to TV channels etc.

### 33 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.

### 34 Staff costs

	Parent Company		Consolidated	
	2016	2015	2016	2015
	RO'000	RO'000	RO'000	RO'000
Salaries and allowances	58,178	60,750	59,152	61,689
Social security costs	4,795	5,263	4,833	5,304
Retirement benefits (Note below)	640	714	657	729
Other employee benefits	<u>4,333</u>	<u>3,780</u>	<u>4,333</u>	<u>3,780</u>
	<u>67,946</u>	<u>70,507</u>	<u>68,975</u>	<u>71,502</u>

Includes an amount of RO 0.088 million capitalised during the period.

### 35 Operating and maintenance expenses

	Parent Company		Consolidated	
	2016	2015	2016	2015
	RO'000	RO'000	RO'000	RO'000
Asset maintenance	22,707	24,051	22,384	24,082
Cost of sales	20,638	17,957	22,545	19,418
Satellite channels and frequency charges	15,416	14,300	15,416	14,300
Rental charges	7,823	6,899	8,037	7,043
Electricity and water	3,143	2,784	3,244	2,874
Maintenance and hire charges	2,585	3,437	2,585	3,447
Petrol, oil and lubricants	748	556	748	556
Insurance	719	830	762	874
Others	<u>7,375</u>	<u>3,458</u>	<u>7,420</u>	<u>3,470</u>
	<u>81,154</u>	<u>74,272</u>	<u>83,141</u>	<u>76,064</u>

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2016

### 36 Administrative expenses

	Parent Company		Consolidated	
	2016	2015	2016	2015
	RO'000	RO'000	RO'000	RO'000
Training costs	1,816	2,205	1,822	2,220
Professional consultancy fees	4,066	4,125	4,179	4,236
Administrative services	2,721	3,643	2,795	3,670
Business travel	1,357	1,662	1,374	1,687
Office supplies and services	<u>1,156</u>	<u>1,066</u>	<u>1,271</u>	<u>1,144</u>
	<u>11,116</u>	<u>12,701</u>	<u>11,441</u>	<u>12,957</u>

### 37 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 paid to agents selling prepaid cards and other services of the Group.

# NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2016

## 38 Finance income / (costs) - net

	Parent Company		Consolidated	
	2016	2015	2016	2015
	RO'000	RO'000	RO'000	RO'000
<b>Finance income</b>				
Interest income	2,838	4,006	2,838	4,025
Exchange gain	<u>153</u>	<u>172</u>	<u>153</u>	<u>172</u>
	<u>2,991</u>	<u>4,178</u>	<u>2,991</u>	<u>4,197</u>

	Parent Company		Consolidated	
<b>Investment income/(loss)</b>				
Dividend income	2,210	2,920	1,433	2,093
Fair value gain on investments at fair value through profit and loss	728	(869)	728	(869)
Realised loss on held for trading investments	(1,069)	(352)	(1,069)	(352)
Fair value gain/(loss) on held for trading investments	<u>423</u>	<u>(1,097)</u>	<u>423</u>	<u>(1,097)</u>
	<u>2,292</u>	<u>602</u>	<u>1,515</u>	<u>(225)</u>

	Parent Company		Consolidated	
<b>Finance cost</b>				
Interest on borrowings	-	-	1,295	435
	<u>-</u>	<u>-</u>	<u>1,295</u>	<u>435</u>

## 39 Voluntary end of services

During the year 2015, the parent company approved a formal detailed plan to provide termination benefits as a result of an offer made to encourage voluntary redundancy. In accordance with the terms of the plan, the program will be implemented over a period of seven quarters which commenced 31 March 2016. The amount payable beyond twelve months from the reporting date is classified as a long term liability (Note 26) and the remaining amount is shown under Trade and other payables (Note 27).

# NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2016

## 40 Other income - net

	Parent Company		Consolidated	
	2016	2015	2016	2015
	RO'000	RO'000	RO'000	RO'000
Miscellaneous income	1,139	3,331	1,135	3,374
Liability no longer required written back	<u>690</u>	<u>1,112</u>	<u>690</u>	<u>1,112</u>
	<u>1,829</u>	<u>4,443</u>	<u>1,825</u>	<u>4,486</u>

## 41 Taxation

a) The tax charge for the year for continuing operations comprises:

	Parent Company		Consolidated	
	2016	2015	2016	2015
	RO'000	RO'000	RO'000	RO'000
Current taxation	15,898	16,971	15,898	16,971
Deferred taxation (Note 23)	<u>276</u>	<u>5,520</u>	<u>276</u>	<u>(785)</u>
	<u>16,174</u>	<u>11,451</u>	<u>16,174</u>	<u>16,186</u>

