ANNUAL REPORT 2011

People are our business. They are at the centre of everything we do.

النورس
nawras

His Majesty Sultan Qaboos bin Said

Our Vision
To enrich the lives of people in Oman through better communication

Our Mission
To be the communications provider and employer of choice in Oman

Our Values
To be caring, excellent and pleasingly different

Starting out seven years ago, Nawras has successfully grown to become Oman's fourth largest company by market capitalisation.

2004

December
Company incorporation, Nawras began site acquisition and staff recruitment.

2005

February
Nawras awarded Oman's second mobile licence by Royal Decree.

March
Nawras network launched with more than 60 per cent of Oman's population covered.

Nawras secures $220 million start-up funding from a consortium of banks.

April
Mobile coverage provided throughout Oman, from the northern most region of Musandum to Dhofar in the far south.

November
Launch of Nawras Business Solutions.

December
Over 100 international roaming partners signed, covering more than 95 per cent of Omani travel destinations.

2006

April
Successful testing of Nawras' 3G+ network.

July
Nawras Sales Training Academy inaugurated.

August
Launch of mobile number portability, enabling new customers to keep their existing number when transferring to Nawras.

December
Customer numbers reach 500,000.

2007

May
Nawras cuts internet and data prices by as much as 80 per cent.

September
Nawras named *Middle East Mobile Operator of the Year* in the CommsMEA Awards.

October
Launch of WebSMS, enabling customers to send SMS messages directly from computers.

November
Launch of third generation 3G+ services, a first from Nawras.

Nawras wins *Middle East Business Achievement Award* for Corporate Social Responsibility at the Leader Conference.

December
Nawras and Oman Arab Bank launch mobile banking services.

2008

January
Nawras signs up its millionth customer.

February
Agreement signed with UK-based AeroMobile enabling Nawras customers to make in-flight calls and check email.

April
International rates cut for customers calling Pakistan, India, Sri Lanka, Bangladesh, and The Philippines.

June
Nawras wins its first global award – *Above And Beyond the Call of Duty* – at the World Business Support Systems Awards in Amsterdam.

Nawras launches BlackBerry services.

July
Nawras launches Oman's then fastest mobile broadband internet service.

August
Launch of Nawras Rewards, Oman's first telecoms loyalty programme.

December
Nawras ranked Oman's most popular telecom brand (Best Brands survey).

2009

June
Nawras named *Middle East Call Centre of the Year* at the INSIGHTS Awards in Dubai.

Nawras awarded Oman's second fixed line licence by Royal Decree.

August
Introduction of self-service machines for quick and easy bill payment and recharge.

November
Nawras awarded *Superbrand* status by Oman's Superbrands Council.

December
CommsMEA honours Nawras with the *Customer Service Provider of the Year*, Middle East and Africa award.

Nawras named *Oman's Best Telecom Service Provider* for the third successive year.

2010

February
Agreement signed to land one of the world's most advanced and largest submarine cable networks in Oman.

May
Nawras receives the *Leader in Telecommunications* award at the Arab Investment Summit in Abu Dhabi.

Launch of fixed services for business customers, marking the start of a new era in broadband accessibility in Oman.

June
Launch of Nawras fixed services for residential customers, offering home broadband and voice services.

August
Two million mobile customers.

October
Nawras' Initial Public Offering (IPO) fully subscribed.

November
Nawras shares traded on the Muscat Securities Market for the first time.

December
Nawras named *Best Customer Service Provider of the Year* at the CommsMEA Awards in Dubai.

Nawras recognised for Omanisation achievements at the 26th GCC ceremony in Kuwait.

Nawras named *Superbrand of the Year*, Oman.

2011

January
Elite Points Program launched, bringing benefits for all customers enrolled in the programme.

March
Nawras receives S*trategic Leadership Award* at 2011 Global HR Excellence Awards.

Nawras listing named *Best IPO in the Middle East 2010* by EMEA Finance magazine.

ISO IEC 27001:2005 certification achieved for Nawras information security management system.

Beginning as the Sultanate's first privately owned mobile telecommunications company, we welcomed 10,000 customers within days of launching our services. Along the way, we have built a reputation for business flair, innovation, and outstanding customer service.

Nawras is now an integrated services telecommunications operator with a nationwide team of over 1010 people, offering voice and data services through a platform of technologies including 2.75G, 3G+, WiMAX and fibre.

April
Nawras lands its first sea cable as part of the Tata Global Network-Gulf cable project.

May
Nawras CEO Ross Cormack named *2011 Outstanding Leader* at TMT Finance Middle East Awards.

June
Alam Al-Iktisaad Wal A'mal designates Nawras *Best Performing Company – Large Cap*.

New Nawras store opens in Salalah Lulu location.

July
Nawras wins *Innovation in HR Strategy* at Asia's Best Employer Brand Awards.

October
Nawras trials fibre-to-the-home (FTTH) broadband with speeds of up to 100Mbps.

Nawras wins *Diamond Award Website of the Year* at Oman Web Awards.

November
Nawras wins *Corporate Finance Award* at the ACT ME Deals of the Year.

Nawras goes live with Tata Global Network-Gulf cable.

December
Nawras wins *Operational Expansion of the Year* at the CommsMEA Awards in Dubai.

Nawras achieves 87 per cent broadband coverage of Omani households.

New Nawras store opens in Al Khoud taking store portfolio to 26.

Gross revenue grew by 4.2 per cent to reach OMR 196.9 million (2010: OMR 188.9 million), but net profit declined by 4.9 per cent to OMR 47.5 million (2010: OMR 50 million). This was a result of increased competition, higher general and administrative expenses and depreciation charges, primarily due to having the full year impact of fixed line operation in 2011 as against 8 months' impact in 2010.

2011 was the first full year of fixed line operation and this has, despite tight cost control, operational efficiency, and high productivity of employees, lead to an increase in mainly operating and general and administrative expenses.

EBITDA margin for the year 2011 was 52.5 per cent (2010: 54.2 per cent).

Since inception, Nawras has invested network-related capital expenditure of OMR 272 million. Capex investment in 2011 was OMR 40.86 million.

Earnings per share equated to OMR 0.073, and a dividend of OMR 0.038 per share will be proposed to shareholders at the AGM.

Net debt has been reduced by more than 82 per cent since 2006, creating a low ratio of net debt to EBITDA that enables additional borrowings if necessary.

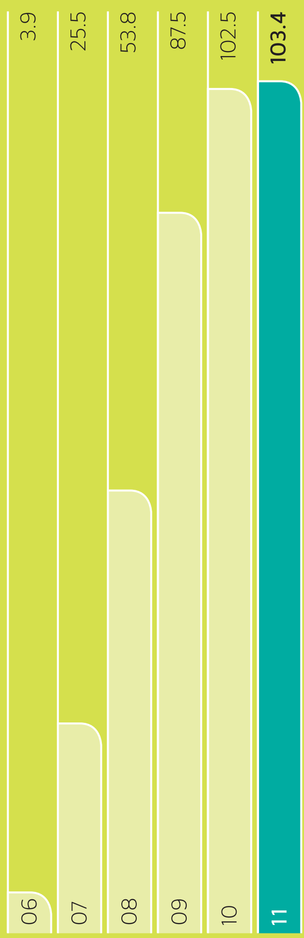
+16.9%

Total Equity

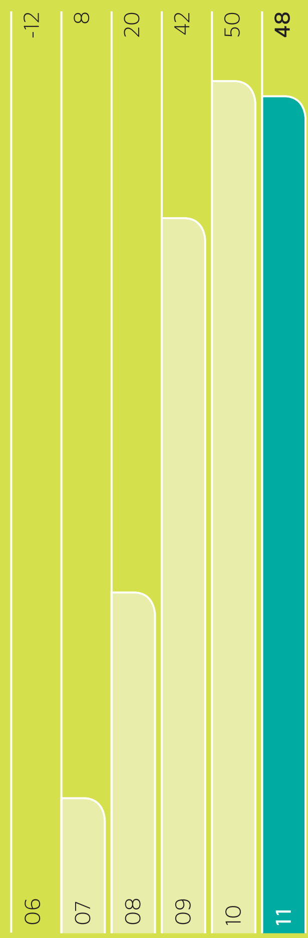
+2.8%

Total Assets

Revenues / OMR million



EBITDA / OMR million



Net Profit / OMR million

We have invested heavily in creating the physical structure necessary to bring the best of modern telecommunications technology to the people of Oman, wherever they live or work.

50%

Roughly one-quarter of Nawras customers now use mobile broadband regularly, with about 50 per cent connecting by broadband at least once a month.

Nawras' undersea cable became fully operational towards the end of 2011, instantaneously routing voice and data traffic to the rest of the world through the Tata Global Network.

Nawras' home broadband and voice-service customers increased by 251 per cent to over 27,000 in the first full year of fixed-line business.

251%

For the first time in Oman, home broadband connection is immediately available with attractive off-the-shelf packages and free introductory offers enabling customers to simply 'plug and play'.

92%

Customer satisfaction improved to 92 per cent from 87 per cent in 2010.

87%

The new and upgraded Elite Program for Nawras customers has attracted more than 1.4 million members.

1.4m

Expansion of the fixed broadband network has resulted in roughly 87 per cent of Oman's population being covered by the end of 2011.

An expanded sales network across the Sultanate now comprises six distributors, 26 Nawras stores, 107 premium dealers, over 1,000 standard dealers, and 15,000 recharge outlets.

Nawras became the first telecom provider in the Middle East to offer a prepaid service for business users, known as Nawras Business Mousbak.

18TB
a day

Broadband traffic has increased from 1 terabyte a day to 18 terabytes (TB) a day, underlining the extent of coverage and enthusiastic customer response. The volume of data transmission now outstrips voice traffic.

The year's achievements are the fruits of a well-established business strategy that has shaped the Company's success over its seven-year existence.

Dear Shareholders

On behalf of the Board of Directors, I take pleasure in presenting the 2011 annual report of Omani Qatari Telecommunications Company SAOG, familiarly known to us all as Nawras.

The past year has been one of marked change. Internationally, the prolonged after-effects of the economic crisis continue to impede global recovery and instil uncertainty, particularly in the Eurozone.

Here in Oman, however, stability has prevailed. A sound and well-managed national economy, buoyed by consistently high oil prices throughout the year, has created a prosperous environment with ample business opportunity. Against this background, Nawras was able to maintain its long-term growth record, returning an operational performance distinguished by improvements across all key benchmarks.

In our first full year as a public company, gross consolidated revenue increased by 4.2 per cent to OMR 196.9 million (2010: OMR 189 million), yielding net profit of OMR 47.5 million after taxation. Earnings per share equated to OMR 0.073.

Taking the latest results into account, Nawras has maintained compound annual growth of 54 per cent in revenue since its formation. This enables the Board to recommend to shareholders a dividend of OMR 0.038 per share, representing a yield of 5.8 per cent on the Company's share price at the close of 2011, subject to AGM approval in March 2012.

The year's achievements are the fruits of a well-established business strategy that has shaped the Company's success over its seven-year existence.

We have invested heavily in creating the physical structure necessary to bring the best of modern telecommunications technology to the people of Oman, wherever they live or work. By the end of 2011, we had expanded broadband access to the vast majority of the population; we had become a premier provider of mobile and fixed-line services; and we had connected to our own undersea cable, giving our customers telecoms access to the rest of the world as cost-efficiently as possible.

Our investment in technology and physical assets has been complemented by corresponding emphasis on developing our human capital. Nawras has always been a 'people company' and this outstanding feature becomes more evident by the year. Our employees, our distributors and retailers, our customers, and our suppliers all comprise the extended Nawras family. And we treat each other with the respect that family members deserve.

I am convinced that this principle, which is such an important part of our corporate philosophy, is instrumental in the number of awards and honours that Nawras receives in recognition of its achievements. Of the many such distinctions awarded in the past year, two are particularly noteworthy: our Chief Executive, Ross Cormack, was named 'Outstanding Leader of the Year' at the TMT Finance & Investment Awards Middle East, and Nawras won 'Best Innovation in HR' at Asia's Best Employer Brand Awards in Singapore.

Such distinctions, conferred by independent external evaluation, testify to the strength of Nawras' management and the strategies, policies, and practices that guide their work.

In this they are ably supported by a thoroughly dedicated team of employees. I thank them all for their unstinting efforts, and extend my congratulations on their performance in 2011.

As a Board, we are also very mindful of the resources put at our disposal by Qtel Group, our controlling shareholder, providing experience and expertise that represent an invaluable contribution to Nawras' continued achievements.

On behalf of the Board of Directors, I thank my predecessor, HE Sheikh Salim bin Mustahil Al Ma'ashani, who did so much to make Nawras what it is today. Thanks are also due to all our shareholders and customers for their confidence and support, and I extend our appreciation to the Ministry of Transport and Communication, the CEO and team at the Telecommunications Regulatory Authority, the Muscat Securities Market and the Capital Market Authority for their dependable cooperation and guidance.

In closing, I offer sincere gratitude to His Majesty Sultan Qaboos bin Said, may God protect him. His enlightened leadership has created the environment that has enabled Nawras to become such a leading provider of telecommunication services for the Sultanate's people.

Amjad Mohamed Ahmed Al-Busaidi
Chairman

BOARD OF DIRECTORS









Al Sayyid Amjad Mohamed Ahmed Al-Busaidi
Chairman

Al Sayyid Amjad Mohamed Ahmed Al-Busaidi joined the Diwan of Royal Court in 1990, and currently is Executive President of the Diwan of Royal Court Pension Fund. He is also a member of the Board of NIFCO, National Mass Housing Company, and Shomookh Investment. He has a Master of Business Administration degree from Southern Cross University, Australia.

Mr Khalid Ibrahim Al Mahmoud
Vice-Chairman

Khalid Ibrahim Al Mahmoud joined Nawras in 2005 as Chief Operating Officer, having previously been Senior Manager, Product Management and Marketing at Qtel. He was appointed Vice Chairman of Nawras in 2011. Mr Al Mahmoud has more than 16 years' experience in the telecommunications sector, having held positions in IT, ISP, data management, product management, and marketing. He holds a BSc degree in Computer and Electrical Engineering from the University of Pittsburgh (USA).

Mr Saleh Nasser Al-Riyami
Director

Saleh Nasser Al-Riyami has been a member of the Nawras Board since its inception and has more than 20 years' experience as the Investment Expert for the Diwan of Royal Court. He currently serves as the General Manager of National Mass Housing SAOC. Mr Al-Riyami has served as founder or director of many companies in Oman and in managerial positions in the Ministry of Commerce and Public Authority of Social Security in Oman. He is currently a Member of Taageer Finance Company SAOG and Al Madina Gulf Insurance Company SAOC. Mr Al-Riyami holds a Bachelor of Science in Business Administration from the University of Georgia (USA).

Sheikh Saud Bin Nasser Faleh Al-Thani
Director

Sheikh Saud bin Nasser Al Thani joined Qtel in 1990 and is currently Chief Executive Officer of Qtel Qatar, Executive Director of Group HR, and Acting Executive Director of General Services of Qtel, overseeing Qtel's cable television operations, yellow pages directory, and coast station services. He is also a member of the Arab Organisation for Satellite Communication. He has a Bachelor of Arts in Public Administration from Western International University (USA).

Mr Ghassan bin Khamis Al Hashar
Director

Ghassan Al Hashar has more than 15 years of experience in finance and investment management, and joined the Nawras Board as a representative of the Public Authority for Social Insurance (PASI) in March 2011. He currently serves as Head of Asset Management – Local in PASI, and represents PASI on the Boards of numerous public and private companies. He is currently the Chairman of Bank Muscat Fund Investors Committee and a Board Member of Majan Development Company SAOC. Mr Al Hashar holds a Master's Degree in Finance and Investment Management from the University of Aberdeen (UK).

Mr Khalil Ibrahim Al Emadi
Director

With a 21-year career at Qtel, Khalil Ibrahim Al Emadi has a strong background in telecommunications, and extensive experience in mobile services and fixed telephony. He is currently Executive Director of Technology at Qtel. He was Qtel's Executive Director of Wireline Services until May 2007 when Qtel formed the Networks Division as part of its organisational structure, then becoming Executive Director of Networks. Before joining Qtel, Mr Al Emadi worked at the Ministry of Communication and Transport. He holds a Bachelor of Science degree in Electrical/Electronic Engineering from Northrop University (USA).

Dr Shaikha Sultan Al Jabir
Director

Dr Shaikha Al Jabir is currently Director of Marketing, Innovation and Alliances at Qtel International, having previously been CIO at Qatar General Electricity and Water Corporation ('Kahramaa'), where she established a sophisticated ICT infrastructure, placing the organisation at the forefront of technology. Dr Al Jabir holds a PhD in Computer Science from the University of Surrey (UK), an MS in Telecommunications and Computers from George Washington University (USA), and a BS in Electrical Engineering from Kuwait University.

Mr Said Faraj Al Rabeea
Director

Said Faraj Al Rabeea has worked in the government sector for more than 30 years, holding senior positions in Human Resources, Information Technology, and Telecommunications. He is currently a member of several Oman Government boards and became a Nawras director in July 2011 following the departure of Dr Hammed, who assumed the role of CEO at the Telecommunications Regulatory Authority. Mr Rabeea holds a Bachelor of Business Administration degree.

Mr Mohanna Nasser Al Nuaimi
Director

Mohanna Nasser Al Nuaimi is Group Chief Human Resources Officer of Qtel International, having been appointed in December 2008 after serving as Executive Director of Group Human Resources of Qtel Qatar. He is also a member of Qtel Group Management Committee and a Board member of other Qtel Group operating companies.
In April 2009, Mr Al Nuaimi received the HR Leadership Award on behalf of Qtel International from the World HRD Congress, an international honour for companies that excel in the field of people management. He holds a BSc degree in Mechanical Engineering from Qatar University.

A new generation of prospective customers enters the telecommunications market and drives rapid and sustained growth in the mobile sector.

The growth in fixed-line business is particularly encouraging, especially as 2011 was our first full year of operation in this sector.

Taking the latest results into account, Nawras has maintained compound annual growth of 54 per cent in revenue since its formation.

Today Nawras is very well recognised for doing things differently – indeed, our customers all expect us to be different from the market place. We constantly seek new and better ways to surprise, delight and enthuse our customers. As we strive to be pleasingly different, our watchwords are also *caring* and *excellent: caring* in the sense of being open and honest with our customers, our partners and our shareholders, listening to them, and striving to build close relationships; and *excellent* by delivering user-friendly services that leave our customers with a lasting sense of satisfaction.

