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nawras

Omani Qatari Telecommunications Company SAOG
(Under Transformation)

Prospectus

Initial Public Offering of 260,377,690 Shares

Price Range: Bzs 702 to Bzs 902 per Share
(Comprising Nominal Value of Bzs 100 per Share, Premium of Bzs 600 to Bzs 800 per Share and Issue Expenses of Bzs 2 per Share)

Offer Opens: 15 September 2010
Offer Closes: 14 October 2010

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Omani Qatari Telecommunications Company SAOG
(Under Transformation)

Postal Address: P.O. Box 874, Postal Code 111, Sultanate of Oman
Tel: +968 9510 9000; Fax: +968 9510 4099; URL: www.nawras.om.

PROSPECTUS

Initial Public Offering of 260,377,690 Shares of Nominal Value Bzs 100 each

OFFER PERIOD

Offer Opens on: 15 September 2010; Offer Closes on: 14 October 2010

SOLE ISSUE MANAGER

Bank Muscat SAOG
P.O. Box 134, P.C. 112, Ruwi,
Sultanate of Oman
Tel: +968 2476 8888; Fax: +968 24798220
URL: www.bankmuscat.com

JOINT BOOKRUNNERS

Morgan Stanley & Co. International plc
25 Cabot Square, Canary Wharf
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JOINT LEAD MANAGERS

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SUBSCRIPTION BANKS

Bank Muscat SAOG
National Bank of Oman SAOG
Ahli Bank SAOG
Oman Arab Bank SAOC

The Capital Market Authority (the "CMA") assumes no responsibility for the accuracy and adequacy of the statements and information contained in this Prospectus nor will it have any liability for any damage or loss resulting from the reliance upon or use of any part of the same by any person. This Prospectus has been prepared in accordance with the requirements as prescribed by the CMA. This is an unofficial English translation of the original Prospectus prepared in Arabic and approved by the CMA in accordance with the Administrative Decision no. E/38/2010 dated 31 August 2010.

Important Notice to Investors

The aim of this Prospectus is to present material information that may assist investors to make an appropriate decision as to whether or not to invest in the shares of Omani Qatari Telecommunications Company SAOG (the "Company" or "Nawras") offered hereunder (the "Shares").

This Prospectus includes all material information and data and as far as the Directors of Nawras are aware does not contain any misleading information or omit any material information that would have a positive or negative impact on the decision of whether or not to invest in the Shares.

The Directors of Nawras are jointly and severally responsible for the integrity and adequacy of the information contained and confirm that to their knowledge appropriate due diligence has been performed in the preparation of this Prospectus and further confirm that no material information has been omitted, the omission of which would render this Prospectus misleading.

All investors should examine and carefully review this Prospectus in order to decide whether it would be appropriate to invest in the Shares by taking into consideration all the information contained in this Prospectus. Investors should not consider this Prospectus a recommendation by Nawras to buy the Shares. Every investor is responsible for obtaining his or her own independent professional advice on the investment in the Shares and for conducting an independent valuation of the information and assumptions contained herein using appropriate analysis or projections.

No person has been authorised to make any statements or provide information in relation to Nawras or the Shares other than the persons whose names are indicated in this Prospectus. Where any person makes any statement or provides information it should not be taken as authorised by Nawras or the Sole Issue Manager.

The CMA assumes no responsibility for the accuracy and adequacy of the statements and information contained in this Prospectus nor will it have any liability for any damage or loss resulting from the reliance upon or use of any part of the same by any person.

ADDITIONAL POINTS TO BE NOTED

All summaries of documents or provisions of documents provided in this Prospectus should not be relied upon as being comprehensive statements in respect of such documents.

All equity investments carry market risks to varying degrees. The value of any security can fall as well as rise depending on the market conditions. Potential investors should read "*Chapter XII—Risk Factors and Mitigants*" of this Prospectus.

SELLING RESTRICTIONS

Kingdom of Bahrain

No prospectus has been reviewed by the Central Bank of Bahrain (the "CBB"). This document may not be circulated within the Kingdom of Bahrain nor may any of the Shares be offered for subscription or sold, directly or indirectly, nor may any invitation or offer to subscribe for any Shares be made to persons, including for the avoidance of doubt, any legal entities, in the Kingdom of Bahrain. The CBB is not responsible for the Company's performance.

Kuwait

The Shares described in this document have not been, and are not being, publicly offered, sold, promoted or advertised in Kuwait other than in compliance with the laws of Kuwait governing the issue, offering and sale of securities. Further, this document does not constitute a public offer of securities in Kuwait and is not intended to be a public offer.

Egypt

The Shares described in this document have not been, and are not being, publicly offered, sold, promoted or advertised in Egypt other than in compliance with the laws of Egypt governing the issue, offering and sale of securities. Further, this document does not constitute a public offer of securities in Egypt and is not intended to be a public offer.

Qatar

The Shares have not been offered, sold or delivered, and will not be offered, sold or delivered at any time, directly or indirectly, in the state of Qatar in a manner that would constitute a public offering. This Prospectus has not been reviewed or registered with Qatari government authorities, whether under Law No. 25 (2002) concerning investment funds, Central Bank Resolution No. 15 (1997), as amended, or any associated regulations. Therefore, this Prospectus is strictly private and confidential, and is being issued to a limited number of sophisticated investors, and may not be reproduced or used for any other purpose, nor provided to any person other than recipient thereof.

Kingdom of Saudi Arabia

Any investor in the Kingdom of Saudi Arabia or who is a Saudi person (a "Saudi Investor") who acquires Shares pursuant to an offering should note that the offer of Shares is a limited offer under Article 11 of the "Offer of Securities Regulations" as issued by the Board of the Capital Market Authority resolution number 2-11-2004 dated October 4, 2004 and amended by Board of the Capital Market Authority resolution number 1-28-2008 dated August 18, 2008 (the "KSA Regulations"). Each Manager has represented and agreed that the Shares will not be directed at more than 60 Saudi Investors (excluding "Sophisticated Investors" (as defined in Article 10 of the KSA Regulations)) and the minimum amount payable by each Saudi Investor must not be less than SR1 million or an equivalent amount. The offer of Shares shall not therefore constitute a "public offer" pursuant to the KSA Regulations, but is subject to the restrictions on secondary market activity under Article 17 of the KSA Regulations. Any Saudi Investor who has acquired Shares pursuant to a limited offer may not offer or sell those Shares to any person unless the offer or sale is made through an authorized person appropriately licensed by the Saudi Arabian Capital Market Authority and (a) the Shares are offered or sold to a Sophisticated Investor; (b) the price to be paid for the Shares in any one transaction is equal to or exceeds SR 1 million or an equivalent amount; or (c) the offer or sale is otherwise in compliance with Article 17 of the KSA Regulations.

This document may not be distributed in the Kingdom of Saudi Arabia except to such persons as are permitted under the Offers of Securities Regulations issued by the Capital Market Authority of the Kingdom of Saudi Arabia.

The Capital Market Authority of the Kingdom of Saudi Arabia does not make any representation as to the accuracy or completeness of this document, and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this document. Prospective purchasers of the securities offered hereby should conduct their own due diligence on the accuracy of the information relating to the securities. If you do not understand the contents of this document, you should consult an authorised financial adviser.