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

	Parent Company		Consolidated	
	2016	2015	2016	2015
	RO'000	RO'000	RO'000	RO'000
Tax on accounting profit	16,038	8,606	16,038	15,743
Add / (less) tax effect of:				
Expenses not deductible	345	2,957	345	555
Income not subject to tax	<u>(209)</u>	<u>(112)</u>	<u>(209)</u>	<u>(112)</u>
Tax charge as per statement of income	<u>16,174</u>	<u>11,451</u>	<u>16,174</u>	<u>16,186</u>

(c) Status of tax assessments

Assessments have been completed up to the taxable year 2014 for the Parent Company and up to taxable year 2011 for the erstwhile Subsidiary Oman Mobile Telecommunications LLC. Management has filed an objection against certain disallowance in case of parent company and paid a demand of RO 1.1 million under protest (note 14). The Company is expecting changes in tax laws and rates including an increase in the Omani income tax rate from 12% to 15% which may affect recorded deferred tax assets and liabilities in the future. Any change in tax law is accounted for in the period of enactment. Impact of any change in tax law cannot be determined as the Royal Decree is not yet published in the official gazette. Management do not expect any material impact on the Group Income statement. Further, management is not aware and does not expect any additional tax liabilities to be incurred relating to open tax years.

## 42 Basic and diluted earnings per share

The earnings per share has been derived by dividing the profit from continuing operations for the year attributable to the owners of the Parent company by the weighted average number of shares outstanding. As the Parent company does not have any dilutive potential shares, the diluted earnings per share is the same as the basic earnings per share.

# NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2016

## 43 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	
	2016	2015
	RO'000	RO'000
<b>(i) Purchase of goods and services</b>		
Subsidiaries	525	1,371
Associates	10,108	7,509
	<u>10,633</u>	<u>8,880</u>
<b>(ii) Sale of services</b>		
Subsidiaries	-	-
	480	1,955
	<u>480</u>	<u>1,955</u>
<b>(iii) Others- Subsidiaries and associates</b>		
Dividend from associate	777	827
Interest on preference shares	-	1,338
Management and facilitation fee on preference shares	-	453
	<u>777</u>	<u>2,618</u>
<b>(iv) Sitting fees and remuneration to directors</b>		
Directors' sitting fees - non executive	77	76
Directors' remuneration - non executive	123	124
<b>Total</b>	<u>200</u>	<u>200</u>

# NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2016

## 43 Related parties (continued)

### (v) Key management compensation

	2016	2015
	RO'000	RO'000
Basic salaries and allowances	1,382	1,289
Other benefits and expenses	961	1,120
Social security costs	64	66
Retirement benefits	37	31
	<u>2,444</u>	<u>2,506</u>

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

	Receivables		Payables	
	2016	2015	2016	2015
	RO'000	RO'000	RO'000	RO'000
Subsidiaries	1,181	690	125	117
Associates	-	-	987	1,458
Other related party	-	28	-	-
	<u>1,181</u>	<u>718</u>	<u>1,112</u>	<u>1,575</u>

### Consolidated

#### (i) Purchase of goods and services

	2016	2015
	RO'000	RO'000
Associates	10,108	7,509
Other related party	181	131
<b>Total</b>	<u>10,289</u>	<u>7,640</u>

#### (ii) Sale of goods and services

	2016	2015
	RO'000	RO'000
Other related parties	10	20

#### (iii) Sitting fees and remuneration to directors

	2016	2015
	RO'000	RO'000
Directors' sitting fees - non executive	87	81
Directors' remuneration - non executive	123	124
	<u>210</u>	<u>205</u>



# NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2016

## 43 Related parties (continued)

### (iv) Key management compensation

	2016 RO'000	2015 RO'000
Basic salaries and allowances	1,382	1,389
Other benefits and expenses	961	1,120
Social security costs	64	66
Retirement benefits	37	31
Total	<u>2,444</u>	<u>2,506</u>

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

	Receivables		Payables	
	2016 RO'000	2015 RO'000	2016 RO'000	2015 RO'000
Associates	-	-	987	1,458
Other related party	<u>96</u>	<u>129</u>	<u>214</u>	<u>82</u>
	<u>96</u>	<u>129</u>	<u>1,201</u>	<u>1,540</u>

## 44 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	
	2016 RO'000	2015 RO'000	2016 RO'000	2015 RO'000
Commitment for fixed capital expenditure	<u>99,678</u>	<u>96,980</u>	<u>99,678</u>	<u>96,980</u>
Investment	<u>5,153</u>	<u>5,400</u>	<u>5,153</u>	<u>4,450</u>

### (b) Contingent liabilities

	Parent Company		Consolidated	
	2016 RO'000	2015 RO'000	2016 RO'000	2015 RO'000
Letters of credit	-	-	<u>427</u>	-
Bank guarantees	<u>13</u>	<u>316</u>	<u>1,327</u>	<u>835</u>