People are our business. They are at the centre of everything we do. In 2011 we increased our workforce to over 1,000 including the addition of 150 new positions for Omanis at the request of the Government of Oman, a request that everyone at Nawras enthusiastically embraced as we are a company, a family, that is always willing to play its part in social initiatives that bring real benefits to Oman.

As we have grown as a family, continued growth in our business was the defining theme of Nawras' performance in 2011, with substantial advances in key areas: mobile revenues, home broadband and voice, and geographical coverage. At the same time, the Company made tremendous efforts to drive cost efficiencies and leverage the benefits of being part of the Qtel Group.

The growth in our fixed-line business in 2011 was particularly encouraging, especially as 2011 was our first full year of operation in this sector, having launched home broadband and voice services in June 2010. In the past 12 months, broadband traffic alone has increased from 1 terabyte a day to 18 terabytes a day, underlining the extent of our coverage and the enthusiastic customer response to our new service.

Roughly one-quarter of our customers now use mobile broadband regularly, with about 50 per cent connecting by broadband at least once a month. Even so, there is still significant potential for further expansion. We can set up home broadband connections almost immediately, with free introductory offers enabling customers to 'plug and play'. Following the success of our trial with Haya Water, in providing fibre-to-the-home (FTTH), our objective is to have over 30,000 homes enjoying Nawras services via fibre optic cable within the next five years.

Total customer numbers declined slightly during 2011, primarily due to changes in regulatory rules for counting the prepaid mobile customer base and a reduction in the permissible number of SIM cards one person may hold. Nevertheless, prepaid customers still exceed 1.75 million, and the number of home broadband and voice customers increased by 251 per cent to 27,000.

Additionally we witnessed significant benefits of our loyalty programme following the launch of the new Elite Program and upgrade of our Elite Club. Elite Program members now benefit from silver, gold, and platinum level rewards, and earn redeemable points for more than 1.4 million members.

Our sales network expanded, ending 2011 with six distributors, 26 Nawras stores, 107 premium dealers, over 1,000 standard dealers, and 15,000 recharge outlets. In the coming year, we plan to introduce a franchise concept to launch more Nawras stores, giving young Omani entrepreneurs the opportunity to participate in the Nawras growth story.

We will continue to upgrade and modernise our network so that we can continue to provide the best and latest services to the widest number of people.

Maintaining our advantage

The Sultanate has one of the best-performing private sectors in the Middle East region and is generally a prosperous environment, backed by a sound economy that benefits from the prevailing high oil prices and sound government policies. During 2011 the economy continued to grow and was largely unaffected by the political disruptions experienced in other countries in the region.

Although Oman might appear to be reaching mobile saturation, the favourable conditions and growth, as well as certain demographic and socio-economic factors, work in favour of continued growth.

About 45 per cent of Oman's population is under the age of 25, and half of those again are under 12. Every year, a new generation of prospective customers enters the telecommunications market and drives rapid and sustained growth in the mobile sector. We also have a growing expatriate population with about 300 new people entering Oman every week, a result of the extensive infrastructure projects being implemented or planned. All these newcomers to the Sultanate are potential customers, and our goal is to introduce them to our services and retain their long-term loyalty to Nawras.

We certainly have all the ingredients in place to do so – and to maintain our growth in all market segments. We are now benefiting from our investment in setting up our own international gateway and international sea cable infrastructure.

This investment enables Nawras to offer state-of-the art international services and to cater for anticipated data growth over the coming years. We are now prepared for the next generation of telecoms and the next phase in the Company's growth.

In tandem with these developments, and in close cooperation with the Qtel Group, we will continue to upgrade and modernise our network so that we can continue to provide the best and latest services to the widest number of people. However, technological resources and superiority are only a beginning. What really matters is how we apply these resources to give our customers the range of innovative products and quality of service that they have come to expect from Nawras.

Increasing customer satisfaction – investing in people

I am delighted that we have seen an upward trend in our customer satisfaction surveys. From 87 per cent in 2010, we are now consistently achieving 92 per cent customer satisfaction, illustrating the results of our emphasis on living the customer experience throughout our training and development programmes, while striving for excellent quality in every area of our activities.

A contributory factor has been our sustained investment in people, particularly customer-facing champions and everyday on-the-job training. The appointment of our Chief Customer Experience Officer – the first in the Qtel Group – further reinforces our strengths in this area, always seeking to simplify the way we talk to and help customers, all led by the customer experience, rather than merely responding.

We are now prepared for the next generation of telecoms and the next phase in the Company's growth.

We lead the way in developing the role of women in business, with Nawras internally and in the wider Omani economic environment. In collaboration with the British Council, we have grown our involvement in the 'Springboard' programme, which enables women to grow their potential not only in the workplace, but also in the family and community. Nawras actively celebrates and sponsors Omani Women's Day activities as part of its efforts to recognise the significant contribution of women to the nation.

Nawras already has a high ratio of female staff (more than one-third of our family), and initiatives of this nature underline the Company's commitment to encouraging and assisting women to achieve their goals. They also bolster our reputation as an employer of choice, demonstrated in 2011 by a 17 per cent increase in staff numbers in a single day, to our knowledge the biggest pro-rata expansion by a company in Oman's private sector. Our employee engagement continues to be high and our staff turnover low, reflecting the fact that the Nawras workplace is a very positive environment and all employees are considered part of the wider Nawras family.

We now have a total staff complement of 1,019 – up 13 per cent on 2010 – who are now being housed in our excellent and caring new main office, the Nawras Campus, located in the new Muscat Grand Mall building in Al Khuwair.

Our reputation as an employer of choice was demonstrated in 2011 by a 17 per cent increase in staff numbers in a single day.

Growing our corporate business

The Muscat Grand Mall building, a large-scale mixed-use commercial, retail, and residential development, provides extensive new business potential for us, as well as relieving the space pressure caused by outgrowing our previous premises. Nawras will provide broadband and WiFi services to tenants and customers at the centre, where we will also have opportunities for highly visible branding of our name and advanced business solutions including FTTx services.

Bespoke offerings are typical of our pleasingly different approach to developing our business segment, identifying key areas of need and demand, and designing appropriate responses. In 2011, we became the first telecom provider in the Middle East to offer a prepaid service for business customers – another reason we have been able to secure and retain about 50 per cent of the top mobile corporate customers in Oman.

It is particularly encouraging that we increasingly attract government departments. We now have dedicated account management to serve the public sector, and are delighted to include among our clients the Ministry of Finance, the Ministry of Defence, Air Force Hospital, Sultan Qaboos University Hospital, and the Oman Airport Management Company.

We will continue with the integration of fixed and mobile broadband services and, through continued focus on customer-friendly product development, segmented offerings and use of different communication channels to secure a healthy share of the growing broadband market. This is particularly relevant in the corporate segment, where we can build on our existing presence to develop specialist bundled packages and bulk data offerings.

Our international cable, which became fully operational from October 2011, is integral to supporting our development of an extended portfolio of advanced telecommunications services such as global Ethernet, MPLS-based VPN, Managed Security, IaaS, and global Telepresence. It also reduces international interconnection costs and national and international transmission lease-line costs, and gives us end-to-end quality control.

We are now in a unique position to provide multinational corporates with products and services that meet their requirements in terms of speed, quality, and cost.

As a result, we are now in a position in Oman to provide multinational corporates and larger domestic companies with products and services that meet their requirements in terms of speed, quality, and cost.

Building on success

Looking ahead, we will build on the proven principles that have served us so well to date. Although we will undoubtedly face continued fierce market competition, we have the benefits of a stable and prosperous economic environment coupled with our proven record of consistent performance and achievement over the past seven years.

In broad terms, we aim to grow mobile revenues faster than the market, develop new revenue streams, and maintain our focus on cost-efficiency. As our intensive capital expenditure programme matures, we will benefit from overall cost reduction and growth in our fixed-line and mobile business. We also have the opportunity to win a significant share of the growing market for broadband; our integrated and reliable products and services will help gain more corporate business; and we can reduce costs for international traffic by exploiting our sea cable and global gateway.

At the same time, we can take a greater share of international carrier business, while selling spare capacity to other network providers and service operators.

Delivering customer value will be a priority, more than ever. We know that our customers are becoming increasingly sophisticated and our goal is not just to match but to lead their expectations. Our challenges are to be led by customer experience and to respond with an approach that embodies the smartness and empathy that have always been Nawras characteristics.

To do so, segmentation of offers and services, backed by attractive promotions and innovative offers, will become more detailed and finely-ground as we optimise the resources we have available in broadband, and new generation technologies – for mobile and fixed-line customers.

Nawras firsts

The innovative spirit has continued, with Nawras Backstage presenting NE-YO Live in Muscat and the MyNawras HD App for iPad being launched. The new Elite Program introduced silver membership as well as rewards for receiving calls, and the Elite Club expanded to include silver membership. On the product side, our 'firsts' included Bill Analyser, Rannati copy tune service, Emsakeyah, Qasas Al-Anbeya, Eazaz Al Qur'an Arabic and Qur'anic services. Our 6+6 international offer gave customers six free minutes after making an international call lasting six minutes, and we launched a prepaid solution for postpaid customers. For business customers we introduced free Internet Performance Reports and Business Mousbak prepaid service – a first for the region and not just Oman.

We can now instantaneously route voice and data traffic to the rest of the world through the Tata Global Network.

18 TB a day

In the past 12 months, broadband traffic alone has increased from 1 terabyte a day to 18 terabytes a day.

Nawras has established an enviable reputation for winning many prestigious local, regional, and international awards.

Growing our brand

Our focus in 2011 was to maintain close links to the Omani community, bringing excitement and quality to every activity and ensuring Nawras remains the leading telecom brand within Oman and the wider region.

The quality and value of our brand is already firmly established, and its status was further underlined in 2011 by a series of awards endorsing a wide range of diverse aspects – from innovation to website excellence, executive leadership, and organisational expansion.

A significant push in brand activities during the year saw extensive upgrades in various areas. The award-winning youth brand Shababiah was re-launched with a new look and feel, creating a totally young web presence and a social media excitement that has generated intensive and long-lasting customer enthusiasm. Backed with live entertainment by '30 Seconds to Mars', the launch attracted more than 4,000 youngsters aged 16 to 25.

The Nawras corporate and consumer brand was also completely reviewed and restructured, resulting in a major facelift that will be introduced in early 2012. The new Comprehensive Brand Guideline will visually change the way Nawras speaks and presents itself to customers, encompassing every operational aspect of the Company internally and externally.

Throughout the year, the Nawras brand has been very evident in the entertainment world, indelibly linked to well-attended live music events and with a radio presence unmatched by our rivals.

The growth of broadband usage, whether by mobile or fixed channels, enables us to further strengthen the Nawras brand by leveraging social media and networks.

We talk to customers and share our thoughts and experiences, creating key brand-building opportunities as Oman rapidly becomes connected to the web.

Working together: the Nawras family

Nawras has a vision to enrich the lives of people in Oman through better communications services and a mission to be the employer and communications provider of choice. The Nawras family – as we call it – embraces the Company's core values of being caring, excellent, and pleasingly different in every aspect of the business, and nowhere is this more important than in the human resources area. This was amply demonstrated during 2011.

Our first annual get together – 'All Hands' – was in 2006. Starting with fewer than 100 Nawras people, the whole company got together on one day to share experiences and talk about plans for the coming year. Six years later, Nawras has taken a tremendous leap forward. The Nawras family members number some 1,100 and it is becoming a challenge to find a venue in Muscat that is large enough to accommodate everyone, even though All Hands is now held over two days to allow everyone to participate.

All Hands includes all direct Nawras staff, plus service providers such as cleaners, drivers, and contract staff. Everyone in the Company is able to voice a question or concern to members of the Executive Committee team during open floor discussions.

In response to the royal decree on hiring graduates, Nawras welcomed an additional 134 employees. Their enthusiasm, combined with the Company's customer-friendly culture, is further enhancing the service provided to customers. Many of these new recruits are now working in customer-facing and technical roles where they are helping to personalise the face of the Company.

Throughout the year, the Nawras brand has been very evident in the entertainment world, indelibly linked to well-attended live music events and a radio presence unmatched by our rivals.

The wave of appointments also created development opportunities for existing employees, nine of whom were rotated as trainers in the People Department.

Internal recruitment is now a priority, with 96 of 150 positions filled internally during the year. Hiring policy is based on ensuring that Nawras appoints the best candidates for each role, and the Company continues to build its reputation as an employer of choice in Oman.

All new family members are warmly welcomed to Nawras and a welcome message is sent out to the rest of the family to let everyone know about the new joiner and the role they will be performing. A Nawras handbook is given out on their first day to provide a comprehensive introduction to the Company, as well as helpful information to streamline the settling-in process.

Dedication and innovation are rewarded at Nawras. Along with bonuses and sales incentives, the Company provides financial and non-financial recognition through a number of different schemes. These include 'employee of the month' for customer champions in the contact centre, spot awards to recognise one-off special performances or achievements, and the CEO award for an outstanding contribution by an employee or team. Further incentives include the encouragement, long-service, and 'beyond the call of duty' awards on special projects.

Delivering customer value will be a priority more than ever: not just to match but to lead their expectations.

Best 2010 IPO in the Middle East. Corporate Finance Award at ACT ME Deals of the Year.

The 'Springboard' training programme for the development of women has produced 50 graduates. The first group to complete the programme were so motivated by the experience that they went on to organise a public event in 2011 called 'We Care' which attracted hundreds of visitors, promoted small entrepreneurial businesses, and raised a substantial amount for charity. The event was so successful that participants have asked Nawras to hold a second 'We Care' event, which is now in the planning stages.

The biggest reward for the 'Springboard' ladies was to know that their efforts had helped women to succeed in reaching out to new customers, while gaining confidence to go on with their businesses. In addition, more than OMR 2,600 was raised for the National Association of Cancer Awareness. A total of four 'Springboard' workshops have now been held, and the fifth is already fully subscribed.

The 'Ruwaad Al-Nawras' programme for graduates aims to fast-track talented Omanis by giving them specialist training to become telecommunications professionals. The programme attracted more than 2,500 applications for 33 places.

Following a four-day induction, the first entrants took up positions in network engineering, marketing, IT, finance, human resources, legal, and sales. As they rotate throughout the sections, they are gaining knowledge and a wider understanding of the many facets of the business. They benefit further from Ericsson University in Canada giving regular sessions to encourage and support their development, and one-to-one meetings with the graduate coordinator who follows each individual's progress with their respective department manager.

The programme will finish with fully trained graduates who are potential Nawras leaders, trained and well-equipped to take on the challenges ahead. They will be graduating in April 2012.

As part of a continuing investment in people, 40 Nawras staff have qualified for a diploma from the UK's Institute of Leadership and Management. A further 23 are currently on this internationally recognised programme that is designed to develop and sharpen leadership competency and skills.

Nawras offers flexible hours and pays 30 working days of annual leave, and 15 days for Hajj leave, as well as maternity and paternity leave, marriage leave, compassionate leave, patient escort leave, and time to take part in national sports and cultural events. Very competitive compensation packages are offered based on merit, which helps to retain employees.

An open-plan working style throughout the Company, including top management, encourages a free flow of ideas and smooth communication. There are no closed office spaces.

As well as training for products and services, help is offered for personal development through academic education assistance in support of individual performance and development plans.

Support for Nawras family members includes child education assistance and telecom service benefits, as well as medical and long-term disability expenses.

Awards

Throughout its short history, Nawras has established an enviable reputation for winning many prestigious local, regional, and international awards in recognition of its achievements within the telecoms industry, or the corporate world as a whole. This tradition was maintained during 2011 with Nawras honoured with *Outstanding Leadership 2010* award at the TMT Finance Middle East Awards and for the *Best IPO in the Middle East 2010* from EMEA Finance magazine.

Asia's Best Employer Awards recognised Nawras for *Innovation in HR Strategy* and Alam Al-Iktisaad Wal A'mal conferred its *Best Performing Company – Large Cap* award. At the Global HR Excellence Awards, Nawras came first in the *Strategic Leadership* category, followed by the *Corporate Finance Award* at ACT ME Deals of the Year, and *Organisational Expansion of the Year* from CommsMEA.

Nawras has always featured prominently at the Oman Web Awards and 2011 was no exception, winning five awards: *Diamond Award Website of the Year* and taking the *Gold Award* for www.nawras.om and www.bawabaty.om, the *Silver Award* for www.shababiah.om, and the *Bronze Award* for the Ali Al Habsi microsite.

Acknowledgments

In closing, I take great pleasure in extending my sincere thanks and appreciation to all our customers and my colleagues for the progress and the achievements that we recorded in 2011. We are in a people business and, without doubt, the people who make up the Nawras family become stronger with each passing year. We can be confident that their skills and dedication will stand us in good stead as we embark on another exciting stage of the Nawras journey.

Ross Cormack
Chief Executive Officer

Our challenges are to be led by customer experience and to respond with an approach that embodies the smartness and empathy that have always been Nawras characteristics.

In 2011, we became the first telecom provider in the Middle East to offer a prepaid service for business users, Business Mousbak.

Dedication and innovation are rewarded at Nawras.

EXECUTIVE MANAGEMENT

Said Safrar
Chief Customer Experience Officer (CCXO)

Said has worked for Nawras since April 2008, originally as the Customer Service Director. He was appointed to his new role as Chief Customer Experience Officer in September 2011, as part of the Company's focus on customer experience. Prior to joining Nawras Said worked in the banking industry and has more than 15 years' working experience with Oman International Bank and Bank Dhofar. Said holds a Master in Business Administration from the University of Hull (UK).

Ross Cormack
Chief Executive Officer (CEO)

Ross has been CEO of Nawras since 2004 and has more than 25 years of experience in the telecommunications industry, having led four different telecommunications companies, served on the Board of Directors of six companies, and shareholder-managed 16 companies across Europe, the Middle East and Asia. His recent experience has included serving as Executive Director Wireless for Qtel, CEO and founder of Singapore-based Virgin Mobile Asia and Managing Director of Hong Kong CSL. Ross holds a Double Honours Bachelor of Science and Bachelor of Communications in Engineering Production and Economics from the University of Birmingham (UK). Ross is also serving as Acting Chief People Officer until an appointment is made.

Sh Abdulla Issa Al-Rawahy
Chief Strategy Officer (CSO)

Sh Abdulla has been Chief Strategy Officer of Nawras since 2008 and has over 30 years of experience in the telecommunications sector, with leading roles in network planning and projects and strategy and corporate business development for both fixed and mobile telecommunications. Prior to joining Nawras, Sh Abdulla served as Technical Advisor to the Minister of Transport and Communications, President of Omantel, and Chairman and founding Member of the Oman Fibre Optic Company. Sh Abdulla holds a Bachelor of Engineering Technology and Master's of Science in Electrical Engineering from the University of Central Florida (USA).