United Arab Emirates

This Prospectus is strictly private and confidential and is being distributed to a limited number of investors and must not be provided to any person other than the original recipient, and may not be reproduced or used for any other purpose.

By receiving this Prospectus, the person or entity to whom it has been issued understands, acknowledges and agrees that none of the Shares or Prospectus have been approved by the U.A.E. Central Bank, the U.A.E. Ministry of Economy and Planning or any other authorities in the U.A.E., nor have the Joint Lead Managers, if any, received authorisation or licensing from the U.A.E. Central Bank, the U.A.E. Ministry of Economy and Planning or any other authorities in the United Arab Emirates to market or sell the Shares within the United Arab Emirates. No marketing of the Shares has been or will be made from within the United Arab Emirates and no subscription to the Shares may or will be consummated within the United Arab Emirates. It should not be assumed that any of the Joint Lead Managers are a licensed broker, dealer or investment advisor under the laws applicable in the United Arab Emirates, or that any of them advise individuals resident in the United Arab Emirates as to the appropriateness of investing in or purchasing or selling securities or other financial products. The interests in the Shares may not be offered or sold directly or indirectly to the public in the United Arab Emirates. This does not constitute a public offer of securities in the United Arab Emirates in accordance with the Commercial Companies Law, Federal Law No. 8 of 1984 (as amended) or otherwise.

Nothing contained in this Prospectus is intended to constitute investment, legal, tax, accounting or other professional advice. This Prospectus is for your information only and nothing in this Prospectus is intended to endorse or recommend a particular course of action. You should consult with an appropriate professional for specific advice rendered on the basis of your situation.

The Shares are not intended for, are not being offered, distributed, sold or publicly promoted or advertised, directly or indirectly, to, or for the account or benefit of, any person in the Dubai International Financial Centre (the "DIFC"). This Prospectus is not intended for distribution to any person in the DIFC and any such person that receives a copy of this Prospectus should not act or rely on this Prospectus and should ignore the same. The Dubai Financial Services Authority has not approved the Shares or the Prospectus nor taken steps to verify the information set out in it, and has no responsibility for it.

United States

The Shares have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the "U.S. Securities Act") and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the U.S. Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the U.S. Securities Act.

The Joint Lead Managers have agreed that they will not offer or sell the Shares (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the Offer and the closing date of the Offer, within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each dealer to which it sells Shares during the distribution compliance period a confirmation or other notice setting out the restrictions on offers and sales of the Shares within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S.

The Shares are being offered and sold outside of the United States to non-U.S. persons in reliance on Regulation S.

United Kingdom

(a) The Joint Lead Managers have only communicated or caused to be communicated, and will only communicate or cause to be communicated, any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (the "FSMA")) received by it in connection with the issue or sale of the Shares in circumstances in which section 21(1) of the FSMA does not apply to them; and

(b) each Joint Lead Manager has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Shares in, from or otherwise involving the United Kingdom.

Public Offer Selling Restriction under the Prospectus Directive

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State"), an offer to the public of any Shares which are the subject of the offering contemplated by this Prospectus may not be made in that Relevant Member State except that an offer to the public in that Relevant Member State of any Shares may be made at any time under the following exemptions under the Prospectus Directive, if they have been implemented in that Relevant Member State:

(a) to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;

(b) to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000; and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;

(c) by the Joint Lead Managers to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive); or

(d) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Shares will result in a requirement for the publication by the Company or the Joint Lead Managers of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer to the public" in relation to any Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and any Shares to be offered so as to enable an investor to decide to purchase any Shares, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression "Prospectus Directive" means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

FORWARD-LOOKING STATEMENTS

This Prospectus contains certain "forward-looking statements". These forward-looking statements generally can be identified by words or phrases such as "aim", "anticipate", "believe", "expect", "estimate", "goal", "intend", "objective", "plan", "project", "shall", "will", "will continue", "will pursue" or other words or phrases of similar import. Similarly, statements that describe Nawras' strategies, objectives, plans or goals are also forward-looking statements. All forward-looking statements are subject to risks, uncertainties and assumptions that could cause actual outcomes to differ materially from those contemplated by the relevant forward-looking statement.

Important factors that could cause actual results to differ materially from Nawras' expectations include, among others:

- the inability to estimate future performance;
- technological changes;
- regulatory changes in the telecommunications sector;
- the monetary and interest policies of Oman, local and international inflation, and local and international interest rates;
- the ability to obtain adequate capital;
- general economic and business conditions in Oman which have an impact on Nawras' business activities; and
- increasing competition.

By their nature, certain market risk disclosures are only estimates and could be materially different from what actually occurs in the future. As a result, actual future gains or losses could be materially different from those that have been estimated. None of Nawras, the Joint Bookrunners or any of their respective affiliates has any obligation to update or otherwise revise any statements in this Prospectus to reflect circumstances arising after the date hereof or to reflect the occurrence of underlying events, even if the underlying assumptions do not come to fruition or differ from actuality.

For a further discussion of factors that could cause actual results to differ, see "*Chapter XII—Risk Factors and Mitigants*" of this Prospectus. After listing on the Muscat Securities Market of the Sultanate of Oman (the "MSM"), Nawras will adhere to the disclosure rules and regulations issued by the CMA, which includes making timely disclosure regarding Nawras' results of operation. The Company advises prospective investors and Shareholders to track any information or announcements made by it after listing through the MSM website at www.msm.gov.om.

PRESENTATION OF FINANCIAL, INDUSTRY AND MARKET DATA

Financial Data

Unless stated otherwise, the financial data in this Prospectus is derived from Nawras' audited financial statements, prepared in accordance with International Financial Report Standards ("IFRS"). Copies of the 2008 and 2009 annual financial statements and the interim financial statements for the six months ended 30 June 2010 are set out in "*Chapter XIII—Audited Financial Statements*" of this Prospectus. Nawras' Financial Year commences on January 1 and ends on December 31. In this Prospectus, any discrepancy in any table between the total and the sum of the relevant amounts listed is due to rounding.

Currency of Presentation

All references to "Rials" or "OMR" are to Omani Rials, the official currency of the Sultanate of Oman. The pegged exchange rate is 1 USD = 0.385 OMR. 1 OMR = Bzs 1,000.

Industry and Market Data

Unless stated otherwise, industry and market data used throughout this Prospectus has been obtained from third-party industry publications and/or websites. Although it is believed that industry data used in this Prospectus is reliable, it has not been independently verified and therefore its accuracy and completeness are not guaranteed and its reliability cannot be assured. Similarly, internal company reports, while believed to be reliable, have not been verified by any independent sources. The extent to which the market and industry data used in this Prospectus is meaningful depends on the reader's familiarity with and understanding of the methodologies used in compiling such data.