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

# NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2016

## 44 Commitments and contingencies (continued)

### (c) Claims

i) The Parent Company during FY 2015 received demand notice amounting to RO 4.4 million from the TRA towards additional royalty payable for the prior years on certain categories of wholesale revenue. The Parent Company has paid RO 1.7 under protest to TRA (note 14). Based upon legal opinion and interpretation of the relevant provisions of the Parent Company's license terms, the management believes that the additional royalty amount is not payable.

ii) Certain other 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 the actual event of the penalty can be determined with certainty at present. The legal and regulatory department of the Group considers these as low risk cases and at this stage, the outcome of the situations cannot be quantified or estimated with reasonable certainty.

## 45 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	
	2016 RO'000	2015 RO'000	2016 RO'000	2015 RO'000
Trade and other receivables	116,584	116,084	118,190	125,922
Other financial assets	139,570	126,256	139,570	126,900
Receivables from subsidiaries	<u>1,181</u>	<u>727</u>	-	-
	<u>257,335</u>	<u>243,067</u>	<u>257,760</u>	<u>252,822</u>

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

	Parent Company		Consolidated	
	2016 RO'000	2015 RO'000	2016 RO'000	2015 RO'000
Oman Investment Finance Company SAOG	44,274	38,767	44,274	38,767
Due from other operators	28,403	27,243	28,403	27,243
Government debts	12,754	13,908	12,754	13,908
Agents for prepaid card sales	2,550	5,191	4,719	5,191
Other customers	<u>28,603</u>	<u>30,975</u>	<u>28,040</u>	<u>40,813</u>
	<u>116,584</u>	<u>116,084</u>	<u>118,190</u>	<u>125,922</u>

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

#### Consolidated:

	2016		2015	
	Gross RO'000	Impairment RO'000	Gross RO'000	Impairment RO'000
Not past due	30,203	-	35,247	-
Past due 1-180 days	21,623	3,163	19,691	3,598
Past due 181 - 365 days	12,249	2,073	10,742	1,696
1 - 2 years	11,424	2,313	10,685	2,320
More than 2 years	<u>42,691</u>	<u>32,849</u>	<u>49,557</u>	<u>40,855</u>
	<u>118,190</u>	<u>40,398</u>	<u>25,922</u>	<u>48,469</u>

# NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2016

## 45 Credit risk (continued)

Parent Company:

	2016		2015	
	Gross	Impairment	Gross	Impairment
	RO'000	RO'000	RO'000	RO'000
Not past due	29,496	-	33,898	-
Past due 1-180 days	21,254	3,166	18,814	3,546
Past due 181 - 365 days	12,104	2,073	10,209	1,580
1 – 2 years	11,264	2,313	9,895	1,735
More than 2 years	42,466	32,727	43,268	34,570
	<u>116,584</u>	<u>40,279</u>	<u>16,084</u>	<u>41,431</u>

- (i) Included in the Group's trade receivable balance are debtors with a carrying amount of RO 47.6 million (31 December 2015: RO 42.2 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	
	2016	2015	2016	2015
	RO'000	RO'000	RO'000	RO'000
Opening balance	41,431	40,406	48,469	47,304
Net foreign currency exchange difference	-	-	-	(69)
Charge for the year-continuing operations	2,087	1,401	2,082	1,436
Charge for the year-discontinued operations	-	-	-	351
Write off during the year	(3,129)	-	(3,129)	-
Transfer to Government	(110)	(376)	(110)	(376)
Transfer to assets held for sale	-	-	(6,914)	-
Adjustment	-	-	-	(177)
Closing balance	<u>40,279</u>	<u>41,431</u>	<u>40,398</u>	<u>48,469</u>

The allowance accounts in respect of trade receivables are used to record impairment losses unless the Group is satisfied that no recovery of the amount 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.

# NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2016

## 46 Liquidity risk

The following are the contractual maturities of financial liabilities:

Consolidated:

31 December 2016	Carrying amount	6 months or less	12 - 6 months	2 - 1 years	More than 2 years
	RO'000	RO'000	RO'000	RO'000	RO'000
Borrowings	8,906	1,501	1,293	2,169	3,943
Trade payables	20,840	20,840	-	-	-
Amount due to other telecommunication administrators	8,512	8,512	-	-	-
Retention payable	27,838	27,838	-	-	-
Accruals	61,158	61,158	-	-	-
Voluntary end of service	6,337	5,700	637	-	-
Other payables	3,407	3,407	-	-	-
Royalty payable	33,903	33,903	-	-	-
	<u>170,901</u>	<u>162,859</u>	<u>1,930</u>	<u>2,169</u>	<u>3,943</u>