Jorgen Latte
Chief Financial Officer (CFO)

Jorgen has been Chief Financial Officer of Nawras since 2009. Jorgen has almost 20 years of financial and managerial experience in the telecommunications sector, with 10 years in stand-alone CFO roles for mobile services companies and additional prior experience at TeliaSonera and Tele2. Jorgen holds a Bachelor of Arts in Finance and Accounting from Stockholm University (Sweden).

Wolfgang Wemhoff
Chief Technology Officer (CTO)

Wolfgang joined Nawras in October 2011 and has more than 20 years of experience in the telecommunications industry, working for Mannesmann and Vodafone. He had leading roles in Vodafone Germany, in Vodafone Group, and recently in Vodafone Turkey. Wolfgang holds a Bachelor of Engineering Technology from University Munster (Germany) and a Bachelor of Business Administration from University Dortmund (Germany).

Hussain Al-Lawati
Acting Chief Sales and Distribution Officer (CSDO)

Hussain joined Nawras in 2004 as a Section Head – Key Account Manager – Business Sales Head. Hussain holds a Bachelor's degree in Business Administration from Camden University (USA) and a post-graduate Diploma in Leadership and Strategies from Chartered Management Institute in the UK. Prior to joining Nawras Hussain served as a product Manager in Oman National Dairy Products, as a Commercial Sales Executive/Fuel Card Section Head in British Petroleum Oman, and as Sales & Marketing Manager in Mehdi Foods in 2004.

James Maxwell
General Counsel (GC)

James joined Nawras in 2007 and has over 15 years' experience in providing legal and regulatory advice to leading corporates with 10 years working exclusively in telecommunications. His past roles include working in M&A and securities at Linklaters in the UK and Minter Ellison in Australia, and as an in-house Corporate Counsel at Vodafone UK and more recently SingTel Optus in Australia. James holds a Bachelor of Laws (LLB Hons) from Melbourne University (Australia).

Markus Golder
Acting Chief Marketing Officer (CMO)

Markus joined Nawras as Business Segment Director in 2009 and has served as Acting Chief Marketing Officer since 2011. Markus has 18 years of international experience within the telecom industry and extensive knowledge of fixed and mobile start-ups and operations. Prior to joining Nawras, he was Marketing Director at BTC, the incumbent operator in Bulgaria and Marketing Director at Sunrise, the largest challenger operator in Switzerland. Markus holds a Master's degree in Electrical Engineering from the Swiss Federal Institute of Technology and an MBA from London Business School.

Kumail Al-Moosawi
Director of People (DP)

Kumail has been with Nawras since November 2004 and brings over 13 years of experience in numerous business functions that include retail, operations, finance, customer service, audit, and human resources management. Kumail completed his undergraduate education at Florida Atlantic University in the United States, majoring in Finance. He is also a continuing member of the Chartered Institute of Personnel and Development (CIPD) and an active member of the GCC HR Forum.

Nawras has a vision to enrich the lives of people in Oman through better communications services, and a mission to be the employer and communications provider of choice.

The 'Ruwaad Al-Nawras' programme for graduates aims to fast-track talented Omanis by giving them specialist training to become telecommunications professionals.

Nawras Goodwill Journey focused on employment opportunities for ladies through links to Oman's Women's Association.

Our focus in 2011 was to maintain close links to the Omani community.

Corporate social responsibility is geared towards making families and their lives better through social development and by assisting voluntary organisations, government, and NGOs.

Nawras is an integral member of the Omani society, placing 'family' at the centre of every aspect of its operation – from employees and their families to customers and their families, extending to the families that make up the wider community.

As a result, corporate social responsibility is geared towards making families and their lives better through social development and by assisting voluntary organisations, government, and non-government organisations (NGOs).

During 2011, Nawras invested more than OMR 500,000 in community projects, sponsorships, and social activities. Employees contributed in kind through numerous hours of voluntary work across the Sultanate to ensure the sustainability of the sponsorships.

The cornerstone of the Company's community commitment, the Nawras Goodwill Journey, first began in 2005. A group of employees wanted to get closer to those most in need in towns and villages all over Oman and extend help irrespective of location.

Every Ramadan Nawras Goodwill Journey comprises volunteers, media, and members of Oman's scout and guide troops visiting at least 10 different charitable organisations in local communities.

The aim is to make a long-term difference through carefully chosen donations such as sewing machines, computers, educational facilities, books and toys, and office furniture. In 2011, particular emphasis was placed on supporting and fostering employment opportunities for ladies as part of the work of the Omani Women's Association.

Investing in charitable events, community organisations, family-orientated activities such as the Muscat Festival and Salalah Tourism Festival, and the heritage of Oman is fundamental to the Company's community programme. With Oman's heritage steeped in the sea and sailing, Nawras also partnered with Oman Sail in 2011, when 200 boys and girls aged 8-16 learned about sailing while picking up important life skills such as teamwork, leadership, and problem solving. The newly-trained sailors went on to visit the Jewel of Muscat Museum with Saleh Al Jabri, skipper of Oman Sail's Jewel of Muscat. Nawras also sponsored the 2011 Muscat Regatta, organised by the Marina Bandar Al Rowdha.

Investing in charitable events, community organisations, family-orientated activities such as the Muscat Festival and Salalah Tourism Festival, and the heritage of Oman is fundamental to the Company's community programme.

For the third year running, Nawras supported the Summer Sports Programme organised by the Ministry of Sports Affairs. The programme kicked off with a guest star appearance by Ali Al Habsi.

Moving from heritage to the Sultanate's passion for sport, football, and racing, Nawras renewed its sponsorship of Ali Al Habsi, goalkeeper for the Oman national football team and Wigan Athletic in the English Premier League. Ali inspires a huge following in the UK as well as at home for his passion, dedication, and athleticism.

For the third year running, Nawras supported the Summer Sports Programme organised by the Ministry of Sports Affairs. The programme kicked off with a guest star appearance by Ali Al Habsi to encourage more than 60,000 students to benefit from games, sports education, training, and competitions. During the summer students participated in as many as 37 different sports offered at more than 350 training centres across the country.

Sponsored by Nawras, Ahmad Al Harthy, Oman's top racing driver, is a dedicated brand ambassador and epitomises Nawras to the core. He strives to be a winner in everything he does and behaves in a very caring way with his team and his fan base. From a time when motor sports was not as recognised in Oman as it is today, Ahmad has worked hard to show leadership in his profession and is now well-supported by the Ministry of Sports Affairs and the entire Nawras family.

During 2011, Nawras invested more than OMR 500,000 in community projects, social activities, and sponsorships.

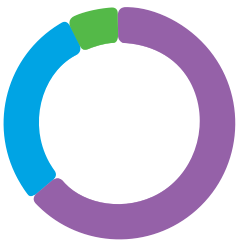
Sponsored by Nawras, Ahmad Al Harthy, Oman's top racing driver, is a dedicated brand ambassador and epitomises Nawras to the core.

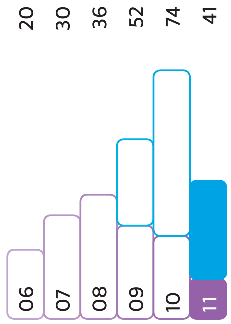
Youth are the future for Nawras and youth activities stretched far and wide through events encompassing local and international artists such as NeYo, Westlife, and 30 Seconds to Mars. Local artists were brought together in the Battle of the Bands with Verve 6, a mixed nationality band, duly winning the exciting and well followed competition. Nawras and Shababiah, its youth brand, were active in supporting Marah Land entertainment park in Qurum, a month-long bowling tournament for youth and ladies at Al Masa Bowling centre, and the four-day Muscat Youth Summit in December. More than 200 young people aged between 15 and 24 participated in the Summit.

Students from Oman were joined by counterparts from 15 other countries, including the USA, UK, Sweden, Pakistan, and Australia. The Nawras team worked alongside the students to illustrate the power and platforms of social media that young people can harness for positive results, creating a digital profile and applying creativity, photography, and micro blogs.

Open discussion remained a constant theme throughout Nawras' key sponsorships during 2011 – from the Oman Islamic Economic Forum through to conferences and exhibitions.

Open discussion remained a constant theme throughout Nawras' key sponsorships during 2011 – from the Oman Islamic Economic Forum through to conferences and exhibitions such as Comex, Infra Oman, and Jobex. Nawras' involvement in the far-reaching Oman Debate 2011 brought forward a slew of topics for discussion such as Omanisation, job creation, and revamp of the education system to meet the requirements of a changing business landscape and economic trends. Healthcare provision for the future came under the spotlight during the year, with Nawras executives speaking at the Oman Health Summit and discussing the opportunities for various mobile health platforms to provide easy access to healthcare awareness in every corner of the Sultanate. Nawras partnered with Al Wisal FM and Al Watan newspaper in supporting 'We Care', a first-of-its-kind event created by internal brainstorming by nine ladies from Nawras and aimed at making a difference for cancer sufferers.





Increased competition, and higher depreciation adversely affected net profit for 2011, offset by stringent cost controls that restricted growth in total expenses.

Changes to the rules for counting the pre-paid wireless customer base resulted in the reduction of more than 225,000 customers – down from 2.033 million to 1.960 million – while the Company also absorbed the first full-year costs of its fixed-line network. Regulatory changes to roaming prices also led to a reduction of revenue.

Regional political unrest was also a contributory factor, with income from inbound traffic down by roughly one-third as tourist numbers declined.

With Nawras' undersea cable and international gateway now fully operational – reducing international interconnection rates for voice and data traffic and generating new revenue streams – the Company is well-placed to maintain its tight rein on costs while boosting operating margin.

Investment in installing and expanding the fixed broadband network has resulted in roughly 87 per cent of the population being covered by the end of 2011, creating the potential for significant new revenue growth, particularly in the corporate and public sectors.

Revenues and EBITDA

EBITDA stands for 'earnings before interest, taxes, depreciation, and amortisation', giving a comparison over time of the profitability of a Company's operations without the potentially distorting effects of changes in depreciation, amortisation, interest, and tax.

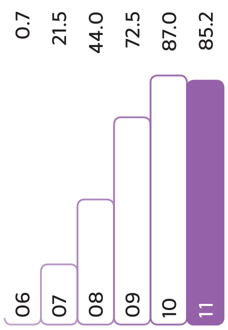
Nawras became EBITDA positive within only 15 months of operation, well ahead of telecom industry standards for start-up companies.

Selected Financial and Operating Data

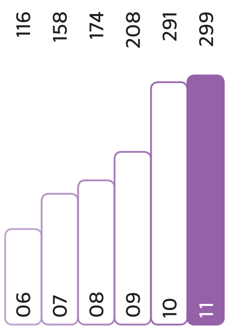
For the year ended 31 December 2011		2006	2007	2008	2009	2010	2011
(OMR million, except where stated)							
Revenues	Prepaid	42	74	104	117	124	**126**
	Postpaid	6	18	32	43	53	**57**
	Other	2	2	3	12	12	**14**
	Total	50	94	139	172	189	**197**
EBITDA (note 1)		3.9	25.5	53.8	87.5	102.5	**103**
EBITDA Margin (%)		7.8	27.0	38.7	51.0	54.2	**53**
Net Profit		(12)	8	20	42	50	**48**
Net Debt (note 2)		59.9	47.6	38.0	39.3	21.6	**10.7**
Cash Flow Before Working Capital		0.7	21.5	44.0	72.5	87.0	**85**
Capital Expenditure (note 3)	Mobile	20	30	36	27	24	**12**
	Fixed	—	—	—	25	50	**29**
	Total	20	30	36	52	74	**41**
ARPU (OMR)	Prepaid	10.2	9.4	7.2	6.1	5.7	**6.3**
	Postpaid	31.9	29.8	28.0	27.1	26.0	**26.6**
	Blended	11.4	10.3	8.8	7.7	7.4	**8.1**
Customers (thousands)	Mobile Prepaid	549	938	1,401	1,714	1,857	**1,760**
	Mobile Postpaid	23	79	111	147	169	**173**
	Mobile Total	572	1,016	1,511	1,861	2,026	**1,933**
	Fixed					8	**27**
Employees (number)		478	493	636	757	873	**1019**

(1) EBITDA = Revenues minus operating expenses minus general and administrative expenses (excluding service fees). (2) Net debt = Gross debt minus cash and cash equivalents. (3) Including licensing fees.

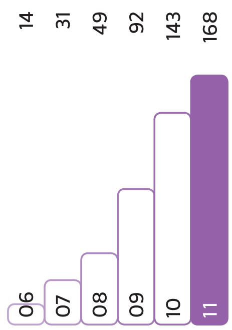
Cash Flow Before Working Capital
OMR million



Total Assets
OMR million



Total Equity
OMR million



Margin and Operating Expenditure

Nawras' EBITDA margin (EBITDA as a percentage of sales) fell from 54.3 per cent in 2010 to 52.8 per cent in 2011, reflecting the increased network maintenance and lease line costs (including a full year of fixed network and expansion in mobile broadband services) but still ahead of industry benchmarks for a seven-year-old company.

However, stringent controls, operational efficiency, and high levels of staff productivity restricted growth in total expenses. General, administrative, and sales costs were in line with operational expansion – rising by only 8.2 per cent year-on-year.

Capital Expenditure

Nawras has invested OMR 272 million in network and IT-related capital expenditure from its inception to the end of 2011. Capex for the fixed network amounted to OMR 11.68 million during the year, with a further OMR 29.18 million invested in the mobile network. Nawras has also paid OMR 61 million towards licence fees since inception.

As capital expenditure requirements decline, operating cash flows are generally expected to change inversely. Revenues are driven by expanded infrastructure and debt levels fall.

Lower Capex investment in 2011 compared to 2010 has resulted in lower accrual on Capex, and consequently lower net cash from operating activities.

Profitability

Although gross revenue grew by 4.2 per cent to OMR 196.9 million in 2011, continued fierce competition, regulatory changes, and higher depreciation charges adversely affected net profit. Changes to the rules for counting the prepaid wireless customer base resulted in the loss of customers, while further regulatory changes to roaming prices also led to loss of revenue.

Investment in installing and expanding the fixed broadband network has resulted in roughly 87 per cent of the population being covered by the end of 2011, creating the potential for significant new revenue growth.

As a result, earnings before interest, tax, depreciation and amortisation (EBITDA) grew 1.3 per cent year-on-year to OMR 103.9 million, but net profit declined by 4.9 per cent from OMR 50.0 million to OMR 47.5 million.

Tight control of total expenses (excluding royalties) contained their increase to 8.4 per cent, up from OMR 120.5 million to OMR 130.6 million.

Earnings per share of OMR 0.073 were marginally down from the previous year's OMR 0.077, and the Board has recommended a dividend of OMR0.038 per share for approval at the annual general meeting on 27 March 2012.

Net Debt

The continuing trend in long-term debt reduction accelerated during 2011, with a 50 per cent year-on-year improvement in net debt, from OMR 21.6 million to OMR 10.7 million.

Cash flow

Net cash from operating activities totalled OMR 76 million compared to OMR 91 million in 2010. Cash and cash equivalents at the year-end stood at OMR 44 million (OMR 49 million).

Balance sheet

Total assets increased by 2.67 per cent from OMR 291 million to OMR 299 million, attributable mainly to growth in property, plant and equipment.

Total equity of OMR 168 million increased by OMR 24 million (16.9 per cent) on the 2010 figure, and net assets per share from OMR 0.220 to OMR 0.257. Total liabilities declined from OMR 148 million to OMR 132 million, largely due to a reduction of OMR 16 million in interest-bearing borrowings. Total equity and liabilities increased by 2.67 per cent from OMR 291 million to OMR 299 million.

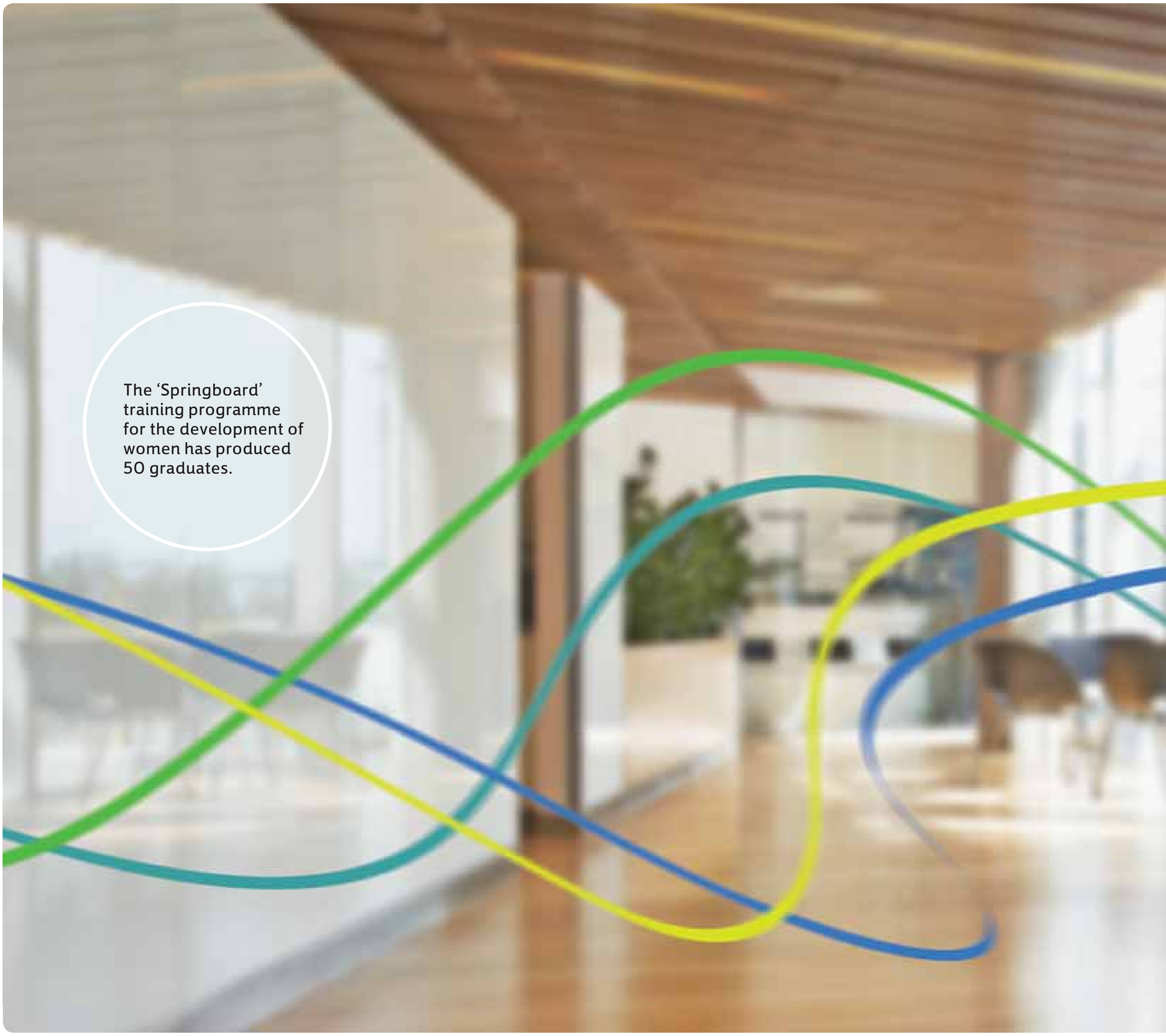
Prospects

Market competition will continue to increase, but Nawras is well placed to manage any market changes – both top and bottom line – and to continue its growth.