Table of Contents

Chapter I

Abbreviations / Definitions

AGM	annual general meeting of the Shareholders
Applicant	the person or entity who applies for the issue of Shares pursuant to the terms of this Prospectus
Application	the application form used to apply for the Offer pursuant to the terms of this Prospectus
Application Money	the amount to be paid by the Applicants at the time of submission of his/her Application as specified in "*Chapter XX—Subscription Conditions and Procedures*" of this Prospectus
ARPU	average revenue per user per month, which, in respect of Nawras' mobile telecommunications products and services, is equal to the total revenue generated by outgoing calls, incoming calls, monthly fees, value-added services, SMS and other data services over a particular period, divided by the total number of customer months over the same period. ARPU excludes revenue derived from the acquisition of customers as well as SIM card replacements
Articles	the articles of association of the Company as registered with the MOCI
Baizas/Bzs	Omani Baizas (Bzs 1,000 = 1 Omani Rial)
Basis of Allotment	the basis on which Shares will be allotted to Applicants under the Offer and which is described in "*Chapter XX—Subscription Conditions and Procedures*" of this Prospectus
Board/Board of Directors	the board of directors of Nawras elected and holding office in accordance with the Articles and the CCL
Cap Price	the maximum of the Price Range (i.e. Bzs 902 per Share)
Capital Market Law	the Capital Market Law of the Sultanate of Oman promulgated by Royal Decree Number 80/98, as amended
Category I Investors	Omani and non-Omani individuals and juristic persons who apply for a minimum of 500 Shares and in multiples of 100 Shares thereafter up to a maximum of 500,000 Shares
Category II Investors	institutions and individual investors who apply for a minimum of 500,100 Shares and in multiples of 100 Shares thereafter up to a maximum of 26,037,700 Shares or 10% of the Offer
CMA	the Capital Market Authority of the Sultanate of Oman
Code	the CMA code of corporate governance for public joint stock companies issued by circular 11/2002 as amended
Company	Omani Qatari Telecommunications Company SAOG (under transformation) trading under the name "Nawras"
EDGE	enhanced data rates for GSM evolution
EGM	extraordinary general meeting of the Shareholders

Final Prospectus .... the final prospectus to be filed with the CMA, containing the Offer Price, the size of the Offer and certain other information in relation to the Company

Financial Year .... the period of twelve months starting on 1 January and ending on 31 December of that particular year

Fixed Licence .... the Class I licence for the installation, operation, maintenance and exploitation of a fixed public telecommunications system in Oman issued to Nawras by Royal Decree Number 34/2009 pursuant to the terms and conditions of the Telecommunications Regulatory Act

Floor Price .... the minimum of the Price Range (i.e. Bzs 702 per Share)

GCC .... Gulf Cooperation Council comprising the Sultanate of Oman, United Arab Emirates, Saudi Arabia, Qatar, Bahrain and Kuwait

GDP .... gross domestic product

Government .... the government of the Sultanate of Oman

GPRS .... general packet radio service

GSM .... global system for mobile communications

IFRS .... International Financial Reporting Standards

Independent Director .... as defined in the Code, a director of the Company who (or any of his or her relatives of first degree) has not occupied any senior position (such as chief executive officer, general manager or similar posts) in the Company for the last two years. Also the director should not have had any relations with the Company, its parent company or its affiliated or sister companies which could result in a financial transaction

IPO .... initial public offering

IP .... Internet Protocol, which is a protocol used for communicating data across a packet-switched internetwork

LTE .... Long Term Evolution, which is the project name of a new high-performance air interface for cellular mobile communication systems

Licences .... together the Fixed Licence and the Mobile Licence

MCDC .... Muscat Clearing & Depository Company SAOC

MNP .... Mobile Number Portability, the ability of customers to move between operators while keeping their phone number

MOTC .... Ministry of Transport and Communication of the Sultanate of Oman

MOTC Minister .... Minister of the MOTC

MPLS .... Multiprotocol Label Switching, which is a mechanism in high-performance telecommunications networks which directs and carries data from one network node to the next

Mobile Licence .... the Class I licence for the installation, operation, maintenance and exploitation of a mobile public telecommunications system issued to Nawras by Royal Decree Number 17/2005 pursuant to the terms and conditions of the Telecommunications Regulatory Act

MOCI .... the Ministry of Commerce & Industry of the Sultanate of Oman

MSM .... the Muscat Securities Market of the Sultanate of Oman

Offer .... the public issue of 260,377,690 Shares of Bzs 100 each of the Company for cash in a price range of Bzs 702 to Bzs 902 per Share

Offer Closing Date .... the closing date of the Offering, which is described in "*Chapter XX—Subscription Conditions and Procedures*" of this Prospectus

Offer Opening Date .... the opening date with respect to the Offering, which is described in "*Chapter XX—Subscription Conditions and Procedures*" of this Prospectus

Offer Period .... the period between the Offer Opening Date and the Offer Closing Date inclusive of both days and during which an Applicant can submit an Order

Offer Price .... the final price at which Shares will be issued and allotted pursuant to the terms of this Prospectus. The Offer Price will be decided by the Company in consultation with the Joint Bookrunners on the Pricing Date

Offer Proceeds .... the proceeds of the Offer that will be available to the Selling Shareholders

Offer Shares .... the offer for sale of 260,377,690 (two hundred and sixty million, three hundred and seventy seven thousand, six hundred and ninety) existing Shares by the Selling Shareholders of the Company each with a nominal value of OMR 0.100

Omani Rial/OMR .... the lawful currency of the Sultanate of Oman

Order .... an order during the Offer Period by a prospective Category II Investor to subscribe for the Shares at a price within the Price Range and including all revisions and modifications to the Order

for the purposes of Category I Investors, an order during the Offer Period to subscribe for the Shares at the highest price of the Price Range (i.e. Bzs 902 per Share)

Price Range .... price range of a minimum price of Bzs 702 per Share (Floor Price) and the maximum price of Bzs 902 per Share (Cap Price)

Pricing Date .... the date on which the Company, in consultation with the Joint Bookrunners, finalises the Offer Price

Prospectus .... this Prospectus which does not contain particulars of the Offer Price and the size (in terms of value) of the Offer

SAOG .... Société Anonyme Omanaise Générale, an Omani joint stock company

Selling Shareholders	the current shareholders of the Company prior to the IPO—TDC-Qtel Mena Investcom BSC, Nawras Development LLC, Diwan of the Royal Court Pension Fund, Ministry of Defence Pension Fund, Royal Office Pension Fund, Internal Security Service Pension Fund and the Sultan's Special Force Pension Fund
Share	an ordinary share of the Company
Shareholders	the shareholders of the Company
SIM	subscriber identity module
TRA	the Telecommunications Regulatory Authority of the Sultanate of Oman established pursuant to the Telecommunications Regulatory Act
USD/$	U.S. Dollars, the lawful currency of the United States of America
WiMAX	Worldwide Interoperability for Microwave Access, which is a telecommunications technology that provides wireless transmission of data using a variety of transmission modes, from point-to-multipoint links to internet access