Parent Company:

	Carrying amount	6 months or less	12 - 6 months	2 - 1 years	More than 2 years
	RO'000	RO'000	RO'000	RO'000	RO'000
Trade payables	16,402	16,402	-	-	-
Amount due to other telecommunication administrators	8,512	8,512	-	-	-
Retention payable	27,838	27,838	-	-	-
Accruals	61,056	61,056	-	-	-
Voluntary end of service	6,337	5,700	637	-	-
Royalty payable	33,914	33,914	-	-	-
Other payables	2,997	2,997	-	-	-
	<u>157,056</u>	<u>156,419</u>	<u>637</u>	<u>-</u>	<u>-</u>

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2016

### 46 Liquidity risk (continued)

Consolidated:

31 December 2015	Carrying amount RO'000	6 months or less RO'000	12 - 6 months RO'000	2 - 1 years RO'000	More than 2 years RO'000
Borrowings	38,805	22,513	983	3,544	11,765
Accrued interest	799	799	-	-	-
Trade payables	39,971	39,971	-	-	-
Amount due to other telecommunication administrators	8,530	8,530	-	-	-
Retention payable	27,410	27,410	-	-	-
Accruals	60,698	60,698	-	-	-
Voluntary end of service	12,578	5,183	5,233	2,162	-
Other payables	6,661	6,661	-	-	-
Royalty payable	33,611	33,611	-	-	-
Other long term liabilities	128	-	-	-	128
License fee payable	3,708	3,708	-	-	-
	<u>232,899</u>	<u>209,084</u>	<u>6,216</u>	<u>5,706</u>	<u>11,893</u>

Parent Company:

	Carrying amount RO'000	6 months or less RO'000	12 - 6 months RO'000	2 - 1 years RO'000	More than 2 years RO'000
Trade payables	17,662	17,662	-	-	-
Amount due to other telecommunication administrators	6,648	8,530	-	-	-
Retention payable	23,258	27,121	-	-	-
Accruals	53,401	54,339	-	-	-
Voluntary end of service	12,578	5,183	5,233	2,162	-
Other payables	1,866	33,611	-	-	-
Royalty payable	31,543	5,447	-	-	-
	<u>159,288</u>	<u>151,893</u>	<u>5,233</u>	<u>2,162</u>	<u>-</u>

## NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2016

### 47 Interest rate risk

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

	Parent Company 2016 RO'000	2015 RO'000	Consolidated 2016 RO'000	2015 RO'000
<b>Floating rate instruments</b>				
Financial liabilities	-	-	(7,864)	30,677
<b>Fixed rate instruments</b>				
Financial assets	74,920	70,246	74,920	70,246
Financial liabilities	-	-	(307)	(6,975)
	<u>74,920</u>	<u>70,246</u>	<u>74,613</u>	<u>63,271</u>

#### Fair value sensitivity analysis for fixed rate instruments

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

### 48 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. 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.

# NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2016

## 48 Fair value of assets and liabilities (continued)

	Level 1 RO'000	Level 2 RO'000	Level 3 RO'000	Total 31 December 2016 RO'000
<b>Investments at fair value through profit or loss</b>	-	14,888	-	14,888
Investment in mutual funds	-	7,009	-	7,009
Fixed income instruments	-	6,054	6,501	12,555
Unquoted equity instruments				
<b>Held for trading</b>	27,024	-	-	27,024
Quoted equity instruments				
<b>Available-for-sale investments at fair value</b>	-	241	-	241
Mutual funds				
	<u>27,024</u>	<u>29,737</u>	<u>6,501</u>	<u>61,717</u>

	Level 1 RO'000	Level 2 RO'000	Level 3 RO'000	31 December 2015 RO'000
<b>Investments at fair value through profit or loss</b>	-	14,557	-	14,557
Investment in mutual funds	-	4,657	-	4,657
Fixed income instruments	-	3,828	6,465	10,293
Unquoted equity instrument				
<b>Held for trading</b>	24,442	-	-	24,442
Quoted equity and bonds				
<b>Available-for-sale investments at fair value</b>	-	238	-	238
Mutual funds	319	-	-	319
Quoted equity instruments				
	<u>24,761</u>	<u>23,280</u>	<u>6,465</u>	<u>54,506</u>

There were no transfers between the levels during the year.

## 49 Unclaimed dividend transferred to investor's trust fund.

As per the directives of the CMA the amount of unpaid dividend which is outstanding for more than seven months is required to be transferred to the "Investors' Trust Fund" established by the CMA. During the year unpaid cash dividend amounting to RO 80,748 was transferred to the "Investors' Trust Fund" (31 December 2015: RO 164,008).

## 50 Comparative figures

Certain comparative figures have been reclassified to conform to current year presentation (Refer Note 5).







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