The fixed-line business creates strong operating leverage, complemented by reduction in national and international transmission costs, while sustained growth in broadband traffic will contribute substantially to future performance.

Strong cash flow generation will underpin the business and cancel the non-recurring factors that inhibited profit growth in 2011.

Hiring policy is based on ensuring that Nawras appoints the best candidates for each role, and the Company continues to build its reputation as an employer of choice in Oman.



134

additional graduate trainees.

200

young people aged between 15 and 24 participated in the Muscat Youth Summit.

As Nawras continues to go from strength to strength, it does so in the knowledge that commitment to sound corporate governance and ethical business conduct is critical to its hard-won reputation – not only for innovation, service, and social responsibility, but for maintaining best practice corporate governance, transparency, and accountability to stakeholders.

Management's ongoing review of corporate structures, policies, and processes ensures that the highest standards are adopted and implemented, consistent with domestic and international regulatory requirements.

Since Nawras' inception, it has endeavoured to have the right people and the right processes in place to manage and support its business. The composition of Nawras' Board, various Board committees, and senior management are outlined in this section – together with highlights of the corporate governance practices that underpin every aspect of the Nawras operation.

Nawras' corporate governance processes meet the Oman Capital Market Authority (CMA) requirements and are reviewed and amended as appropriate in the context of Nawras becoming a public company. Nawras currently has relevant policies and regulations that include:

- A corporate governance manual detailing the role and application of corporate governance throughout the Company.
- Clear delegations of power set out in a comprehensive manual of authority.
- Clear roles and responsibilities as set out in the respective charters for each Board and management committee including the Executive Committee, Audit Committee, Management Committee, Compensation and Benefits Committee, Tender Committee, Pricing Committee and Sponsorship Committee.
- An organisation structure that identifies the responsibilities related to the various executive positions within the Company and the corresponding reporting structures and procedure, including the extent of the authority of each position for approval of expenditure.
- Policies to govern expenditure, including policies and procedures for accounting and procurement.
- Policies related to human resources, including salaries, appointment, development, training, promotions, and termination of services.
- A policy covering related-party transactions, together with appropriate codes of ethics that apply to the Board and the Company.

Board of Directors

The composition of the Board of Directors in the 2011 period prior to Nawras' AGM held on 26 March 2011 was as shown in table 1 (page 37).

The Board of Directors that managed Nawras after the 2011 AGM is shown in table 2 (page 37). The Company held elections for all director positions at the AGM held on 26 March 2011 and as a consequence there was a different Board composition in the period prior to the AGM. Pursuant to Article 95 of the Commercial Companies Law 4/74 (as amended) all the current Board memberships expire in March 2014.

Nawras' Board complies with applicable Capital Market Authority and Commercial Companies Law requirements, including with respect to the number of independent and non-executive directors, thus representing the interests of all shareholders.

Further information on current Board Members

Al Sayyid Amjad Mohamed Ahmed Al-Busaidi

Al Sayyid Amjad Mohamed Ahmed Al-Busaidi joined the Diwan of Royal Court in 1990, and currently is Executive President of the Diwan of Royal Court Pension Fund. He is also a member of the Board of NIFCO, National Mass Housing Company, and Shomookh Investment. He has a Master of Business Administration degree from Southern Cross University, Australia.

Khalid Ibrahim Al Mahmoud

Khalid Ibrahim Al Mahmoud joined Nawras in 2005 as Chief Operating Officer, having previously been Senior Manager, Product Management and Marketing at Qtel. He was appointed Vice Chairman of Nawras in 2011. Mr Al Mahmoud has more than 16 years' experience in the telecommunications sector, having held positions in IT, ISP, data management, product management, and marketing. He holds a BSc degree in Computer and Electrical Engineering from the University of Pittsburgh (USA).

Management's ongoing review of corporate structures, policies, and processes ensures that the highest standards are adopted and implemented.

Nawras' corporate governance processes meet the Oman Capital Market Authority (CMA) requirements and are reviewed and amended as appropriate.

Table 1: **The composition of the Board of Directors in the 2011 period prior to Nawras' AGM held on 26 March 2011* was:**

Name	Date of Appointment	Type of representation	Membership of other Nawras Committees	Membership of Boards of other Joint Stock Companies
HE Sh Salim bin Mustahil Al Ma'ashani (Chairman)	26 July 2008	Non-executive, independent	Compensation & Benefits Committee	Nil
Mr Abdulla Zaid Rashid Al-Talib*	16 March 2008	Non-executive, independent	–	Nil
Mr Khalil Al-Emadi*	26 January 2011	Non-executive, independent	–	Nil
Dr Hammed bin Salim Al-Rawahi	16 March 2008	Non-executive, independent	Executive Committee, Compensation & Benefits Committee	1
Mr Jens Hauge	1 February 2009	Non-executive, independent	–	Nil
Mr Khalid Abdulla H Al-Mansouri	16 March 2008	Non-executive, non-independent	Executive Committee, Audit Committee	Nil
Dr Nasser Mohammed Marafih*	16 March 2008	Non-executive, non-independent	–	Nil
Sh Saif bin Hashil Al-Maskery	16 March 2008	Non-executive, independent	–	Nil
Mr Saleh Nasser Al-Riyami	16 March 2008	Non-executive, independent	Audit Committee	2
Sh Saud bin Nasser Faleh Al-Thani	16 March 2008	Non-executive, non-independent	Executive Committee, Audit Committee	Nil

* Mr Abdulla Zain Rashid Al-Talib (who was at the time Vice Chairman) resigned and was replaced by Mr Khalil Al-Emadi, effective 26 January 2011. Further, at the same time Dr Nasser Mohammed Marafih was appointed as Vice Chairman to replace Mr Abdulla Zain Rashid Al-Talib.

Table 2: **The composition of the Board of Directors in the 2011 period after Nawras' AGM held on 26 March 2011** was:**

Name	Date of Appointment	Type of representation	Membership of other Nawras Committees	Membership of Boards of other Joint Stock Companies
Al Sayyid Amjad Mohamed Ahmed Al-Busaidi (Chairman)	26 March 2011	Non-executive, independent		Nil
Mr Khalid Ibrahim Al Mahmoud (Vice Chairman)	26 March 2011	Non-executive, non-independent	Executive Committee, Compensation & Benefits Committee	Nil
Sh Saud bin Nasser Faleh Al-Thani	16 March 2008	Non-executive, non-independent	Executive Committee	Nil
Dr Shaikha Sultan Al Jabir	26 March 2011	Non-executive, non-independent	Executive Committee	Nil
Mr Mohanna Nasser Al Nuaimi	26 March 2011	Non-executive, non-independent	Compensation & Benefits Committee, Audit Committee	Nil
Mr Ghassan bin Khamis Al Hashar	26 March 2011	Non-executive, independent	Audit Committee	Nil
Dr Hammed bin Salim Al Rawahi**	16 March 2008	Non-executive, independent	Executive Committee	Nil
Mr Saleh Nasser Al-Riyami	16 March 2008	Non-executive, independent	Audit Committee, Compensation & Benefits Committee	2
Mr Khalil Ibrahim Al Emadi	26 March 2011	Non-executive, non-independent	Executive Committee	Nil
Mr Said Faraj Al Rabeea**	27 July 2011	Non-executive, independent	Executive Committee	Nil

** Dr Hammed bin Salim Al Rawahi resigned from the Board of Nawras following his appointment as Chairman of the Telecommunications Regulatory Authority of Oman on 12 June 2011. He was replaced by Mr Said Faraj Al Rabeea, who was appointed to the Board on 27 July 2011.

Nawras has two Board committees and one mixed Board-management committee. The two Board committees are the Executive Committee and the Audit Committee. The mixed Board-management committee is the Compensation & Benefits Committee.

Sh Saud bin Nasser Faleh Al-Thani
Sheikh Saud bin Nasser Al-Thani joined Qtel in 1990 and is currently Chief Executive Officer of Qtel Qatar, Executive Director of Group HR, and Acting Executive Director of General Services of Qtel, overseeing Qtel's cable television operations, yellow pages directory, and coast station services. He is also a member of the Arab Organisation for Satellite Communication. He has a Bachelor of Arts in Public Administration from Western International University (USA).

Dr Shaikha Sultan Al Jabir
Dr Shaikha Al Jabir is currently Director of Marketing, Innovation and Alliances at Qtel International, having previously been CIO at Qatar General Electricity and Water Corporation ('Kahramaa'), where she established a sophisticated ICT infrastructure, placing the organisation at the forefront of technology. Dr Al Jabir holds a PhD in Computer Science from the University of Surrey (UK), an MS in Telecommunications and Computers from George Washington University (USA), and a BS in Electrical Engineering from Kuwait University.

Mohanna Nasser Al Nuaimi
Mohanna Nasser Al Nuaimi is Group Chief Human Resources Officer of Qtel International, having been appointed in December 2008 after serving as Executive Director of Group Human Resources of Qtel Qatar. He is also a member of Qtel Group Management Committee and a Board member of other Qtel Group operating companies. In April 2009, Mr Al Nuaimi received the HR Leadership Award on behalf of Qtel International from the World HRD Congress, an international honour for companies that excel in the field of people management. He holds a BSc degree in Mechanical Engineering from Qatar University.

Ghassan bin Khamis Al Hashar
Ghassan Al Hashar has more than 15 years of experience in finance and investment management, and joined the Nawras Board as a representative of the Public Authority for Social Insurance (PASI) in March 2011. He currently serves as Head of Asset Management – Local in PASI, and represents PASI on the Boards of numerous public and private companies. He is currently the Chairman of Bank Muscat Fund Investors Committee and a Board Member of Majan Development Company SAOC. Mr Al Hashar holds a Master's Degree in Finance and Investment Management from the University of Aberdeen (UK).

Khalil Ibrahim Al Emadi
With a 21-year career at Qtel, Khalil Ibrahim Al Emadi has a strong background in telecommunications, and extensive experience in mobile services and fixed telephony. He is currently Executive Director of Technology at Qtel. He was Qtel's Executive Director of Wireline Services until May 2007 when Qtel formed the Networks Division as part of its organisational structure, then becoming Executive Director of Networks. Before joining Qtel, Mr Al Emadi worked at the Ministry of Communication and Transport. He holds a Bachelor of Science degree in Electrical/Electronic Engineering from Northrop University (USA).

Said Faraj Al Rabeea
Said Faraj Al Rabeea has worked in the government sector for more than 30 years, holding senior positions in Human Resources, Information Technology, and Telecommunications. He is currently a member of several Oman Government boards and became a Nawras director in July 2011 following the departure of Dr Hammed, who assumed the role of CEO at the Telecommunications Regulatory Authority. Mr Rabeea holds a Bachelor of Business Administration degree.

Saleh Nasser Al-Riyami
Saleh Nasser Al-Riyami has been a member of the Nawras Board since its inception and has more than 20 years' experience as the Investment Expert for the Diwan of Royal Court. He currently serves as the General Manager of National Mass Housing SAOC. Mr Al-Riyami has served as founder or director of many companies in Oman and in managerial positions in the Ministry of Commerce and Public Authority of Social Security in Oman. He is currently a Member of Taageer Finance Company SAOG and Al Madina Gulf Insurance Company SAOC. Mr Al-Riyami holds a Bachelor of Science in Business Administration from the University of Georgia (USA).

Board meetings and Board members' attendance in 2011

Attendance at Board Meetings in 2011 prior to the AGM of the Company held on 26 March 2011 was as shown in table 3 (page 39).

Attendance at Board Meetings in 2011 after the AGM of the Company held on 26 March 2011 was as shown in table 4 (page 39).

Board committees

Nawras has two Board committees and one mixed Board-management committee. The two Board committees are the Executive Committee and the Audit Committee. The mixed Board-management committee is the Compensation & Benefits Committee.

Table 3: **Attendance at Board Meetings in 2011 prior to the AGM of the Company held on 26 March 2011 was:**
Board meeting and board members' attendance in 2011 (Pre AGM)

	1	2	3
	26.1.11	23.2.11	26.3.11
Sh Salim bin Mustahil bin Ahmed Al-Ma'ashni	Yes	Yes	Yes
Dr Nasser Marafih	No	Yes	Yes
Dr Hammed Al-Rawahi	Yes	Yes	Yes
Mr Khalid Al-Mansouri	Yes	Yes	Yes
Sh Saif Al-Maskery	Yes	Yes	Yes
Sh Saud bin Nasser Faleh Al-Thani	Yes	Yes	Yes
Mr Jens Hauge	Yes	Yes	Yes
Mr Khalil Ibrahim Al Emadi	No	Yes	Yes
Mr Saleh Al-Riyami	Yes	Yes	Yes

Table 4: **Attendance at Board Meetings in 2011 after the AGM of the Company held on 26 March 2011 was:**
Board meeting and board members' attendance in 2011 (Post AGM)

	4	5	6	7	8	9
	26.3.11	8.6.11	27.7.11	18.9.11	26.10.11	4.12.11
Al Sayyid Amjad Mohamed Ahmed Al-Busaidi	Yes	Yes	Yes	Yes	Yes	Yes
Mr Khalid Ibrahim Al Mahmoud	Yes	Yes	Yes	Yes	Yes	Yes
Dr Shaikha Sultan Al Jabir	Yes	Yes	Yes	Yes	Yes	Yes
Mr Mohanna Nasser Al Nuaimi	Yes	Yes	No	Yes	Yes	Yes
Mr Ghassan bin Khamis Al Hashar	Yes	Yes	Yes	Yes	Yes	Yes
Mr Khalil Ibrahim Al Emadi	Yes	No	Yes	Yes	Yes	Yes
Dr Hammed bin Salim Al-Rawahi	Yes	Yes	n/a	n/a	n/a	n/a
Sh Saud bin Nasser Faleh Al-Thani	Yes	No	Yes	No	Yes	Yes
Mr Saleh Al-Riyami	Yes	Yes	Yes	Yes	Yes	Yes
Mr Said Faraj Al Rabeea	n/a	n/a	n/a	Yes	Yes	Yes

Table 5: **Attendance at Executive Committee Meetings in 2011 prior to the AGM of the Company held on 26 March 2011 was:**

	1	2
	26.1.11	20.3.11
Mr Khalid Abdulla H Al-Mansouri	Yes	Yes
Dr Hammed bin Salim Al-Rawahi	Yes	Yes
Sh Saud bin Nasser Faleh Al-Thani	No	Yes

Executive Committee

The Executive Committee historically comprised three directors but this was increased to five after the AGM of the Company held on 26 March 2011. The Executive Committee focuses on strategic issues with responsibility for budget and procurement. The Executive Committee sat seven times during 2011.

Attendance at Executive Committee Meetings in 2011 prior to the AGM of the Company held on 26 March 2011 was as shown in table 5 (page 39).

Attendance at Executive Committee Meetings in 2011 after the AGM of the Company held on 26 March 2011 was as shown in table 6 (page 41). The Executive Committee's terms of reference are as follows:

- Approval of expenditure within the authority limits determined by the Board of Directors.
- Approval of any new tariff or any tariff change that, independently from any other change, has an adverse numerical impact of up to 5 per cent of forecasted revenue in the subsequent 12-month period.
- Review and approval of recommendations on awarding tenders, purchases, and contracts with values within the limits determined by the Board of Directors.
- Review and recommend for Board approval the Company's Annual Operating Plan and budget.
- Carry out periodical progress reviews of the Company's performance against the agreed Annual Operating Plan and recommend ways of better development and improvement in realising the Annual Operating Plan.
- Carry out reviews on quality and efficiency of the services and products provided by the Company and recommend ways for their development and improvement.

Audit Committee

The Audit Committee comprises three directors and assists the Board in overseeing the integrity of the Company's policies and financial statements, including validating and recommending them for approval, and also oversees the performance of the Company's internal audit function. The Audit Committee sat seven times during 2011.

Attendance at Audit Committee Meetings in 2011 prior to the AGM of the Company held on 26 March 2011 was as shown in table 7 (page 41).

Attendance at Audit Committee Meetings in 2011 after the AGM of the Company held on 26 March 2011 was as shown in table 8 (page 41).

The Audit Committee's terms of reference are as follows:

- Establishing the Internal Audit's objectives, policies and scope.
- Review of Internal Audit's quarterly reports raised to the Committee, with copies to the Chairman and the members of the Board of Directors.
- Review of the External Auditor's report.
- The Committee shall raise its observations and recommendations regarding the points included in such reports to the Board of Directors.
- Approval of the Internal Audit's annual plans.
- Selection of the Company's External Auditor and raising recommendations on his appointment and fees.
- Selection of the Company's Chief Internal Auditor, recommendations on his appointment and the appraisal of his performance.
- To oversee administratively, financially and technically the Internal Audit Department including the proposal and implementation of its (operating and capital) budget, its organisational structure, training, development and promotion of staff in accordance with the applicable regulations of the Company.
- Evaluation of the Internal and External Audit performance.
- Review and study the Company's regulations, and policies, whenever exigency dictates that, and raise suggestions on their amendments to the Board of Directors.

Compensation & Benefits Committee

The Compensation & Benefits Committee focuses on the compensation and benefits of employees and also supervises Nawras' Omanisation plan. It comprises three directors and four senior managers. Membership and attendance at meetings in 2011:

Attendance at Compensation & Benefits Committee Meetings in 2011 prior to the AGM of the Company held on 26 March 2011 was as shown in table 9 (page 41).