Chapter II

General Information on the Offer and the Company

Name of the Company	Omani Qatari Telecommunications Company SAOG (under transformation) trading under the name "Nawras"
Commercial Registration Number . . .	1771523
Date of Registration	14 December 2004
Registered Office	P.O. Box 874, Postal Code 111, Sultanate of Oman. Tel: +968 9510 9000, Fax: +968 9510 4099
Duration	Unlimited
Financial Year	Commences on January 1 and ends on December 31 each year
Authorised share capital	OMR 70,000,000 (Omani Rials Seventy Million), divided into 700,000,000 (Seven Hundred Million) Shares with a nominal value of OMR 0.100 (Bzs 100) per Share
Issued and paid up share capital (pre- and post-IPO)	OMR 65,094,423 (Omani Rials Sixty Five Million, Ninety Four Thousand, Four Hundred and Twenty Three) divided into 650,944,230 (Six Hundred and Fifty Million, Nine Hundred and Forty Four Thousand, Two Hundred and Thirty) Shares issued by the Company with a nominal value of OMR 0.100 (Bzs 100) per Share
Number of Shares offered for subscription	260,377,690 (Two Hundred and Sixty Million, Three Hundred and Seventy Seven Thousand, Six Hundred and Ninety) Shares representing 40% of Nawras' total share capital
Type of Shares offered for subscriptions	All the equity Shares issued by the Company and the entire equity capital of the Company consist only of ordinary shares, and each single Share carries the right to one vote at any general meeting of the Company, including any AGM or EGM
Price Range of Shares offered for subscription	Price range of a minimum price of Bzs 702 per Share (Floor Price) and the maximum price of Bzs 902 per Share (Cap Price)
Percentage of the total share capital on Offer	40% of the issued and paid up share capital of Nawras
Name of Selling Shareholders and number of Shares being sold	TDC-Qtel Mena Investcom BSC 97,641,630 (Ninety Seven Million, Six Hundred and Forty One Thousand, Six Hundred and Thirty) Shares, representing 37.5% of the Offer Shares Nawras Development LLC 91,132,190 (Ninety One Million, One Hundred and Thirty Two Thousand, One Hundred and Ninety) Shares, representing 35% of the Offer Shares Diwan of the Royal Court Pension Fund 13,425,720 (Thirteen Million, Four Hundred and Twenty Five Thousand, Seven Hundred and Twenty) Shares, representing 5.16% of the Offer Shares

Ministry of Defence Pension Fund 22,376,210 (Twenty Two Million, Three Hundred and Seventy Six Thousand, Two Hundred and Ten) Shares, representing 8.6% of the Offer Shares

Royal Office Pension Fund 22,376,210 (Twenty Two Million, Three Hundred and Seventy Six Thousand, Two Hundred and Ten) Shares, representing 8.6% of the Offer Shares

Internal Security Service Pension Fund 8,950,490 (Eight Million, Nine Hundred and Fifty Thousand, Four Hundred and Ninety) Shares, representing 3.44% of the Offer Shares

Sultan's Special Force Pension Fund 4,475,240 (Four Million, Four Hundred and Seventy Five Thousand, Two Hundred and Forty) Shares, representing 1.7% of the Offer Shares

Purpose of the IPO .... Nawras is undertaking the IPO to comply with the obligations stipulated in its Licences. Through the IPO, Nawras will comply with its obligations under its Licences.

Persons eligible for the Offer Shares .... The subscription will be open to Omani and Non-Omani individuals and juristic persons. Total foreign ownership following listing must not exceed 70% of the paid up share capital of the Company. (All GCC nationals are treated as Omani nationals in respect of ownership of and trading in shares and the establishment of companies in the Sultanate of Oman pursuant to Ministerial Decision 205/2007.)

Persons prohibited from subscribing to the Offer ....

- **Sole Proprietorship Establishments**: The owners of sole proprietorship establishments may submit Applications in their personal names
- **Trust Accounts**: Customers registered under trust accounts may only submit Applications in their personal names
- **Multiple Applications**: An Applicant may not submit more than one Application
- **Joint Applications (i.e. applications made in the name of more than one individual), including Applications made on behalf of legal heirs**: These applications should only be made in their personal names
- **Certain individuals connected to the TRA**: None of the Chairman, any board member or any employee of the TRA, or any relative of the foregoing up to the third degree, may submit an Application

All Applications made by the prohibited persons defined above will be rejected without contacting the Applicant

Proposed Allocation Procedure ..... In case of oversubscription of the Offer, for the purpose of allotting the Shares between the eligible investor groups, the allocation for 260,377,690 Shares will be made as follows:

- Category I Investors: 182,264,383 Shares, being 70% of the Offer, will be on a proportionate basis
- Category II Investors: 78,113,287 Shares, being 30% of the Offer, will be on a proportionate basis

	Any under-subscription in any category will be carried to the other category as described in "*Chapter XX—Subscription Conditions and Procedures*" of this Prospectus. Allotment for foreign nationals will be limited to a maximum of 70% of the paid up share capital of the Company
Minimum Limit for the Subscription under one Application	• Category I Investors: 500 Shares and in multiples of 100 Shares thereafter • Category II Investors: 500,100 Shares and in multiples of 100 thereafter
Maximum Limit for the Subscription under one Application	• Category I Investors: 500,000 Shares • Category II Investors: 26,037,700 Shares which is 10% of the Offer
Restriction on ownership of Shares	Selling Shareholders: Pursuant to Article 77 of the CCL, the Selling Shareholders who remain Shareholders after the Offer may not withdraw from Nawras or dispose of their Shares prior to publication of two balance sheets for two consecutive Financial Years, effective from the date of listing of the Shares on the MSM. The exceptions to this are the cases of assignment of the Shares amongst the Selling Shareholders themselves and cases of inheritance. The period during which the Selling Shareholders are not permitted to withdraw or dispose of their Shares can be extended for one more year by a decision of the Minister of the MOCI, upon the request of the CMA, without prejudice to the right held by the Selling Shareholders in executing mortgage of second grade on such Shares
Date on which lock-up period commences	15 September 2010
Offer Opening Date	15 September 2010
Offer Closing Date	14 October 2010
Nominal value of the Shares	Bzs 100 per Share
Date of EGM for approval of the IPO	7 March 2010
Sole Issue Manager	**Bank Muscat SAOG** P.O. Box 134, P.C. 112, Ruwi, Sultanate of Oman Tel: +968 2476 8888; Fax: +968 24798220 URL: www.bankmuscat.com
Joint Bookrunners, which are the managing Joint Lead Managers who maintain the books of Shares sold in the Offer	**Morgan Stanley & Co. International plc** 25 Cabot Square, Canary Wharf London, E14 4QA, UK Tel: +44 20 7425 8000; Fax: +44 20 7425 8990 URL: www.morganstanley.com

Bank Muscat SAOG
P.O. Box 134, P.C. 112, Ruwi,
Sultanate of Oman
Tel: +968 2476 8888; Fax: +968 24798220
URL: www.bankmuscat.com

Joint Financial Advisors, which are the advisors to the Company and Selling Shareholders in connection with the Offer . . . .

Bank Muscat SAOG
P.O. Box 134, P.C. 112, Ruwi,
Sultanate of Oman
Tel: +968 2476 8888; Fax: +968 24798220
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Morgan Stanley & Co. International plc
25 Cabot Square, Canary Wharf
London, E14 4QA, UK
Tel: +44 20 7425 8000; Fax: +44 20 7425 8990
URL: www.morganstanley.com

Joint Lead Managers, which are the financial institutions that negotiate with the Company and Selling Shareholders, assess market conditions and put together the syndicate to distribute the Shares in the Offering. . . . .

Bank Muscat SAOG
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QNB Capital LLC
P.O. Box 1000
Doha, Qatar
Tel: +974 4496 8111
Fax: +974 4496 8110
URL: www.qnbcapital.com.qa

Subscription Banks . . . .

Bank Muscat SAOG
National Bank Of Oman SAOG
Ahli Bank SAOG
Oman Arab Bank SAOC

Reporting Accountants . . . .

Ernst & Young
P.O. Box 1750, P.C. 112, Ruwi,
Ernst & Young Building, Qurum
Sultanate of Oman
Tel: +968 2455 9559; Fax: +968 2456 6043
URL: www.ey.com

Legal Advisor to the Company . . . . . . **Al Busaidy, Mansoor Jamal & Co**
Barristers & Legal Consultants
P.O. Box 686, P.C. 112, Ruwi,
Sultanate of Oman
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URL: www.amjoman.com

Legal Advisors to Morgan Stanley . . . **Cleary Gottlieb Steen & Hamilton LLP**
City Place House, 55 Basinghall Street
London, EC2V 5EH, UK
Tel: +44 20 7614 2200; Fax: +44 20 7600 1698
URL: www.clearygottlieb.com

Trowers & Hamlins
Al Jawhara Building, Al Muntazah Street
Shatti Al Qurum, P.O. Box 2991
P.C. 112, Muscat,
Sultanate of Oman
Tel: +968 2468 2900; Fax: +968 2469 7609
URL: www.trowers.com

Chapter III

Share Split and Its Effect

Introduction

The Company has split each Share from its nominal value of OMR 1.000 into 10 Shares of Bzs 100.

Definition of share split

A share split is a process whereby a company multiplies the number of its existing shares by a given factor and simultaneously reduces the nominal value of each share by the same factor.

Objectives of share split

The main objectives behind the share split are to:

- reduce the nominal value (and thus the price) of the share to make it more affordable for investors;
- facilitate a larger participation by Category I Investors; and
- increase liquidity by multiplying the number of shares available for trading.

Impact of share split

The following table presents the impact of the share split performed by the Company following the approval of this transaction at the 7 March 2010 EGM:

	Before Split	After Split
Nominal Value per Share	OMR 1.000	Bzs 100
Number of Issued Shares	65,094,423	650,944,230
Paid Up Equity Capital	65,094,423	65,094,423
Profit for the Year (2009) ('000)	41,531	41,531

Effect of share split

The share split does not have any impact on the total market capitalisation of the Company. The share split will not affect the Company's policy regarding dividend distribution or dividend ratio. The dividend distribution system in the Sultanate of Oman is based upon accounting dividend as a percentage of the paid up nominal value per Share. Thus the paid up nominal value per Share is Bzs 100 after split and not OMR 1.000. For instance, if a Shareholder holds 100 Shares before the share split, the dividend distribution will be as follows:

	Before Split	After Split
Number of Holding Shares	100 Shares	1000 Shares
Nominal Value of the Shares	OMR 1.000	OMR 0.100
Dividend per Share	Bzs 100	Bzs 10
Dividend Ratio to Nominal Value	10%	10%
Total Distributed Dividend	OMR 10	OMR 10

Chapter IV

Summary of Offer Expenses

The maximum expenses of the IPO are estimated at OMR 6.123m (Omani Rials Six Million One Hundred and Twenty-Three Thousand), which would equate to between 2.6% and 3.3% of the total proceeds of the Offer if all 260,377,690 Shares are sold. The breakdown of the maximum estimated expenses is contained in the table below:

Estimated Expenses	OMR ('000)
Issue Manager / Joint Lead Managers	4,767
Subscription Banks	616
CMA & MCDC fees	35
Legal Advisors	385
Marketing, advertising and publicity	250
Mailing & postage	20
Other expenses	50
Total Issue Expenditure	**6,123**
Issue expenses collected at Bzs 2 per Share	(521)
Difference between estimated expenses and the collection of issue expenses	5,602

The above are indicative estimates only. The actual expenses will depend on multiple factors, including the Offer Price and the number of Shares actually sold.

The total issue expenditure will be met partially out of the issue expenses of Bzs 2 per Share paid by the Applicants towards expenses in connection with the Share issuance and any excess will be borne by the Selling Shareholders. Any excess expenses will be deducted from the Selling Shareholders' proceeds before they are distributed.

Chapter V

Purpose of the Offer and Use of the Proceeds

Purpose of the Offer

Nawras is undertaking the IPO in order to comply with the obligations of its Licences, which require that it make 40% of its Shares available for public subscription.

Use of the Proceeds of the Offer

The Shares offered in this Offer do not represent an issuance of new Shares. The Offer Shares represent the selling / divestment of a part of the Shares currently held by the Selling Shareholders. Therefore the proceeds of the Offer net of the issue expenditure will accrue to the Selling Shareholders.

Chapter VI

Objects and Approvals

Overview

Nawras was incorporated and registered as a closed joint stock company on the MOCI Commercial Register on 14 December 2004. At an EGM held on 7 March 2010, it was resolved to transform the Company into a public joint stock company.

Nawras' core business activity is the operation and provision of mobile and fixed telecommunications networks and services to residential and corporate customers in the Sultanate of Oman.

Company's Objects as set out in the Articles

The Articles provide that the main objectives of the Company are to own, establish and operate telecommunications networks and to provide telecommunications services inside and outside of the Sultanate of Oman.

The Company is required to obtain and maintain certain licences, permits and memberships, which are renewable, where applicable, in accordance with their terms.

The Company presently holds the following material licences:

Telecommunications Regulatory Authority: Licences

Class 1 Fixed Licence
Expiry Date: 7 June 2034

Class 1 Mobile Licence
Expiry Date: 18 February 2020

Ministry of Commerce and Industry: Commercial Registration

Commercial Registration Number: 1771523
Date of Registration: 14 December 2004
Expiry Date: 13 December 2014

Oman Chamber of Commerce & Industry: Membership

Registration Number: 1771523
Expiry Date: 17 December 2010

Statement of all issues of securities by the Company in the last three years

- On 25 February 2006 the issued share capital of the Company was increased from 34,325,192 Shares of OMR 1 each (aggregating to OMR 34,325,192) to 54,325,192 Shares of OMR 1 each (aggregating to OMR 54,325,192) through the issuance of 20,000,000 Shares of OMR 1 each to the Shareholders of the Company by way of a rights issue on a *pari passu* basis; and
- On 18 December 2006 the Board approved an increase of the issued share capital of the Company from 54,325,192 Shares of OMR 1 each (aggregating to OMR 54,325,192) to 65,094,423 Shares of OMR 1 each (aggregating to OMR 65,094,423) through the issuance of 10,769,231 Shares of OMR 1 each to the Shareholders of the Company by way of a rights issue on a *pari passu* basis (which transaction was completed in 2007).