Attendance at Compensation & Benefits Committee Meetings in 2011 after the AGM of the Company held on 26 March 2011 was as shown in table 10 (page 41).

The Audit Committee comprises three directors and assists the Board in overseeing the integrity of the Company's policies and financial statements.

The Compensation & Benefits Committee focuses on the compensation and benefits of employees and also supervises Nawras' Omanisation plan.

Table 6: **Attendance at Executive Committee Meetings in 2011 after the AGM of the Company held on 26 March 2011 was:**

	3	4	5	6	7
	30.3.11	20.7.11	12.9.11	19.10.11	4.12.11
Mr Khalid Ibrahim Al Mahmoud	Yes	Yes	Yes	Yes	Yes
Dr Shaikha Sultan Al Jabir	Yes	Yes	Yes	Yes	Yes
Mr Khalil Ibrahim Al Emadi	Yes	Yes	Yes	Yes	Yes
Dr Hammed bin Salim Al-Rawahi	Yes	n/a	n/a	n/a	n/a
Sh Saud bin Nasser Faleh Al-Thani	No	No	Yes	Yes	Yes
Mr Said Faraj Al Rabeea	n/a	n/a	n/a	Yes	Yes

Table 7: **Attendance at Audit Committee Meetings in 2011 prior to the AGM of the Company held on 26 March 2011 was:**

	1	2	3	4
	16.1.11	26.1.11	22.2.11	20.3.11
Sh Saud bin Nasser Al Thani	No	Yes	Yes	Yes
Mr Khalid Al-Mansouri	Yes	Yes	No	Yes
Mr Saleh Al-Riyami	Yes	Yes	Yes	Yes

Table 8: **Attendance at Audit Committee Meetings in 2011 after the AGM of the Company held on 26 March 2011 was:**

	5	6	7
	20.4.11	26.7.11	25.10.11
Mr Saleh Al-Riyami	Yes	Yes	Yes
Mr Mohanna Nasser Al Nuaimi	Yes	Yes	Yes
Mr Ghassan bin Khamis Al Hashar	No	Yes	Yes

Table 9: **Attendance at Compensation & Benefits Committee Meetings in 2011 prior to the AGM of the Company held on 26 March 2011 was:**

	1
	1.3.11
Dr Hammed bin Salim Al-Rawahi	Yes
Sh Salim bin Mustahil bin Ahmed Al-Mashani	Yes
Mr Saleh Al-Riyami	No

Table 10: **Attendance at Compensation & Benefits Committee Meetings in 2011 after the AGM of the Company held on 26 March 2011 was:**

	2	3	4	5
	8.6.11	18.9.11	26.10.11	4.12.11
Mr Mohanna Al-Nuaimi	Yes	Yes	Yes	Yes
Mr Khalid Ibrahim Al Mahmoud	Yes	Yes	Yes	Yes
Mr Saleh Al-Riyami	Yes	Yes	Yes	Yes
Dr Hammed bin Salim Al-Rawahi	Yes	n/a	n/a	n/a

In an effort to focus on customer experience, the Executive Management team was restructured during 2011.

The role of Chief Commercial Officer was split into separate disciplines of Sales and Distribution, Customer Experience, and Marketing.

Total remuneration paid to directors in respect of 2011

The directors of Nawras are paid OMR 500 in sitting fee per Board or Committee Meeting. Table 11 (page 43) details the total sitting fee amounts paid to the directors during 2011.

Additionally, at the AGM of the Company held on 26 March 2011, the shareholders approved a further distribution to the directors in the amount of OMR 138,250, to be equally divided between the directors, except that the former Nawras Chairman declined to accept any payment.

Related Party Transactions 2011

The related party transactions entered into by the Company during 2011 were as shown in table 12 (page 43).

Senior management

Nawras' senior management team during 2011 was as shown in table 13 (page 45).

In an effort to focus on customer experience, the Executive Management team was restructured during 2011. This involved the departure of Tore Solberg, the Company's former Chief Commercial Officer, and division of that role into separate disciplines of Sales and Distribution, Customer Experience and Marketing roles, filled respectively by Hussain Al-Lawati, Said Safrar and, on an acting basis, Markus Golder.

During 2011, James Maxwell assumed the role of General Counsel (in August 2011) following the departure of Philippe Vogeleer. James was previously Director of Legal & Regulatory Affairs at Nawras. In October, Nawras also welcomed a new Chief Technical Officer (CTO), Wolfgang Wemhoff, who replaced the former CTO, Peter Rubeck.

Table 14 (page 45) is an outline of the current organisational structure:

The financial allocations paid to the senior management team during 2011 amounted to OMR 860,228 as salaries and allowances and OMR 316,877 in bonuses.

Ross Cormack
Chief Executive Officer

Ross has been CEO of Nawras since 2004 and has more than 25 years of experience in the telecommunications industry, having led four different telecommunications companies, served on the Board of Directors of six companies, and shareholder-managed 16 companies across Europe, the Middle East and Asia. His recent experience has included serving as Executive Director Wireless for Qtel, CEO and founder of Singapore-based Virgin Mobile Asia and Managing Director of Hong Kong CSL. Ross holds a Double Honours Bachelor of Science and Bachelor of Communications in Engineering Production and Economics from the University of Birmingham (UK). Ross is also serving as Acting Chief People Officer until an appointment is made.

Sh Abdulla Issa Al-Rawahy
Chief Strategy Officer

Sh Abdulla has been Chief Strategy Officer of Nawras since 2008 and has over 30 years of experience in the telecommunications sector, with leading roles in network planning and projects and strategy and corporate business development for both fixed and mobile telecommunications. Prior to joining Nawras, Sh Abdulla served as Technical Advisor to the Minister of Transport and Communications, President of Omantel, and Chairman and founding Member of the Oman Fibre Optic Company. Sh Abdulla holds a Bachelor of Engineering Technology and Master's of Science in Electrical Engineering from the University of Central Florida (USA).

Jorgen Latte
Chief Financial Officer

Jorgen has been Chief Financial Officer of Nawras since 2009. Jorgen has almost 20 years of financial and managerial experience in the telecommunications sector, with 10 years in stand-alone CFO roles for mobile services companies and additional prior experience at TeliaSonera and Tele2. Jorgen holds a Bachelor of Arts in Finance and Accounting from Stockholm University (Sweden).

Table 11: **Total remuneration paid to directors in respect of 2011**

	Position	Amount OMR
Al Sayyid Amjad Mohamed Ahmed Al-Busaidi	Chairman	3,000
Mr Khalid Ibrahim Al Mahmoud	Vice Chairman	6,500
Sh Saif bin Hashil Al-Maskery	Director	1,500
Dr Nasser Mohammed Marafih	Director	1,000
Sh Saud bin Nasser Faleh Al-Thani	Director	7,000
Mr Khalid Abdulla H Al-Mansouri	Director	4,000
Mr Saleh Nasser Al-Riyami	Director	9,000
Dr Hammed Salim Al-Rawahi	Director	4,750
Mr Jens Hauge	Director	1,500
Mr Khalil Ibrahim Al Emadi	Director	6,000
Dr Shaikha Sultan Al Jabir	Director	5,500
Mr Ghassan bin Khamis Al Hashar	Director	4,000
Mr Mohanna Nasser Al Nuaimi	Director	5,000
Mr Said Faraj Al Rabeea	Director	2,500

Table 12: **The related party transactions entered into by the Company during 2011 were as follows:**

Transaction	OMR 2011	OMR 2010	% Change
Directors and Key Management remuneration comprising:	1,417,753	2,171,236	-35%
Salaries/remuneration and benefits	1,177,105	1,460,327	-19%
Directors' remuneration	200,000	200,000	0%
Employees' end of service benefits	40,648	84,699	-52%
Shadow shares and IPO incentive	-	426,210	-100%
Service Fee payable to Qtel International as per Technical Services Agreement comprising 3% of Gross revenues for 2011	5,889,412	5,665,693	4%
Other expenses, comprising:	1,297,338	1,307,510	-1%
Reimbursement of salaries of seconded staff and other cost reimbursements (Qatar Telecommunication)	54,583	340,049	-84%
Reimbursement of salaries and other expenses of seconded staff (Qtel International)	323,426	216,691	49%
Site rental expenses (ISS Pension Fund)	149,607	134,318	11%
Site maintenance expenses (Elite Technology LLC)	769,722	616,452	25%

Wolfgang Wemhoff
Chief Technology Officer

Wolfgang joined Nawras in October 2011 and has more than 20 years of experience in the telecommunications industry, working for Mannesmann and Vodafone. He had leading roles in Vodafone Germany, in Vodafone Group, and recently in Vodafone Turkey. Wolfgang holds a Bachelor of Engineering Technology from University Munster (Germany) and a Bachelor of Business Administration from University Dortmund (Germany).

Said Safrar
Chief Customer Experience Officer

Said has worked for Nawras since April 2008, originally as the Customer Service Director. He was appointed to his new role as Chief Customer Experience Officer in September 2011, as part of the Company's focus on customer experience. Prior to joining Nawras Said worked in the banking industry and has more than 15 years' working experience with Oman International Bank and Bank Dhofar. Said holds a Master in Business Administration from the University of Hull (UK).

James Maxwell
General Counsel

James joined Nawras in 2007 and has over 15 years' experience in providing legal and regulatory advice to leading corporates with 10 years working exclusively in telecommunications. His past roles include working in M&A and securities at Linklaters in the UK and Minter Ellison in Australia, and as an in-house Corporate Counsel at Vodafone UK and more recently SingTel Optus in Australia. James holds a Bachelor of Laws (LLB Hons) from Melbourne University (Australia).

Hussain Al-Lawati
Acting Chief Sales and Distribution Officer

Hussain joined Nawras in 2004 as a Section Head – Key Account Manager – Business Sales Head. Hussain holds a Bachelor's degree in Business Administration from Camden University (USA) and a post-graduate Diploma in Leadership and Strategies from Chartered Management Institute in the UK. Prior to joining Nawras Hussain served as a product Manager in Oman National Dairy Products, as a Commercial Sales Executive/ Fuel Card Section Head in British Petroleum Oman, and as Sales & Marketing Manager in Mehdi Foods in 2004.

Markus Golder
Acting Chief Marketing Officer

Markus joined Nawras as Business Segment Director in 2009 and has served as Acting Chief Marketing Officer since 2011. Markus has 18 years of international experience within the telecom industry and extensive knowledge of fixed and mobile start-ups and operations. Prior to joining Nawras, he was Marketing Director at BTC, the incumbent operator in Bulgaria and Marketing Director at Sunrise, the largest challenger operator in Switzerland. Markus holds a Master's degree in Electrical Engineering from the Swiss Federal Institute of Technology and an MBA from London Business School.

Kumail Al-Moosawi
Director of People

Kumail has been with Nawras since November 2004 and brings over 13 years of experience in numerous business functions that include retail, operations, finance, customer service, audit, and human resources management. Kumail completed his undergraduate education at Florida Atlantic University in the United States, majoring in Finance. He is also a continuing member of the Chartered Institute of Personnel and Development (CIPD) and an active member of the GCC HR Forum.

Channels and methods of communication with shareholders and investors

The Company's website has a comprehensive investor relations section where shareholders can view quarterly financial information, the Company's disclosure policy, and frequently asked questions. They can also register to receive financial news alerts and can contact the investor relations manager by email.

Quarterly conference sessions with analysts are planned throughout the year along with quarterly financial statements which are published in national newspapers, within five days of being available on the Muscat Securities Market website.

The 'Management Review' section of the annual report contains detailed management discussion and analysis.

The Company's website has a comprehensive investor relations section where shareholders can view quarterly financial information.

Quarterly conference sessions with analysts are planned throughout the year along with quarterly financial statements which are published in national newspapers.

Table 13: **Senior management**

Mr Ross Cormack	Chief Executive Officer
Mr Jorgen Latte	Chief Financial Officer
Sh Abdulla Al-Rawahy	Chief Strategy Officer
Mr Wolfgang Wemhoff	Chief Technical Officer
Mr Said Safrar	Chief Customer Experience Officer
Mr James Maxwell	General Counsel
Mr Hussain Al-Lawati	Acting Chief Sales and Distribution Officer
Mr Markus Golder	Acting Chief Marketing Officer
Mr Kumail Al-Moosawi	Director of People

Table 14: **Nawras organisational structure**

Chief Executive Officer

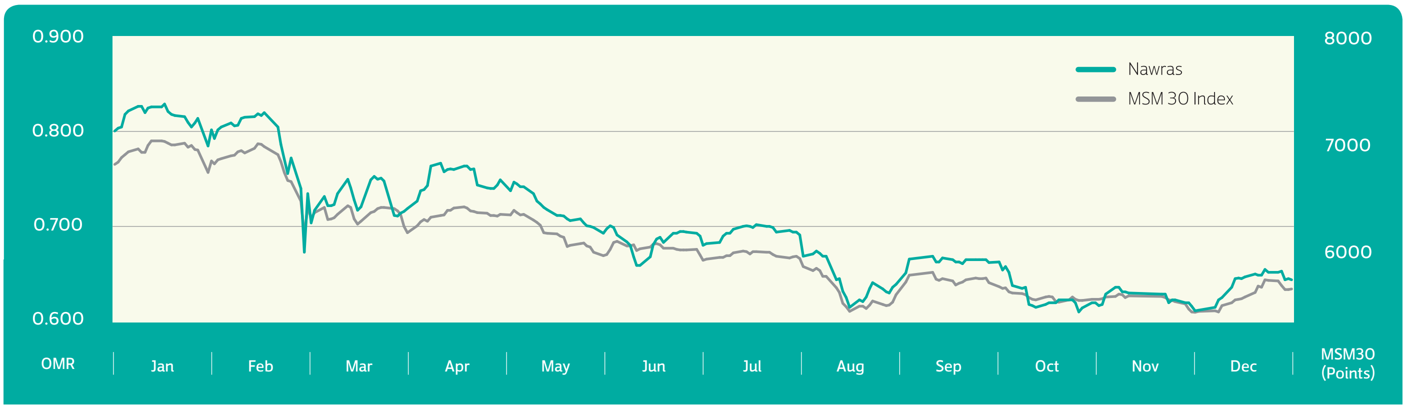
Chief People Officer	Chief Financial Officer	Chief Strategy Officer	Chief Customer Experience Officer	Chief Sales & Distribution Officer	Chief Marketing Officer	Chief Technical Officer	General Counsel
People Development	Investor Relations	Business Development	Contact Centre	Business Sales	Communications	IT & Information Systems Management	Regulatory
People Services	Insurance & Risk	Strategy	CS Admin Support	Nawras Stores	Marketing	Network & Services Planning	Legal
People Rewards	Revenue Assurance	Whole Sales	Billing & Collection	Indirect Sales		Capability Management	Corporate Governance
People Resourcing	Controlling & Accounting	EDMO	Customer Experience	Sales Support		ICT Governance	
People Technology	Procurement					Customer Solutions	
People Experience	Facilities					Service Assurance & Optimization	
						Implementaion & Infrastructure	

Nawras is subject to oversight by the Telecommunications Regulatory Authority (TRA).

Nawras has an excellent relationship with the TRA and has worked with it to remedy any concerns raised.

Table 15: Nawras share price compared to MSM30 index throughout 2011

Daily closing price on the Muscat Securities Market



Nawras share trading details

Nawras shares traded on the Muscat Securities Market during 2011 as shown in table 16 (page 47).

Nawras' share price compared to the MSM30 index throughout 2011 was as shown in table 15 (page 46)

Nawras' share price was as shown in table 17 (page 47).

Qtel is the only shareholder which holds more than 10 per cent of Nawras issued shares. The Company does not have any securities or financial instruments convertible to shares.

Details of non-compliance by the Company

Nawras, as a regulated telecommunications operator, is subject to oversight by the Telecommunications Regulatory Authority (TRA). From time to time, Nawras has been subject to regulatory action by the TRA related to compliance with the terms of its licences and the Telecommunications Regulatory Act.

Nawras has an excellent relationship with the TRA and has worked with it to remedy any concerns raised. Below is a summary of the material regulatory decisions that relate to Nawras made by the TRA during the three years ended 31 December 2011:

- Frequency Penalties – during 2011 Nawras worked with the TRA to perform a reconciliation of certain Nawras information against the corresponding information held by the TRA. One outcome of that reconciliation process was that it was determined that Nawras was in breach of certain obligations that related to the frequencies utilised by Nawras. The TRA penalised Nawras in an amount of OMR 7,875.152 in respect of those breaches. That penalty was paid in 2011.
- TRA Determination No. 2/2009 on the dispute between Injaz and Nawras – this determination related to a complaint by Injaz against Nawras alleging that Nawras was failing to meet its Mobile Licence obligation to provide services for resale. The decision required Nawras to finalise an agreement with Injaz to allow Injaz to resell certain Nawras mobile services.

  The TRA also levied a fine against Nawras in an amount of OMR 100,000.000 in respect of alleged breaches of the Executive Regulations of the Telecommunications Regulatory Act. Nawras has paid the fine. The TRA rejected Nawras' request to reconsider the decision, as the TRA determined that it complied with the law. A full copy of the decision is available on the TRA website.
- Frequency Penalties – during 2009 Nawras worked with the TRA to perform a reconciliation of certain Nawras information against the corresponding information held by the TRA. One outcome of that reconciliation process was that it was determined that Nawras was in breach of certain obligations that related to the frequencies utilised by Nawras. The TRA penalised Nawras in an amount of OMR 983,439.000 in respect of those breaches. That penalty was paid in 2009.

Apart from the above regulatory non-compliance, Nawras has no material legal or regulatory non-compliance to disclose.

Table 16: **Nawras share Trading details for 2011 on monthly basis**										
Month	Volume	Turnover (OMR)	Trades	Lowest Pr (OMR)	Highest Pr (OMR)	Close Pr (OMR)	Prev Close Pr (OMR)	Diff	Diff %	Sec Cap
January	17,761,479	14,473,710	3,265	0.750	0.835	0.802	0.795	0.007	0.9%	522,057,272
February	14,513,509	11,263,559	2,886	0.666	0.825	0.673	0.802	-0.129	-16.1%	438,085,467
March	19,160,031	13,965,226	3,116	0.699	0.765	0.719	0.673	0.046	6.8%	468,028,901
April	10,485,563	7,884,732	2,413	0.719	0.775	0.749	0.719	0.030	4.2%	487,557,228
May	10,240,033	7,362,127	2,458	0.690	0.754	0.701	0.749	-0.048	-6.4%	456,311,905
June	11,187,651	7,661,465	2,998	0.644	0.710	0.682	0.701	-0.019	-2.7%	443,943,965
July	6,250,615	4,317,397	1,246	0.664	0.705	0.671	0.682	-0.011	-1.6%	436,783,578
August	7,185,004	4,599,371	1,762	0.609	0.677	0.666	0.671	-0.005	-0.7%	433,528,857
September	3,254,234	2,145,409	707	0.635	0.674	0.638	0.666	-0.028	-4.2%	415,302,419
October	6,124,686	3,814,126	1,306	0.604	0.640	0.636	0.638	-0.002	-0.3%	414,000,530
November	3,521,865	2,190,926	778	0.605	0.635	0.623	0.636	-0.013	-2.0%	405,538,255
December	8,807,101	5,700,504	1,427	0.623	0.658	0.650	0.623	0.027	4.3%	423,113,750
2011	118,491,771	85,378,552	24,362							

Table 17: **Nawras share distribution**						
Month	Shareholders	Omani	Non Omani	GCC	Arab (Non Omani)	Foreigner
January	5,637	32.33%	67.67%	62.58%	0.09%	5.00%
February	5,471	32.48%	67.52%	62.34%	0.07%	5.11%
March	5,522	33.00%	67.00%	62.12%	0.06%	4.82%
April	5,338	32.18%	67.83%	62.88%	0.06%	4.89%
May	5,339	32.61%	67.40%	62.60%	0.07%	4.73%
June	5,343	33.19%	66.81%	62.27%	0.11%	4.43%
July	5,195	33.37%	66.63%	62.22%	0.09%	4.32%
August	5,119	33.68%	66.32%	62.12%	0.07%	4.13%
September	5,038	33.73%	66.28%	62.12%	0.07%	4.09%
October	5,020	34.25%	65.75%	61.97%	0.07%	3.71%
November	4,975	34.63%	65.37%	61.97%	0.07%	3.33%
December	4,935	35.04%	64.95%	61.91%	0.07%	2.97%

Disclosure policy

Nawras rigorously applies its disclosure policy so as to develop and maintain reasonable market expectations of the Company's current trading and future prospects. This is achieved by making disclosure on a widely disseminated basis; through a realistic understanding of prospects for future performance and by ensuring that information does not intentionally or unintentionally mislead investors.

Managing risk

Nawras has established an organisation that ensures risk management is an essential part of the Nawras culture and strategic decision-making through an Enterprise Risk Management (ERM) function. ERM's strategic objectives bring a systematic approach to assessing, evaluating, managing and controlling the overall enterprise risk. It also assists in providing practical and cost-effective solutions to manage and mitigate risk.

Enterprise risk management is called for under the Nawras corporate governance framework. Further, Nawras is required to present the status of internal control and arrangements for risk management to its senior management and report the same to the Board of Directors on a quarterly basis.

External auditor

The Company's external auditors in respect of 2011 were Deloitte & Touche. The total fee for audit and related services paid to the Auditors in respect of 2011 was OMR 52,680.

Deloitte & Touche (M.E.) is the auditor of the Company. Deloitte & Touche is a member firm of Deloitte Touche Tohmatsu Limited (DTTL) and is the first Arab professional services firm established in the Middle East region, with uninterrupted presence for over 85 years.

Deloitte is among the region's leading professional services firms, providing audit, tax, consulting, and financial advisory services through 26 offices in 15 countries with over 2,500 partners, directors and staff. It is a Tier 1 Tax advisor in the GCC region (International Tax Review World Tax 2010 and 2011 Rankings) and was recognised as the 2010 Best Consulting Firm of the Year in the Complinent GCC Compliance Awards. In 2011, the firm received the Middle East Training & Development Excellence Award by the Institute of Chartered Accountants in England and Wales (ICAEW).

Board declaration

The Board of Directors acknowledges that:

- Nawras has all its systems and procedures formally documented and in place. The Company's internal regulations comply with regulatory requirements and have been formalised in an internal regulations manual, reviewed and approved by the Board of Directors.
- The Board of Directors is responsible for ensuring that the financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), the requirements of the Commercial Companies Law of the Sultanate of Oman 1974 (as amended), and the rules for disclosure requirements prescribed by the Capital Market Authority.
- No material events affect the continuation of Nawras and its operations during the next financial year.

Deloitte & Touche (M.E.) & Co. LLC
Muscat International Centre
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Sultanate of Oman

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TO THE SHAREHOLDERS OF OMANI QATARI TELECOMMUNICATIONS COMPANY SAOG (NAWRAS)

We have performed the procedures prescribed in Capital Market Authority (CMA) Circular No. 16/2003 dated 29 December 2003 with respect to the accompanying corporate governance report of Omani Qatari Telecommunications Company SAOG (NAWRAS) and its application of corporate governance practices in accordance with CMA Code of Corporate Governance issued under circular No. 11/2002 dated 3 June 2002 as supplemented by the Rules and Guidelines on Disclosure by Issuers of Securities and Insider Trading approved by Administrative Decisions no. 5/2007 dated 27 June 2007 and the Executive Regulation of the Capital Market Law issued under the Decision No. 1/2009 dated 18 March 2009 (collectively the Code and additional regulations and disclosures). Our engagement was undertaken in accordance with the International Standards on Related Services applicable to agreed-upon procedures engagements. The procedures were performed solely to assist you in evaluating the Company's compliance with the code as issued by the CMA.

We report our findings as below:
We found that the Company's corporate governance report fairly reflects the Company's application of the provisions of the Code and is free from any material misrepresentation.

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

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

Our report is solely for the purpose set forth in the first paragraph of this report and for your information and is not to be used for any other purpose. This report relates only to the accompanying corporate governance report of Omani Qatari Telecommunications Company SAOG (NAWRAS) to be included in its annual report for the year ended 31 December 2011 and does not extend to any financial statements of Omani Qatari Telecommunications Company SAOG (NAWRAS), taken as a whole.

Deloitte & Touche.

Deloitte & Touche (M.E.) & Co. LLC
Muscat, Sultanate of Oman
22 February 2012

R O'Hanlon.

Robert O'Hanlon
Partner

Deloitte & Touche (M.E.) & Co. LLC
Muscat International Centre
Location: MBD Area
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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF OMANI QATARI TELECOMMUNICATIONS COMPANY SAOG

Report on the financial statements

We have audited the accompanying financial statements of Omani Qatari Telecommunications Company SAOG (the "company") which comprise the statement of financial position as of 31 December 2011, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes as set out on pages 52 to 78.

Board of Directors' responsibility for the financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of 31 December 2011, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on other legal and regulatory requirements

In our opinion, the financial statements comply, in all material respects, with the relevant disclosure requirements of the Commercial Companies Law of 1974, as amended and the Rules and Guidelines on disclosure issued by the Capital Market Authority.

Other matter

The financial statements of the Company for the year ended 31 December 2010 were audited by another auditor who expressed an unmodified opinion on those statements on 23 February 2011.

Deloitte & Touche.

Deloitte & Touche (M.E.) & Co. LLC
Muscat, Sultanate of Oman
22 February 2012

R O'Hanlon.

Robert O'Hanlon
Partner

STATEMENT OF INCOME

Year ended 31 December 2011

	Notes	2011 OMR '000	2010 OMR '000
Revenue	4	196,865	188,856
Other income		424	276
		197,289	189,132
Operating expenses	5	(29,578)	(27,828)
General and administrative expenses	6	(69,739)	(64,458)
Depreciation and amortisation		(28,040)	(24,247)
Royalty		(12,665)	(11,719)
Financing costs	7	(3,278)	(3,977)
Profit before tax		53,989	56,903
Income tax expense	8	(6,477)	(6,923)
Profit for the year		47,512	49,980
Basic and diluted earnings per share (OMR)	9	0.073	0.077

The attached notes 1 to 28 form part of these financial statements

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2011

	2011 OMR '000	2010 OMR '000
Profit for the year	**47,512**	49,980
Other comprehensive income		
Net unrealised gain on cash flow hedges	**1,631**	1,372
Income tax effect	**(196)**	236
Other comprehensive income for the year	**1,435**	1,608
Total comprehensive income for the year	**48,947**	51,588

STATEMENT OF FINANCIAL POSITION
At 31 December 2011

	Notes	2011 OMR '000	2010 OMR '000
ASSETS			
Non current assets			
Property, plant and equipment	10	**182,138**	165,621
License fee	11	**42,425**	46,119
Total non current assets		**224,563**	211,740
Current assets			
Inventories		**670**	382
Receivables and prepayments	12	**29,702**	29,648
Bank balances and cash	13	**44,462**	49,343
Total current assets		**74,834**	79,373
TOTAL ASSETS		**299,397**	291,113
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	14	**65,094**	65,094
Statutory reserve	15	**16,680**	11,929
Cumulative changes in fair values	16	**(297)**	(1,732)
Retained earnings		**86,042**	68,017
Total equity		**167,519**	143,308
Non current liabilities			
Interest bearing borrowings	17	**21,940**	55,050
Site restoration provision	18	**3,643**	3,232
Negative fair value of derivatives	16	**–**	324
Employee benefits	19	**783**	2,246
Deferred tax liability	8	**616**	153
Total non current liabilities		**26,982**	61,005
Current liabilities			
Payables and accruals	20	**54,877**	56,366
Interest bearing borrowings	17	**33,215**	15,885
Employee benefits	19	**1,355**	–
Negative fair value of derivatives	16	**337**	1,644
Deferred revenue		**8,729**	6,282
Income tax payable	8	**6,383**	6,623
Total current liabilities		**104,896**	86,800
Total liabilities		**131,878**	147,805
TOTAL EQUITY AND LIABILITIES		**299,397**	291,113
Net assets per share	9	**0.257**	0.220

These financial statements were approved and authorised for issue by the Board of Directors on 22 February 2012 and were signed on their behalf by:

Al Sayyid Amjad Mohamed Ahmed Al-Busaidi
Chairman

Saleh Nasser Al-Riyami
Board Member and
Chairman of the Audit Committee

Ross Cormack
Chief Executive Officer

The attached notes 1 to 28 form part of these financial statements

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2011

	Share capital OMR '000	Statutory reserve OMR '000	Cumulative changes in fair values OMR '000	Retained earnings OMR '000	Total OMR '000
At 1 January 2010	65,094	6,931	(3,340)	23,035	91,720
Profit for the year	–	–	–	49,980	49,980
Other comprehensive income for the year	–	–	1,608	–	1,608
Transfer to statutory reserve (note 15)	–	4,998	–	(4,998)	–
At 1 January 2011	65,094	11,929	(1,732)	68,017	143,308
Profit for the year	–	–	–	47,512	47,512
Other comprehensive income for the year	–	–	1,435	–	1,435
Transfer to legal reserve (note 15)	–	4,751	–	(4,751)	–
Dividends paid	–	–	–	(24,736)	(24,736)
At 31 December 2011	65,094	16,680	(297)	86,042	167,519

The attached notes 1 to 28 form part of these financial statements

STATEMENT OF CASH FLOWS

Year ended 31 December 2011

	Notes	2011 OMR '000	2010 OMR '000
OPERATING ACTIVITIES			
Profit before tax		53,989	56,903
Adjustments for:			
Depreciation	10	24,346	20,556
Amortisation	11	3,694	3,691
Interest income		(77)	(32)
Accrual for employees' end of service benefits		297	253
IPO incentive – shadow shares		(277)	1,632
Financing costs	7	3,074	3,750
Profit on disposal of property, plant and equipment		(8)	(4)
Unwinding of discount of site restoration provision	18	204	227
Operating profit before working capital changes		85,242	86,976
Working capital changes:			
Inventories		(288)	211
Receivables and prepayments		(54)	(5,228)
Payables, accruals and deferred revenue		958	17,211
Cash from the operations		85,858	99,170
Interest paid		(3,074)	(3,750)
Income tax paid		(6,450)	(4,299)
Employees' end of service benefits paid		(128)	(87)
Net cash from operating activities		76,206	91,034
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	10	(40,656)	(73,430)
Interest income		77	32
Proceeds on disposal of property, plant and equipment		8	67
Net cash used in investing activities		(40,571)	(73,331)
FINANCING ACTIVITIES			
Repayment of term loan		(15,780)	(11,986)
Long term loan draw down		–	23,106
Dividends paid	14	(24,736)	–
Net cash used in financing activities		(40,516)	11,120
(DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		(4,881)	28,823
Cash and cash equivalents at the beginning of the year		49,343	20,520
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		44,462	49,343

The attached notes 1 to 28 form part of these financial statements

1 LEGAL STATUS AND PRINCIPAL ACTIVITIES

Omani Qatari Telecommunications Company SAOG ("the Company") is an Omani joint stock company registered under the Commercial Companies Law of the Sultanate of Oman. In accordance with Royal Decree 17/2005, effective 19 February 2005, the Company was granted a license to provide mobile telecommunication services in the Sultanate of Oman for a period of 15 years ending 18 February 2020.

In accordance with Royal Decree 34/2009, effective 6 June 2009, the Company was also awarded a license to provide fixed line telecommunication services in the Sultanate of Oman for a period of 25 years. The Company's activities under this license will be installation, operation, maintenance and exploitation of fixed public telecommunications systems in the Sultanate of Oman.

The Company's current principal activities are the operation, maintenance and development of mobile and fixed telecommunications services in the Sultanate of Oman.

The Company is a subsidiary of Qatar Telecom (Qtel) Q.S.C whose registered address is PO Box 217, Doha, Qatar.

In accordance with the requirements of the Company's mobile license, Company proceeded with initial public offering (IPO). The promoting shareholders at the Company's Extraordinary General Meeting held on 7 March 2010 approved the conversion of the Company from a Closed Joint Stock Company (SAOC) to a Public Joint Stock Company (SAOG) by offering their 260,377,690 shares for the public subscription. The Company closed its IPO on 21 October 2010 and its shares were listed on the Muscat Securities Market on 1 November 2010. The IPO proceeds and share issue expenses were recorded by the promoting shareholders.

BASIS OF PREPARATION

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS). These financial statements also comply with the applicable requirements of the Commercial Companies Law of the Sultanate of Oman and the rules and guidelines on disclosure issued by the Capital Market Authority.

The accounting records are maintained in Omani Rial which is the functional and reporting currency for these financial statements. The financial statements numbers are rounded to the nearest thousand except when otherwise indicated.

The financial statements are prepared under the historical cost convention modified to include the measurement at fair value of derivative financial instruments.

2 ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

2.1 STANDARDS AND INTERPRETATIONS ADOPTED WITH NO EFFECT ON THE FINANCIAL STATEMENTS

For the year ended 31 December 2011, the Company has adopted all the new and revised standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for the year beginning on 1 January 2011.

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

Amendment to IAS 1 – Annual Improvement to IFRSs	The amendment clarifies that an entity may present the analysis of other comprehensive income by item either in the statement of changes in equity or in the notes to the financial statements.
Amendments to IAS 24 – Related Party Disclosure	The amendments simplify the disclosure requirements for entities that are controlled, jointly controlled or significantly influenced by a government (referred to as government related entities) and clarify the definition of related party.
Amendments to IAS 32 – Classification of Rights Issues	The amendments address the classification of certain rights issues denominated in a foreign currency as either equity instruments or as financial liabilities.
Amendments to IFRIC 14 – Prepayments of a Minimum Funding Requirements	The amendments addresses when refund or reductions in future contributions should be regarded as available in accordance with IAS 19; how minimum funding requirements might affect the availability of reductions in future contributions; and when minimum funding requirements might give rise to a liability. The amendments now allow recognition of an asset in the form of prepaid minimum funding contributions.
IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments	The Interpretation provides guidance on the accounting for extinguishment of financial liability by the issue of equity instruments.

2 ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (continued)

2.2 NEW AND REVISED IFRS IN ISSUE BUT NOT YET EFFECTIVE

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

New Standards and amendments to Standards:	Effective for annual periods beginning on or after
IFRS 7: Financial Instruments: Disclosures, *amendments enhancing disclosures about transfers of financial assets*	July 2011
IAS 12: Income Taxes, *limited scope amendment (recovery of underlying assets)*	January 2012
IAS 1: Presentation of Financial Statements, *amendments to revise the way other comprehensive income is presented*	July 2012
IAS 19: Employee Benefits, *amended Standard resulting from the Post-Employment Benefits and Termination Benefits projects*	January 2013
IAS 27: Consolidated and Separate Financial Statements, *reissued as IAS 27 Separate Financial Statements (as amended in 2011)*	January 2013
IAS 28: Investments in Associates, *reissued as IAS 28 Investments in Associates and Joint Ventures (as amended in 2011)*	January 2013
IFRS 7: Financial Instruments: Disclosures, *amendments enhancing disclosures about offsetting of financial assets and financial liabilities*	January 2013 and interim periods within those periods
IFRS 10: Consolidated Financial Statements	January 2013
IFRS 11: Joint Arrangements	January 2013
IFRS 12: Disclosure of Interests in Other Entities	January 2013
IFRS 13: Fair Value Measurement	January 2013
IFRS 7: Financial Instruments: Disclosures, *amendments requiring disclosures about the initial application of IFRS 9*	January 2015 (or otherwise when IFRS 9 is first applied)
IFRS 9: Financial Instruments: Classification and Measurement of financial assets *(intended as complete replacement for IAS 39)*	January 2015 (mandatory application date amended December 2011)
New Interpretations and amendments to Interpretations:	
IFRIC 20 – *Stripping Costs in the Production Phase of a Surface Mine*	1 January 2013

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

3 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies are as follows:

Revenue and deferred income

Revenue from rendering of services

Revenue from rendering of services represents the value of telecommunication services provided to customers. Revenue is recognised over the period to which it relates.

Interconnection revenue

Revenues from network interconnection with other domestic and international telecommunications operators are recognised based on the actual traffic.

Operating revenues for local and international interconnections is based on tariff as stipulated by Telecommunication Regulatory Authority of Sultanate of Oman or as agreed between the operators. Interconnection revenue and cost are reported on a gross basis in the statement of income.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Sales of prepaid cards
Sale of prepaid cards is recognised as revenue based on the estimated utilisation of the prepaid cards sold. Sales relating to unutilised prepaid cards are accounted as deferred income. Deferred income related to unused prepaid cards is recognised as revenue when utilised by the customer or upon termination of the customer relationship. Revenue is recognised net of any upfront discount given.

Sales of equipment
Revenue from sales of equipment is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the amount of revenue can be measured reliably.