Resolutions Passed

At the EGM held on 7 March 2010, the following resolutions were unanimously passed:

- to transform the Company from a Closed Joint Stock Company to a Public Joint Stock Company by offering Shares for public subscription;

- to split each of the Shares in the Company with a current nominal value of OMR 1.000 (one Omani Rial) into 10 Shares with a nominal value of OMR 0.100 (Bzs 100 each);
- to offer 40% of the Company's issued share capital to the public in the manner detailed below:

Selling Shareholder's Name	Number of Shares held	Offer Shares
TDC-Qtel Mena Investcom BSC	455,660,940	97,641,630
Nawras Development LLC	91,132,190	91,132,190
Diwan of the Royal Court Pension Fund	19,528,330	13,425,720
Ministry of Defence Pension Fund	32,547,220	22,376,210
Royal Office Pension Fund	32,547,220	22,376,210
Internal Security Service Pension Fund	13,018,890	8,950,490
Sultan's Special Force Pension Fund	6,509,440	4,475,240
Total	650,944,230	260,377,690

- to approve the proposed amendments to the Company's Articles of Association to conform to the requirements imposed by the CMA and the laws of the Sultanate of Oman with respect to the form and content of the articles of association of SAOGs;
- to authorise the Board to attend to the following matters and to carry out the following acts:
  - to finalise all the necessary procedures for the IPO and the Prospectus on behalf of the Company; and
  - to do all other acts, execute all documents, file and register any documents with any relevant authority and issue consents and approvals on behalf of the Company and the Selling Shareholders which may, at the sole discretion of the Board, be deemed appropriate or necessary in connection with the IPO;
- to appoint Al Busaidy Mansoor Jamal & Co. as Legal Advisor for the IPO;
- to appoint Bank Muscat as the Sole Issue Manager for the IPO;
- to appoint Bank Muscat and Morgan Stanley as the Joint Financial Advisors for the IPO;
- to appoint Bank Muscat, Morgan Stanley and QNB as the Joint Lead Managers for the IPO;
- to appoint Ernst & Young as the Reporting Accountants for the IPO;
- to ratify all actions taken by the Board in relation to the IPO prior to the date of this EGM; and
- to approve that the issue expenses shall be met from the Issue expenses of Bzs 2 per Share paid by the Applicants towards the issue expenses and the excess expenses shall be borne by the Selling Shareholders.

Chapter VII

Shareholding Details

Details of the Company on Incorporation

The following table provides details of the Shares held in the Company on the date of incorporation:

Sr.	Selling Shareholders' Name	Number of Shares held of Nominal Value OMR 1 each	% of Total	Aggregate Nominal Value of Shares held (OMR)
1	TDC-Qtel Mena Investcom BSC	24,027,633	70%	24,027,633
2	Nawras Development LLC	4,805,527	14%	4,805,527
3	Diwan of the Royal Court Pension Fund	1,029,756	3%	1,029,756
4	Ministry of Defence Pension Fund	1,716,260	5%	1,716,260
5	Royal Office Pension Fund	1,716,260	5%	1,716,260
6	Internal Security Service Pension Fund	686,504	2%	686,504
7	Sultan's Special Force Pension Fund	343,252	1%	343,252
		34,325,192	**100%**	**34,325,192**

Changes Subsequent to Incorporation

On 25 February 2006, the Selling Shareholders increased their equity contribution by OMR 20,000,000 (Omani Rials Twenty Million) by way of a rights issue on a *pari passu* basis.

On 18 December 2006, the Board approved an increase of the issued share capital of the Company of OMR 10,769,231 (Omani Rials Ten Million, Seven Hundred and Sixty Nine Thousand, Two Hundred and Thirty One) by way of a rights issue on a *pari passu* basis (which transaction was completed in 2007). Article 82 of the CCL permits the Board to increase the issued share capital of the Company within the limit of the authorised share capital within five years of the date of the resolution of the directors authorising the increase.

Details of the Company Before the Offer:

Sr.	Selling Shareholders' Name	Number of Shares held of Nominal Value Bzs 100 each	% of Total	Aggregate Nominal Value of Shares held (OMR)
1	TDC-Qtel Mena Investcom BSC	455,660,940	70%	45,566,094
2	Nawras Development LLC	91,132,190	14%	9,113,219
3	Diwan of the Royal Court Pension Fund	19,528,330	3%	1,952,833
4	Ministry of Defence Pension Fund	32,547,220	5%	3,254,722
5	Royal Office Pension Fund	32,547,220	5%	3,254,722
6	Internal Security Service Pension Fund	13,018,890	2%	1,301,889
7	Sultan's Special Force Pension Fund	6,509,440	1%	650,944
		650,944,230	**100%**	**65,094,423**

Post Offer Equity Structure:

Sr.	Selling Shareholders' Name	Number of Shares held of Nominal Value Bzs 100 each	% of Total	Aggregate Nominal Value of Shares held (OMR)
1	TDC-Qtel Mena Investcom BSC	358,019,310	55%	35,801,931
2	Diwan of the Royal Court Pension Fund	6,102,610	1%	610,261
3	Ministry of Defence Pension Fund	10,171,010	1.5%	1,017,101
4	Royal Office Pension Fund	10,171,010	1.5%	1,017,101
5	Internal Security Service Pension Fund	4,068,400	0.7%	406,840
6	Sultan's Special Force Pension Fund	2,034,200	0.3%	203,420
7	Public	260,377,690	40%	26,037,769
		650,944,230	**100%**	**65,094,423**

Brief profile of the Selling Shareholders:

1. TDC-Qtel Mena Investcom BSC

TDC-Qtel Mena Investcom BSC ("Mena Investcom") was established by Qatar Telecom (Qtel) QSC (including its consolidated subsidiaries, "Qtel") and TDC for the purposes of investing in Nawras. At 30 June 2010, Qtel held 79.4% of the joint venture while TDC held 20.6% of the venture.

Qtel and TDC have agreed to the sale, by TDC, of its entire 20.6% direct shareholding in Mena Investcom, corresponding to a 14.42% indirect shareholding in Nawras, to Qtel at a price previously agreed between them when Mena Investcom was established. The IPO valuation has no impact on the agreed price.

The TRA, which must, under the terms of Nawras' Licences, approve any transfer of TDC's (direct or indirect) interest in Nawras to another telecommunications operator, has agreed in principle to approve the proposed transfer of TDC's shareholding in Mena Investcom to Qtel. The parties intend to complete the sale and transfer as soon as reasonably possible and may complete it prior to the completion of the IPO. If completed as currently contemplated by the Selling Shareholders yet after the IPO, the sale and transfer would not affect Mena Investcom's shareholding in Nawras, and Mena Investcom would thus remain compliant with Article 77 of the CCL.

After the sale and purchase is completed, the Company's capitalisation is expected to be as follows:

Before the IPO and sale/purchase	After IPO and sale/purchase
70% Mena Investcom (whose shareholders were TDC (20.6%) and Qtel (79.4%))	55% Mena Investcom (whose sole shareholder at that time will be Qtel)

2.* Nawras *Development LLC

Nawras Development LLC is a special purpose investment vehicle created for the purpose of investing in Nawras and which has subsequently expanded its portfolio of investments.

3. Diwan of the Royal Court Pension Fund

The Diwan of the Royal Court Pension Fund was constituted pursuant to Royal Decree Number 86/96 to facilitate and organise the investment of the retirement funds contributed by employees of the Diwan of the Royal Court and to provide pensions for those employees when they retire.

4. Ministry of Defence Pension Fund

The Ministry of Defence Pension Fund was constituted pursuant to Royal Decree Number 87/93 to facilitate and organise the investment of the retirement funds contributed by employees of the Ministry of Defence and to provide pensions for those employees when they retire. This fund is a body corporate independent of Government.