Reseller revenue
Revenue from reseller is recognised based on the traffic usage.

Interest revenue
Interest revenue is recognised as the interest accrues using the effective interest method, under which the rate used exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Taxation
Current income tax
Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. Taxation is provided in accordance with Omani regulations.

Deferred tax
Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on laws that have been enacted at the reporting date.

Deferred income tax assets are recognised for all deductible temporary differences and carry-forward of unused tax assets and unused tax losses, if any, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax assets and unused tax losses can be utilised.

The carrying amount of deferred tax assets 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 tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Current and deferred tax for the year
Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Directors' remuneration
The Company follows the Commercial Companies Law 1974 (as amended), and other latest relevant directives issued by Capital Market Authority, in regard to determination of the amount to be paid as Directors' remuneration. Directors' remuneration is charged to profit or loss in the year to which they relate.

Dividend distribution
Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements only in the period in which the dividends are approved by the Company's shareholders.

Foreign currency transactions
Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date. All differences are recognised in profit or loss.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any impairment in value. Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Capital work-in-progress is not depreciated. The estimated useful lives are as follows:

Mobile/fixed exchange and network equipment	5 – 15 years
Subscriber apparatus and other equipment	2 – 10 years
Building	10 years

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount, being the higher of their fair value less costs to sell and their value in use.

Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of property, plant and equipment. All other expenditure is recognised in profit or loss as the expense is incurred. When each major inspection is performed, its cost is recognised in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in profit or loss in the period the asset is derecognised.

The assets' residual values, useful lives and methods are reviewed, and adjusted prospectively, if appropriate, at each financial year end.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed as incurred. Borrowing costs consist of interest and other costs that the Company incurs in connection with the borrowing of funds.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the statement of income in the period in which the expenditure is incurred.

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 is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

A summary of the useful lives and amortisation methods of Company's intangible assets are as follows:

	Mobile license costs	Fixed license costs
Useful lives	: Finite (15 years)	Finite (25 years)
Amortisation method used	: Amortised on a straight line basis over the periods of availability.	Amortised on a straight line basis over the periods of availability.
Internally generated or acquired	: Acquired	Acquired

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Trade and other receivables

Trade and other receivables are initially measured at their fair value and subsequently measured at amortised cost, using the effective interest method. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when there is no possibility of recovery.

Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The cost of inventory is based on the weighted average principle and includes expenditure incurred in acquiring inventories and bringing them to their existing location and condition. Provision is made for obsolete, slow-moving and defective inventories, where appropriate.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash in hand, bank balances, and short-term deposits with an original maturity of three months or less, net of outstanding bank overdrafts.

Employees' benefits

End of service benefits

End of service benefits are accrued in accordance with the terms of employment of the Company for employees at the reporting date, having regard to the requirements of the Oman Labour Law. Employee entitlements to annual leave are recognised when they accrue to employees and an accrual is made for the estimated liability for annual leave as a result of services up to the reporting date.

Defined contribution plan

Contributions to a defined contribution retirement plan for Omani employees in accordance with the Omani Social Insurance Scheme are recognised in profit or loss.

Initial Public Offering (IPO) incentive – shadow shares

The Company has granted to its employees certain number of shadow (virtual) shares as per the announcement made during its IPO and are to be settled in cash. The cost of the shadow shares are measured initially at the fair value at the grant date with reference to the market price of the Company's shares. The fair value is expensed immediately. The liability is remeasured to fair value at each reporting date up to and including the settlement date, with changes in fair value recognised in profit or loss.

On 1 July 2011, the company entered into an equity settlement agreement to reduce its risk of fluctuation in fair value of shadow shares, and any gain or loss from re-measuring the equity settlement instrument at fair value is expensed immediately.

Interest-bearing borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Instalments due within one year at amortised cost are shown as a current liability.

Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process. Interest costs are recognised as an expense when incurred except those that qualify for capitalisation.

Provisions

General

A provision is recognised in the statement of financial position when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate of the amount thereof can be made. If the effect is material, 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, where appropriate, the risks specific to the liability.

Site restoration provision

The provision for site restoration costs arose on construction of the networking sites. A corresponding asset is recognised in property, plant and equipment. Site restoration costs are provided for at the present value of expected costs to settle the obligation using estimated cash flows. The cash flows are discounted at a current pre tax rate that reflects the risks specific to the site restoration liability. The unwinding of the discount is expensed as incurred and recognised in profit or loss as a finance cost. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the asset.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounts payable and accruals

Trade payables are initially measured at their fair value at the time of transaction and subsequently measured at amortised cost, using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial instrument to the net carrying amount of the financial liability. Liabilities are recognised for amounts to be paid for goods and services received, whether or not billed to the company.

Leases

Finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised in profit or loss on a straight-line basis over the lease term.

Royalty

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

Derecognition of financial assets and financial liabilities

Financial assets:

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

- the rights to receive cash flows from the asset have expired; or
- the Company 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 (a) the Company has transferred substantially all the risks and rewards of the asset, or

  (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Financial liabilities:

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

Derivative financial instruments

The Company makes use of derivative instruments to manage exposures to interest rate, including exposures arising from forecast transactions. In order to manage interest rate risks, the Company applies hedge accounting for transactions which meet the specified criteria.

At inception of the hedge relationship, the Company formally documents the relationship between the hedged item and the hedging instrument, including the nature of the risk, the objective and strategy for undertaking the hedge and the method that will be used to assess the effectiveness of the hedging relationship.

Also at the inception of the hedge relationship, a formal assessment is undertaken to ensure the hedging instrument is expected to be highly effective in offsetting the designated risk in the hedged item. A hedge is regarded as highly effective if the changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated are expected to offset in a range of 80% to 125%. For situations where that hedged item is a forecast transaction, the Company assesses whether the transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect the statement of comprehensive income.

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments (continued)

Cash flow hedges

For designated and qualifying cash flow hedges, the effective portion of the gain or loss on the hedging instrument is initially recognised directly in the statement of comprehensive income in the cash flow hedge reserve. The ineffective portion of the gain or loss on the hedging instrument is recognised immediately in profit or loss.

When the hedged cash flow affects the profit or loss, the gain or loss on the hedging instrument is 'recycled' in the corresponding income or expense line of the statement of income. When a hedging instrument expires, or is sold, terminated, exercised, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss previously recognised in other comprehensive income remains in equity until the forecasted transaction or firm commitment affects profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss recorded in equity are recongnised in profit or loss.

The fair value of unquoted derivatives is determined by the discounted cash flows method.

Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The change in the fair value of the hedging instrument and the change in the hedged item attributable to the hedged risk are recognised in the line of the statement of comprehensive income relating to the hedged item.

Hedge accounting is discontinued when the Company revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit or loss from that date.

Significant accounting judgments, estimates and assumptions

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are set out in note 25.

4 REVENUE

	2011 OMR '000	2010 OMR '000
Traffic	**154,406**	153,583
One time and recurring charges	**17,705**	11,847
Interconnection revenue	**26,490**	23,376
Inbound Roaming	**4,724**	6,156
Others	**1,499**	1,941
	204,824	196,903
Less : Distributor discounts	**(7,959)**	(8,047)
	196,865	188,856

5 OPERATING EXPENSES

	2011 OMR '000	2010 OMR '000
Interconnection charges, net of volume rebate	26,383	24,831
Cost of equipment sold and other services	2,978	2,836
Commission on cards	217	161
	29,578	27,828

6 GENERAL AND ADMINISTRATIVE EXPENSES

	2011 OMR '000	2010 OMR '000
Employees' salaries and associated costs	22,648	24,633
Repairs and maintenance	11,690	10,375
Lease lines and frequency fee	9,069	7,581
Service fees (note 21)	5,889	5,666
Rental and utilities	6,796	4,902
Sales and marketing	4,463	3,500
Legal and professional charges	2,093	1,459
Provision for impairment losses on trade receivables (note 12)	2,072	1,395
Provision for inventory	(3)	186
Others	5,022	4,761
	69,739	64,458

7 FINANCING COSTS

	2011 OMR '000	2010 OMR '000
Interest on term loan	2,992	3,758
Site restoration – unwinding of discount (Note 18)	204	227
Other interest	82	(8)
	3,278	3,977

Borrowing costs capitalised during the year ended 31 December 2011 amount to OMR 143,745 (2010: OMR 393,070). Borrowing costs are capitalised at an effective annual interest rate of 2.15% (2010: 2.9%)

8 INCOME TAX

	2011 OMR '000	2010 OMR '000
Statement of income		
Current year	6,210	6,470
Deferred tax relating to origination and reversal of temporary differences	267	453
	6,477	6,923

8 INCOME TAX (continued)

	2011 OMR '000	2010 OMR '000
Current liability		
Current year	6,210	6,470
Prior year	173	153
	6,383	6,623

	2011 OMR '000	2010 OMR '000
Deferred tax asset / (liability)		
Beginning of the year	(153)	64
Movement for the year through statement of income	(267)	(453)
Movement for the year through statement of other comprehensive income	(196)	236
At the end of the year	(616)	(153)

The deferred tax asset/ (liability) comprises of the following types of temporary differences:

	2011 OMR '000	2010 OMR '000
Property, plant and equipment	(1,489)	(1,119)
Provisions	833	730
	(656)	(389)
Net unrealised gains on cash flow hedges	40	236
	(616)	(153)

Set out below is a reconciliation between income tax calculated on accounting profits with income tax expense for the year:

	2011 OMR '000	2010 OMR '000
Profit before tax	53,989	56,903
Tax at applicable rate	6,475	6,825
Non-deductible expenses and other permanent differences	2	98
	6,477	6,923

The tax rate applicable to the company is 12% (2010: 12%). Deferred tax asset/liability is recorded at 12% (2010:12%). For the purpose of determining the taxable results for the year, the accounting profit of the company has been adjusted for tax purposes. Adjustments for tax purposes include items relating to both income and expense. The adjustments are based on the current understanding of the existing laws, regulations and practices.

The company's tax assessments up to 2006 have been completed. The management is of the opinion that additional taxes, if any, that may be assessed on completion of the assessments for the open tax years would not be significant to the company's financial position at 31 December 2011.

9 EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the profit for the year by the weighted average number of shares outstanding during the year as follows:

	2011	2010
Profit for the year (OMR '000)	47,512	49,980
Weighted average number of shares outstanding for the year (number in thousand)	650,944	650,944
Basic earning per share (OMR)	0.073	0.077

No figure for diluted earnings per share has been presented as the company has not issued any instruments which would have an impact on earnings per share when exercised.

Net assets per share, is calculated by dividing the equity attributable to the shareholders of the Company at the reporting date by the number of shares outstanding.

	2011	2010
Net assets (OMR '000)	167,519	143,308
Number of shares outstanding at the reporting date (number in thousands)	650,944	650,944
Net assets per share (OMR)	0.257	0.220

10 PROPERTY, PLANT AND EQUIPMENT

	Mobile/fixed exchange and network equipment OMR '000	Subscriber apparatus and other equipment OMR '000	Buildings OMR '000	Capital work in progress OMR '000	Total OMR '000
Cost					
1 January 2011	175,293	24,762	363	36,181	236,599
Additions	15,054	2,835	662	22,312	40,863
Capitalised during the year	35,117	179	434	(35,730)	–
Disposals	–	(22)	–	–	(22)
31 December 2011	225,464	27,754	1,459	22,763	277,440
Depreciation					
1 January 2011	52,544	18,368	66	–	70,978
Charge for the year	21,489	2,763	94	–	24,346
Disposals	–	(22)	–	–	(22)
31 December 2011	74,033	21,109	160	–	95,302
Net book value 31 December 2011	151,431	6,645	1,299	22,763	182,138

10 PROPERTY, PLANT AND EQUIPMENT (continued)

	Mobile/fixed exchange and network equipment OMR '000	Subscriber apparatus and other equipment OMR '000	Buildings OMR '000	Capital work in progress OMR '000	Total OMR '000
Cost					
1 January 2010	127,710	21,811	349	12,739	162,609
Additions	24,207	2,953	14	46,895	74,069
Capitalised during the year	23,453	–	–	(23,453)	–
Disposals	(77)	(2)	–	–	(79)
31 December 2010	175,293	24,762	363	36,181	236,599
Depreciation					
1 January 2010	35,220	15,188	30	–	50,438
Charge for the year	17,338	3,182	36	–	20,556
Disposals	(14)	(2)	–	–	(16)
31 December 2010	52,544	18,368	66	–	70,978
Net book value 31 December 2010	122,749	6,394	297	36,181	165,621

Addition for the year ended 31 December 2011 includes provision for site restoration cost of OMR 207,000 (year ended 31 December 2010: OMR 639,000). This has been excluded from the cash outflow on purchase of property plant and equipment in the statement of cash flows.

11 LICENSE FEE

	Mobile license OMR '000	Fixed line license OMR '000	Total OMR '000
Cost			
Balance at 1 January 2011	42,331	21,403	63,734
Additions during the year	–	–	–
Balance at December 2011	42,331	21,403	63,734
Amortisation			
Balance at 1 January 2011	16,327	1,288	17,615
Amortisation during the year	2,838	856	3,694
Balance at 31 December 2011	19,165	2,144	21,309
Net book value At 31 December 2011	23,166	19,259	42,425

11 LICENSE FEE (continued)

	Mobile license OMR '000	Fixed line license OMR '000	Total OMR '000
Cost			
Balance at 1 January 2010	42,331	21,403	63,734
Additions during the year	–	–	–
Balance at December 2010	42,331	21,403	63,734
Amortisation			
Balance at 1 January 2010	13,492	432	13,924
Amortisation during the year	2,835	856	3,691
Balance at 31 December 2010	16,327	1,288	17,615
Net book value At 31 December 2010	26,004	20,115	46,119

License fee represents the amount paid to the Telecommunication Regulatory Authority of the Sultanate of Oman for obtaining the license to operate as fixed and mobile telecommunication service provider. License fee is stated at cost less accumulated amortisation and impairment losses.

In accordance with the terms of a mobile and fixed line licenses granted to the Company, royalty is payable to the Government of the Sultanate of Oman. The royalty payable is calculated based on 7% of the net of predefined sources of revenue and interconnection expenses to local operators.

12 RECEIVABLES AND PREPAYMENTS

	2011 OMR '000	2010 OMR '000
Post paid receivable	**4,325**	3,750
Amount due from distributors	**10,073**	10,520
Receivable from other operators	**5,718**	6,942
Unbilled receivables	**4,268**	3,666
	24,384	24,878
Less: allowance for impaired receivables	**(2,907)**	(1,698)
	21,477	23,180
Prepaid expenses and other receivables	**7,710**	6,074
Deferred cost	**515**	394
	29,702	29,648

As at 31 December 2011, trade receivables at nominal value of OMR 2,907,348 (2010: OMR 1,697,759) were impaired. Movements in allowance for impairment of receivables were as follows:

	2011 OMR '000	2010 OMR '000
At 1 January	**1,698**	3,700
Charge for the year (note 6)	**2,072**	1,395
Written off during the year	**(863)**	(3,397)
	2,907	1,698

12 RECEIVABLES AND PREPAYMENTS (continued)

As at 31 December 2011, the ageing of unimpaired trade receivables is as follows:

			Past due but not impaired		
	Total OMR '000	Neither past due nor impaired OMR '000	30-60 days OMR '000	60-90 days OMR '000	Over 90 days OMR '000
2011	**21,477**	**18,152**	**780**	**755**	**1,790**
2010	23,180	17,635	2,768	694	2,083

Unimpaired receivables are expected, on the basis of past experience, to be recoverable. It is not the practice of the company to obtain collateral over receivables and virtually all are, therefore, unsecured. However sales made to distributors are backed with their corporate/bank guarantees and certain post paid customers balances are secured by deposits.

13 BANK BALANCES AND CASH

Included in bank balances and cash are bank deposits of OMR 2,003,304 (31 December 2010: OMR 1,019,535) with certain commercial banks in Oman.

Also, included in bank balances and cash are fixed bank deposits of OMR 14,633,800 (31 December 2010: Nil) with certain commercial banks outside Oman. These are denominated in USD and are short term in nature and carry an effective annual interest rate of 0.85%

The Company is required to maintain certain service deposit balances to comply with the requirements of its term loan agreement. As of 31 December 2011, the balances in these service deposit account amounted to OMR 15,236,157 (31 December 2010: OMR 4,543,718) and these are denominated in USD.

14 SHARE CAPITAL AND DIVIDENDS

	Authorised		Issued and fully paid	
	2011 OMR '000	2010 OMR '000	**2011 OMR '000**	2010 OMR '000
Ordinary shares	**70,000**	70,000	**65,094**	65,094

At the Extraordinary General Meeting held on 7 March 2010, the authorised share capital of 70,000,000 ordinary shares of OMR 1 each was split into 700,000,000 ordinary shares of 100 baisa each.

Major shareholders

Details of shareholders who hold 10% or more of the Company's shares are as follows:

	2011		2010	
	Number of shares	**%**	Number of shares	%
TDC-Qtel Mena Investcom BSC	**358,019,310**	**55**	358,019,310	55

Dividends

Company's shareholders at the annual general meeting held on 26 March 2011 approved a payment of baisa 38 per share as dividend for the financial year ended 31 December 2010 and this was paid in April 2011.

The Directors have proposed a dividend of baisas 38 per share for year ended 31 December 2011 amounting to OMR 24,735,881. This is subject to approval of the Company's shareholders at the Annual General Meeting to be held in March 2012.

15 STATUTORY RESERVE

Article 106 of the Commercial Companies Law of 1974 requires that 10% of Company's profit for the year be transferred to a non-distributable statutory reserve until the amount of statutory reserve becomes equal to one third of the Company's issued share capital. This reserve is not available for distribution.

16 DERIVATIVE FINANCIAL INSTRUMENTS

During 2006, the Company has entered into two interest rate swap arrangements with Qatar National Bank and BNP Paribas with a view to cap its exposure to fluctuating interest rates on its term loan (see note 17). The loan amount covered under the swap agreement as at the reporting date was OMR 27,727,200. Under the swap agreements, the Company will pay a fixed interest rate of 5.348% per annum and receive a floating interest rate based on 3 month US $ LIBOR.

The swap arrangement qualifies for hedge accounting under IAS 39 and as at 31 December 2011, the unrealised loss of OMR 336,682 relating to measuring the financial instruments at fair value is included in equity in respect of these contracts (31 December 2010: OMR 1,968,000). There was no significant ineffectiveness noted for 2011 and 2010.

The table below shows the negative fair value of the swaps, which is equivalent to the market values, together with the notional amounts analysed by the term to maturity. The notional amount is the amount of the derivative's underlying asset and is the basis upon which changes in the value of derivatives are measured.

			Notional amount by term to maturity		
	Negative fair value OMR '000	Notional amount total OMR '000	1 - 12 months OMR '000	More than 1 upto 5 years OMR '000	Over 5 years OMR '000
31 December 2011					
Interest rate swaps	**337***	**27,727**	**27,727**	**–**	**–**
31 December 2010					
Interest rate swaps	1,968*	38,125	10,398	27,727	–

*Negative fair value shown under equity in the statement of financial position is net of deferred tax of OMR 40,402 (2010: OMR 236,000).

17 INTEREST BEARING BORROWINGS

	2011 OMR '000	2010 OMR '000
Term loan	**55,166**	71,050
Less: Deferred financing costs	**(11)**	(115)
	55,155	70,935
Less: current portion classified under current liabilities	**(33,215)**	(15,885)
Non-current portion	**21,940**	55,050

The Company has availed a syndicated long-term loan facility from certain financial institutions aggregating to approximately OMR 104 million. Qatar National Bank SAQ, Gulf International Bank BSC, Arab Bank PLC and Bank Muscat SAOG are the arrangers of the facility and have collectively appointed Bank Muscat SAOG as the security agent for the secured finance parties. Qatar National Bank SAQ is the co-ordinating bank and also the facility agent.

17 INTEREST BEARING BORROWINGS (continued)

The facilities are secured by a charge on the Company's dollar proceeds account and the insurance proceeds of property, plant and equipment and corporate guarantees of major shareholders of the Company through Qatar Telecom and Omani Pension Funds. The loan is denominated in United States Dollars and is repayable in nine semi-annual instalments, which commenced from 12 March 2008.

The loan agreement contains certain restrictive covenants which include, restrictions over debt service, debt equity, cash coverage, interest cover ratios, maintenance of a minimum tangible net worth, certain restrictions on the transfer of shares of TDC-Qtel Mina Investcom BSC, disposal of property, plant and equipment and incurrence of additional debt.

During 2007, the Company renegotiated the terms of its existing borrowings and availed additional facilities amounting OMR 35 million. The revised agreement was signed on 23 October 2007.

The loan facilities bear interest at US LIBOR plus applicable margins. Current margin percentages on the OMR 104 million and OMR 35 million facilities are 0.80% and 2% respectively.

The Company received a market disruption clause notice from some of its lenders which request that finance cost on the OMR 104 million loan will be based on LIBOR plus an additional margin. The average annual additional interest paid in relation to this during the period amounted to 0.89% (2010: to 1.18%).

18 SITE RESTORATION PROVISION

Site restoration provision as of the reporting date amounted to OMR 3,642,583 (31 December 2011: OMR 3,232,000). The Company is commited to restore each site as it is vacated. A movement schedule is set out below:

	2011 OMR '000	2010 OMR '000
Balance at 1 January	**3,232**	2,366
Created during the year	**207**	639
Unwinding of discount (Note 7)	**204**	227
Balance at the end of the year	**3,643**	3,232

19 EMPLOYEE BENEFITS

	2011 OMR '000	2010 OMR '000
Non-current		
Employees' end of service benefits	**783**	614
IPO incentive – Shadow Shares	**–**	1,632
Non-current Liability as at the end of the year	**783**	2,246
Current		
IPO incentive – Shadow Shares	**1,355**	–
Current Liability as at the end of the year	**1,355**	–

On 1 July 2011, the company entered into an equity settlement agreement at OMR 0.669 per share (strike price) to reduce its risk of fluctuation in fair value of shadow shares. A loss has been recognized in the income statement as a result on the share price falling below the strike price. The fair value of the derivative instrument amounting to OMR 48,611 has not been separately disclosed, as the management considers it to be immaterial.

20 PAYABLES AND ACCRUALS

	2011 OMR '000	2010 OMR '000
Trade accounts payable	13,431	9,147
Accrued expenses – operating expenses	21,897	22,685
Accrued expenses – capital expenses	17,421	22,111
Amounts due to related parties (note 21)	1,800	2,062
Deposits from customers	328	361
	54,877	56,366

21 RELATED PARTY TRANSACTIONS

Related parties represent associated companies, major shareholders, directors and key management personnel of the Company, and entities controlled, jointly controlled or significantly influenced by such parties. Pricing policies and terms of these transactions are approved by the Company's management.

Details regarding transactions with the related parties included in the financial statements are set out below:

	2011		2010	
	Other related parties OMR '000	Directors and key management OMR '000	Other related parties OMR '000	Directors and key management OMR '000
Director's and key management remuneration	–	1,418	–	2,171
Service fee (Note 6)	5,889	–	5,666	–
Other expenses	1,297	–	1,308	–
	7,186	1,418	6,974	2,171

Effective 1 January 2008, the Company has entered into a technical and service agreement with a related party (other related party). In consideration of services provided, the Company pays a service fee to the related party which is calculated annually in an amount equal to three percent of the Company's gross revenue.

Balances with related parties included in the statement of financial position are as follows:

	2011		2010	
	Receivable and prepayments OMR '000	Trade payable OMR '000	Receivable and prepayments OMR '000	Trade payable OMR '000
Major shareholders – IPO expenses	–	–	–	319
Major shareholders	–	47	–	147
Other related parties	–	1,753	–	1,596
	–	1,800	–	2,062

21 RELATED PARTY TRANSACTIONS (continued)

Compensation of key management personnel
The remuneration of members of key management and directors during the year was as follows:

	2011 OMR '000	2010 OMR '000
Salaries / remuneration and benefits	1,177	1,460
Director's remuneration	200	200
Employees' end of service benefits	41	85
IPO incentive – shadow shares	–	426
	1,418	2,171

22 EXPENDITURE COMMITMENTS

	2011 OMR '000	2010 OMR '000
Capital expenditure commitments		
Estimated capital expenditure contracted for at the reporting date but not provided for:		
Property, plant and equipment	10,427	30,211
Operating lease commitments		
Future minimum lease payments:		
Within one year	10,764	8,625
After one year but not more than five years	13,235	16,054
More than five years	12,974	17,080
Total operating lease expenditure contracted for at the reporting date	36,973	41,759

23 CONTINGENT LIABILITIES

Guarantees
At 31 December 2011, the Company had contingent liabilities in respect of performance bond guarantee of OMR 6.6 million (2010: OMR 6.6 million) in the ordinary course of business from which it is anticipated that no material liabilities are expected to arise.

Claims
a) On the 2nd October 2011 a settlement agreement was made between an international operator and the company where both parties agreed to settle a dispute which related to transactions made by the international operator's roaming subscribers on the Company's network during 2009 and 2010. As at 31 December 2011, the related settlement amount has been accounted for.

b) Telecommunication Regulatory Authority (TRA) has raised a concern regarding the calculation of certain fees payable by the Company under its mobile and fixed licences. The Company considers that the approach it has adopted with respect to the relevant fees is correct and in line with regulatory requirements. The amount under consideration is approximately OMR 3.0 Million.

24 RISK MANAGEMENT

The Company's principal financial liabilities, other than derivatives, comprise bank loans, and payables and accruals. The main purpose of these financial instruments is to raise finance for the Company's operations. The Company has various financial assets such as trade receivables and cash and short-term deposits, which arise directly from its operations. The Company also enters into derivative transactions, primarily interest rate swaps. The purpose is to manage the interest rate risks arising from the Company's operations and its sources of finance.

The main risks arising from the Company's financial instruments are cash flow interest rate risk, liquidity risk, foreign currency risk and credit risk. The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below:

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to its long-term debt obligations with floating interest rates. The Company's bank deposits carry fixed rate of interest and therefore are not exposed to interest rate risk.

The Company manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings. To manage this, the Company enters into interest rate swaps, in which the Company agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed upon notional principal amount. These swaps are designated to hedge underlying debt obligations. At 31 December 2011, after taking into account the effect of interest rate swaps, approximately 50% of the Company's borrowings are at a fixed rate of interest (2010: 54%). With all other variables constant, a 25 basis points change in interest rates on un hedged portion of loans and borrowings will have an impact of OMR 69,000 (2010: OMR 82,000) on the Company's profit. There is only an immaterial impact on the Company's equity.

Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company trades only with recognized, creditworthy dealers and operators. Its three largest dealers' balances account for 47% of outstanding unimpaired trade receivable at 31 December 2011 (2010: 42%). The Company obtains bank/corporate guarantees from its dealers in order to mitigate its credit risk. It is the Company's policy that certain credit verification is performed for all of the Company's post paid subscribers. In addition, receivable balances are monitored on an ongoing basis.

With respect to credit risk arising from the other financial assets of the Company, including cash and cash equivalents, the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

The Company's' credit risk with regard to bank deposits is limited as majority of funds are placed with a bank who has Moody's short-term deposit rating of Prime-1.

Currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's payable and accruals include amounts payable in US Dollars. As of the reporting date this USD denominated payable amount was approximately 44% (31 December 2010: 45%) of the Company's total payables and accruals. The Company's long term borrowings and certain bank deposits amounting to OMR 55,165,575 and OMR 17,762,000 respectively are denominated in US Dollars. The Omani Rial is pegged to the US Dollar. There are no other significant financial instruments in foreign currency other than US Dollars and consequently foreign currency risk is mitigated.

Liquidity risk

The Company limits its liquidity risk by ensuring bank facilities are available. The Company's terms of sales require amounts to be paid within 30 days of the date of sale. A major portion of the Company's sale is generated through sale of prepaid cards.

24 RISK MANAGEMENT (continued)

Liquidity risk (continued)
The table below summarises the maturities of the Company's undiscounted financial liabilities, based on contractual payment dates and current market interest rates.

As at 31 December 2011	Less than 3 months OMR '000	3 to 12 months OMR '000	1 to 5 years OMR '000	> 5 years OMR '000	Total OMR '000
Interest bearing borrowings	30,471	2,744	21,951	–	55,166
Payables and accruals	52,749	328	–	–	53,077
Due to related parties	1,800	–	–	–	1,800
Interest on term loan	1,829	125	997	–	2,951
Total	86,849	3,197	22,948	–	112,994

As at 31 December 2010	Less than 3 months OMR '000	3 to 12 months OMR '000	1 to 5 years OMR '000	> 5 years OMR '000	Total OMR '000
Interest bearing borrowings	7,943	7,943	55,164	–	71,050
Payables and accruals	53,943	361	–	–	54,304
Due to related parties	2,062	–	–	–	2,062
Interest on term loan	940	2,383	2,315	–	5,638
Total	64,888	10,687	57,479	–	133,054

Operational risk
Operational risk is the risk of loss arising from inadequate or failed internal processes, human error, systems failure or from external events. The Company has a set of policies and procedures, which are approved by the Board of Directors and are applied to identify, assess and supervise operational risk. The management ensures compliance with policies and procedures and monitors operational risk as part of overall risk management. Internal audit function is also utlised by the Company in mitigating this risk.

Capital management
The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the year ended 31 December 2011 and year ended 31 December 2010. Capital comprises share capital and retained earnings, and is measured at OMR 151,136,000 as at 31 December 2011. (31 December 2010: OMR 133,111,000).

25 KEY SOURCES OF ESTIMATION UNCERTAINTY

Deferred tax assets
Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the asset 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 level of future taxable profits together with future tax planning strategies. Further details are included in note 8.

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

At the reporting date, gross trade accounts receivable were OMR 24,384,000 (2010: OMR 24,878,000) and the provision for doubtful debts was OMR 2,907,000 (2010: OMR 1,698,000). Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the statement of income. The related details are set out in note 12.

25 KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Provision for site restoration

The Company has recognised a provision for site restoration associated with the sites leased by the Company. In determining the amount of the provision, assumptions and estimates are required in relation to discount rates and the expected cost to dismantle and remove equipment from the site and restore the land in its original condition. The carrying amount of the provision as at 31 December 2011 is OMR 3,643,000 (31 December 2010: OMR 3,232,000). The related details are set out in note 18.

Impairment of inventories

Inventories are held 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 selling prices.

At the reporting date goods for resale were OMR 1,035,000 (31 December 2010: OMR 751,000) and the provision for obsolete inventory amounted to OMR 365,000 (2010: OMR 369,000). Any difference between the amounts actually realised in future periods and the amounts expected will be recognised in the statement of income.

Impairment of non-financial assets

The Company assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. These assets are also tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Depreciation

Depreciation is charged so as to write off 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, maintenance programs, and normal wear and tear using best estimates.

Going concern

The Company's management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

26 SEGMENT INFORMATION

Information regarding the Company's operating segments is set out below in accordance with the IFRS 8 – Operating Segments.

For management purpose, the Company is organised into business units based on their product and services and has two reportable operating segments as follows:

1. Operation of Global System for Mobile Communication (GSM) for prepaid and post paid services, sale of telecommunication equipment and other associated services.
2. Provision of international and national voice and data services from fixed line, sale of telecommunication equipment and other associated services.

Management monitors the operating results of its business for the purpose of making decisions about resource allocation and performance assessment.

Transfer prices between operating segments are on an arms length basis in a manner similar to transactions with third parties.

26 SEGMENT INFORMATION (continued)

Segment revenue and results

A segment result represents the profit earned by each segment without allocation of finance income or finance cost.

The Company commenced its fixed line services in May 2010 and its operations are mainly confined to the Sultanate of Oman.

Segmental results for the year ended 31 December 2011 are as follows:

	Mobile OMR '000	Fixed line OMR '000	Adjustments OMR '000	Total OMR '000
Revenue				
External sales	185,440	11,425	–	196,865
Inter-segment sales	2,847	21,589	(24,436)	–
Total revenue	188,287	33,014	(24,436)	196,865
Results				
Depreciation	19,702	4,644	–	24,346
Amortisation	2,838	856	–	3,694
Segment results – Profit	54,766	2,501	–	57,267
Finance expense				(3,278)
Profit before taxation				53,989
Taxation				(6,477)
Profit for the year				47,512

Segmental results for the year ended 31 December 2010 are as follows:

	Mobile OMR '000	Fixed line OMR '000	Adjustments OMR '000	Total OMR '000
Revenue				
External sales	182,581	6,275	–	188,856
Inter-segment sales	1,688	13,064	(14,752)	–
Total revenue	184,269	19,339	(14,752)	188,856
Results				
Depreciation	19,103	1,453	–	20,556
Amortisation	2,835	856	–	3,691
Segment results – Profit / (loss)	62,567	(1,687)	–	60,880
Finance expense				(3,977)
Profit before taxation				56,903
Taxation				(6,923)
Profit for the year				49,980

26 SEGMENT INFORMATION (continued)

Capital expenditure incurred for different segments are as follows:

	2011 OMR '000	2010 OMR '000
Property, plant and equipment		
Mobile	29,183	24,521
Fixed	11,680	49,548
	40,863	74,069

Adjustment between fixed and mobile property, plant and equipment has been made compared to Q3 results.

27 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise of financial assets, financial liabilities and derivatives.

Financial assets consist of cash and bank balances, and receivables. Financial liabilities consist of term loans, and payables. Derivatives consist of interest rate swap contracts.

The fair value of financial assets and liabilities are considered by the Company's Board of Directors not to be materially different from their carrying amounts.

Fair value hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

As at 31 December 2011, the Company held interest rate swap derivatives instruments measured at fair value. The fair values of the interest rate swaps arrangements are worked out using level 2 valuation technique and related details are included in note 16. The related fair value details are provided by the swap counter party.

28 COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform to current period presentation. The reclassifications do not affect the reported profit during the period 2011.

Excellence by delivering user-friendly services that leave our customers with a lasting sense of satisfaction is best illustrated by our tradition of ‘Nawras Firsts’.

Our aim is to provide market leading product and service innovations that provide customers with the latest outstanding features and capabilities.

nawras FIRST

2005

Nawras fundamentally changed Oman’s mobile telecommunications landscape by introducing numerous innovations. These included payment through banks, data services using 2G EDGE, distant independent tariffs, web-based customer services, My Nawras, missed call notice, international roaming for prepaid, international data roaming, a new mobile office solution in cooperation with Microsoft, prepaid to prepaid credit transfer, the Nawras rewards programme, Nawras Zone, and Nawras’ web portal that provided content such as flight information, restaurants, cinema, and global weather.

2006

Firsts in 2006 included the trial of 3G services, e-recharge, post2prepaid migration, the launch of Mobile Number Portability, business CUG, e-billing for business, and a special offer for OPAL member companies, employees and families.

2007

Market leading initiatives included postpaid to prepaid credit transfer, ‘Rannati’ personalised greeting content for customers, international data roaming for prepaid, WebSMS, 3G+ video calling, video monitoring, mobile broadband, and mobile info browsing, ‘Call Me’ notification service, and the ‘Send Me Credit’ notification service.

2008

Nawras Firsts in 2008 included the Nawras mobile store, in-flight roaming, international MMS roaming for prepaid, prepaid mobile broadband, breaking news and daily sports news sent by SMS, voice SMS, wireless data link, Elite Club, e-payment for postpaid, self-service machines, and Shababiah – Nawras youth sub-brand.

2009

An extensive range of Firsts came to the market, from BawaBaty web portal, Mobile TV, Mawjood notification service, and Nawras SMS link – to Muscat Municipality services, MyNawras for business, MobiKhazana SMS service, Asian-based content, SmartRoamer, saving on roaming within the GCC region, Future SMS, Flash SMS and SMS2Email, a new e-newsletter for business, Oman Air information via SMS, and SMS classified advertisements.

2010

Collect calls, business broadband share, micro SIMs for the Apple iPad, and the Alafasy Qur’an service were introduced. We also expanded the appeal of Oman’s only telecom customer loyalty programme – Nawras Elite Club – adding various new benefits and privileges including free car parking, access to business lounges and meet-and-greet services at Muscat Airport, roadside assistance, priority call handling at Nawras customer care, and many attractive discounts at retail outlets.

2011

The innovative spirit continued, with Nawras Backstage presenting NE-YO Live in Muscat and the MyNawras HD App for iPad being launched. The new Elite program introduced Silver membership and product ‘firsts’ included Bill Analyser; Rannati copy tune service; Emsakeyah, Qasas Al-Anbeya, and Eazaz Al Qur’an Arabic and Qur’anic services; 6+6 international offer giving customers six free minutes after making an international call lasting six minutes; Elite rewards for receiving calls; free Internet Performance Reports for corporate customers; Business Mousbak prepaid service for corporate customers; and a prepaid solution for postpaid customers.

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nawras

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