5. Royal Office Pension Fund

The Royal Office Pension Fund was constituted pursuant to Royal Decree Number 6/93 to pay pension benefits to retired employees of the Royal Office.

6. Internal Security Service Pension Fund

The Internal Security Service Pension Fund was constituted pursuant to Royal Decree Number 7/94 (and supplemented by Royal Decree Number 39/2003, which issued the implementing regulations of the Internal Security Service Pension Fund Law) to facilitate and organise the investment of the retirement funds contributed by employees of the Internal Security Services, and to provide pensions for these employees when they retire.

7. Sultan's Special Force Pension Fund

The Sultan's Special Force Pension Fund was constituted pursuant to Royal Decree Number 101/94 to facilitate and organise the investment of the retirement funds contributed by employees of the Sultan's Special Forces and to provide pensions for these employees when they retire.

Chapter VIII

The Omani Economy

Overview

The Sultanate of Oman is a politically stable country that has a strong and increasingly diversified economy. The country has in place well-balanced social systems and benefits from having strong relationships with its neighbouring countries. Spread over 309,500 square km, Oman consists of five regions and four governorates with 12 regional centres. Under the leadership of His Majesty Sultan Qaboos bin Said Al Said, Oman has transformed itself into a modern, liberal country with a positive economic outlook and clear plans for a sustainable future.

Population

According to the Ministry of National Economy, the population of Oman was estimated at 3.17m as at June 2010, comprising approximately two-thirds Omani nationals and one-third expatriates. Oman's average annual population growth has been approximately 5% since 2003, with significant growth in the country's aged under 25 population. People under 25 currently comprise 45.5% of the total population of Oman according to the Ministry of National Economy.

Economic growth and per capita income

During the last decade, the Sultanate of Oman has witnessed healthy economic growth due largely to a rise in oil prices and also to significant investment in other sectors of the economy. However, the recent global economic downturn has led to a substantial decline in oil prices. Prices of Omani crude oil decreased from a high of USD126.8 per barrel in 2008 to as low as USD45 at the beginning of 2009. Accordingly, Oman's GDP was OMR 17.7b in 2009 compared to OMR 23.2b in 2008, which reflects the impact of oil price movements. However, business confidence in the Sultanate of Oman increased by the end of 2009 as reflected in Ministry of National Economy Business Confidence Index. The improvement in confidence was driven by the recovery in oil prices, increased Government expenditure in the hydrocarbon sector and for infrastructure and other strategic projects, increased private sector participation in the economy and the stability of the banking and financial sector.

Oil and gas activities remain the most significant contributors to GDP, contributing 41% in 2009, but the Government has taken a number of steps to lessen this dependence, including privatising a number of state-run industries, developing the country's manufacturing industries and increasing the focus on the service sectors of trade transport and tourism. The per capita income of Oman was OMR 5,588 in 2009, OMR 8,038 in 2008 and OMR 5,837 in 2007.

Oman's external trade and currency exchange rate

According to the Ministry of National Economy, total exports in 2009 were OMR 10.6b having grown at an annual average rate of 5.8% between 2007 and 2009. The share of oil and gas exports in 2009 was 65%. During the same period Oman's imports have increased from OMR 6.1b to OMR 6.9b. Oman's trade surplus has increased in recent years due to the rise in oil prices. The overall balance of payments for Oman has remained positive, aggregating to OMR 3.7b in 2009. Oman has been a member of the World Trade Organisation since 2000 and has signed a number of bilateral trade agreements with major trading partners such as the United States (i.e. the Free Trade Agreement), China, India and Malaysia to develop additional areas for cooperation and is working with GCC countries to further develop trade within the region.

The Omani Rial has been pegged to the U.S. Dollar since 1973. Since 1986, the exchange rate has remained steady at 1 OMR = 2.597 USD. The Omani Rial is divided into 1,000 Baizas.

The Government's economic development vision and strategy

The Government's economic development vision for the year 2020 is to achieve an average growth rate of 7.4% between 2000 and 2020. The Government aims to develop the private sector in the country to facilitate the best utilisation of natural and human resources. It also aims to adopt sustainable financial policies and promote balanced regional development. As part of the Government's seventh five-year plan, the Government committed to investing USD 34b into Oman, with half of such investment planned for the energy sector.

Key economic indicators

The following table provides basic data with respect to the Omani economy as compiled from publicly available information:

	2006	2007	2008	2009
GDP at market price (OMR millions)	14,151	16,010	23,049	17,731
Population (millions)	2.6	2.7	2.9	3.17
Per capita GDP at market price (OMR)	5,491	5,837	8,038	5,588
Oil and gas industry as % GDP	48	44	51	41
Non-oil and gas industry as % GDP	52	56	49	59
Crude oil production (BBL millions)	269	259	277	297
Inflation rate (annual %)	3.4	5.9	12.4	3.4
Muscat Securities Market Market Cap (OMR billions)	6.221	10.273	7.912	9.086

Source: Ministry of National Economy, Central Bank of Oman, Muscat Securities Market.

Resilience in the Face of the Global Economic Downturn

Due in part to conservative lending practices and also to sustained domestic demand for traditional banking services, Oman's financial services sector fared relatively well during the financial crisis. Omani banks have emerged from the crisis largely unscathed, with underperforming loans generally limited to those made by their foreign branches.

Oman has paid down debt over the past decade. Its debt fell from 16.6% of GDP in 2002 to 5.7% of GDP in 2009. The Omani Government, however, expects to run a deficit in 2010 as it increases spending to stimulate the economy yet experiences a decrease in petroleum income in the wake of petroleum-price declines. Part of this spending has been directed to major infrastructure projects such as airport construction and expansion.

The economic downturn has had some palliative effects. For example, Oman has battled relatively high levels of inflation over the past decade, with inflation reaching 12.4% as recently as 2008. In the midst of the global economic downturn, however, inflation declined to an estimated 3.4% in 2009 and remained relatively stable during the first half of 2010.

Chapter IX

Regulatory Framework and Industry Overview

Regulatory Framework

The Ministry of Transport and Communication is responsible for overseeing the telecommunications requirements of the Sultanate of Oman domestically and internationally through the development of a fixed line and wireless telecommunications network. The Minister of the Ministry of Transport and Communication is responsible for setting general policy, including drafting laws relating to telecommunications, and for ensuring the development of and investment in the telecommunications sector. The MOTC Minister represents the Sultanate before international and regional organisations, unions and committees specialising in the telecommunications sector.

The TRA is responsible for implementing telecommunications policies, including those of the MOTC and the MOTC Minister in accordance with the Telecommunications Regulatory Act (the principal legislation regulating the industry) and the Telecommunications Executive Regulations 2004. The TRA does this through preparing, implementing and regulating the terms, conditions, specifications and obligations that will apply to the telecommunications framework in Oman. The TRA is responsible for monitoring all licensed telecommunications operators in Oman.

Telecom Licensing Regime in Oman

In accordance with Article 20 of the Telecommunications Regulatory Act, no person is permitted to establish or operate a telecommunications system or provide telecommunications services without a licence, unless an exemption is granted under the Telecommunications Regulatory Act.

There are three different classes of licences that are issued under the Telecommunications Regulatory Act:

- Class I for the establishment or operation of public telecommunications networks, or the establishment or operation of international telecommunications infrastructure or the offering of public telecommunications services or international access services that require use of national resources (e.g. frequency);
- Class II for the provision of public telecommunications services that depend on using the telecommunications network of a Class I licensee; and
- Class III for the establishment or operation of private telecommunications networks or services not connected to the public network. These licences are issued to private network owners/services providers who meet qualifying criteria set by the TRA for a duration not exceeding five years.

Overview of Class I Licensed Operators

The following is a brief summary of the Class I licences that have been issued in Oman to Nawras' knowledge.

Nawras' Mobile Licence

Nawras' Mobile Licence was issued in February 2005 and grants Nawras a right to provide mobile telecommunications services within Oman for an initial period of 15 years. The Mobile Licence was the second mobile licence issued in Oman with the other mobile licence having been issued to the incumbent operator and subsequently transferred to its wholly owned subsidiary.

The Mobile Licence grants Nawras the right to provide cellular mobile services, calling card services, information services and value-added services. The Mobile Licence contains no specific frequency allocation, only a commitment from the TRA to allocate frequency "as necessary".

The Mobile Licence does not grant Nawras the right to provide international services. Instead it requires Nawras to purchase those services from other operators who are licensed to provide those services. Historically the only licensed provider was the incumbent operator, which held a monopoly over international services. However, with Nawras having recently secured its Fixed Licence, Nawras is now able to provide international services directly and has started doing so following the implementation of its own international gateway in May 2010. Other significant obligations in the Mobile Licence include obligations to:

- pay a royalty of 12% of revenues (which was subsequently reduced to 7%);
- make 40% of the Company's Shares available for public subscription on the MSM;
- comply with network coverage obligations;
- interconnect and resell mobile services in certain circumstances; and
- meet Omanisation and other related employment obligations.

National roaming was largely withdrawn in July 2010. The TRA has stated its intention to implement GCC international roaming price regulations from 1 September 2010. These regulations will cap wholesale tariffs in the GCC region.

Nawras' Fixed Licence

Nawras' Fixed Licence was issued in June 2009 and grants Nawras a right to provide fixed line telecommunications services within Oman for a period of 25 years (with the exception of broadband spectrum rights which are granted for a period of 15 years from June 2009), renewable under the provisions of the Telecommunications Regulatory Act. The Fixed Licence was the second fixed licence issued in Oman with the other fixed licence having been issued to the incumbent operator.

The Fixed Licence grants Nawras the right to provide a range of fixed line telecommunications services including fixed voice and data, international, satellite, Internet and leased line. The Fixed Licence contains a specific 15-year allocation of 20 MHz of frequency which Nawras intends to use to provide fixed voice and data services initially using WiMAX technology. In March 2010, the TRA granted Nawras, at no additional cost, an additional 10 MHz of spectrum under the Fixed Licence.

Other significant obligations in the Fixed Licence include obligations to:

- pay a royalty of 7% of revenues;
- meet certain coverage obligations related to regions and key Government institutions;
- meet certain quality of service requirements;
- interconnect and resell in certain circumstances; and
- meet Omanisation and other related employment obligations.

The Incumbent Operator's Fixed Licence

The incumbent operator's fixed licence was issued in February 2004 and grants it a right to provide fixed telecommunications services within Oman for an initial period of 25 years. This was the first fixed licence issued in Oman.

The Licence grants the incumbent operator the right to provide a range of fixed line telecommunications services including fixed voice and data, international, satellite, Internet and leased line. In December 2009, the incumbent operator was offered a frequency allocation of 30 MHz in the 2.3 GHz spectrum for consideration of OMR 10 million. Following the incumbent operator's acceptance of this offer, the TRA allotted Nawras 10 MHz of spectrum at no additional cost, as set forth above.

The Incumbent Operator's Mobile Licence

The incumbent operator's mobile licence was originally issued in February 2004. The Licence grants the incumbent operator a right to provide cellular mobile services, calling card services, information services and value-added services. Like the Nawras Mobile Licence, the licence contains no specific frequency allocation, only a commitment from the TRA to allocate frequency "as necessary".

Overview of Class II Licensed Operators

The TRA, to Nawras' knowledge, has issued at least six Class II mobile licences, which enable the resale of Class I mobile telecommunications services. As at 30 June 2010, four Class II licensees were trading in the market under the brand names Mazoon, Renna, Friendi and Injaz.

To date the Class II licensees' operations are in early stages of development. Of the six Class II licensees, four are currently providing services in the market: Mazoon, Injaz, Renna and Friendi. Mazoon and Injaz are reselling Nawras' mobile services while Renna and Friendi are reselling the incumbent operator's mobile services. Nawras has also entered into an agreement with Samatel, but as of 30 June 2010 Samatel had not commenced providing services.

To date the resellers in the market have focused on cost-conscious market segments, including in particular the sub-continent and Asian international calling markets.

Market Trends

The market for telecommunications services has grown in the GCC region in recent years, particularly in the area of mobile telecommunications services. In respect of population penetration rates for different telecommunications services within the GCC region, the Omani market is now considered, according to the Arab Advisors Report—Competition Levels in Arab Cellular Markets 2010, to be one of the most competitive mobile services markets in the Arab League, but it still has opportunity for considerable growth, especially for fixed line and broadband services. The table below presents population penetration rates (i.e. customers as a percentage of total population) for mobile, fixed and broadband services within the GCC region as at December 2009.

	Mobile	Fixed	Broadband
Bahrain	157%	24%	12%
Kuwait	122%	18%	1.4%
Oman	143%	10%	1.5%
Qatar	165%	18%	7.4%
Saudi Arabia	177%	18%	10%
United Arab Emirates	235%	35%	15%

Source: BMI.

Since the beginning of the liberalisation of the mobile telecommunications industry, demand for mobile telecommunications services in Oman has grown rapidly. Growth in this market has reflected strong economic growth and a preference for newer technologies in developing telecommunications market segments, in particular among the country's large youth population. The table below summarises the number of customers for mobile, fixed line and Internet services from 2005.

		2005	2006	2007	2008	2009	2010 (through 31 March)
Mobile	Total	1,333,324	1,818,024	2,500,000	3,219,349	3,970,563	4,213,809
	—Prepaid	1,080,113	1,571,907	2,206,378	2,894,537	3,611,819	3,844,242
	—Postpaid	253,211	246,117	293,622	358,744	358,744	369,567
Fixed	Main lines(1)	258,467	271,456	261,207	267,475	257,134	242,436
Internet(2)	Total	49,425	63,843	70,290	78,135	78,135	71,751
	—ADSL	8,125	13,917	18,984	40,701	40,701	42,448

Source: Telecom Sector indicators, TRA.

(1) Excluding payphones (approximately 6,800) and ISDN channels (approximately 33,600) to ensure comparability.

(2) Internet is defined as dial-up and fixed line broadband.

This period of rapid growth in mobile telecommunications has seen population penetration rates increase from 56% in 2005 to 147% by 31 March 2010, according to the TRA. The fixed line market has not witnessed the same growth, remaining at around 9.9% penetration of population, and fixed broadband market has only grown to approximately 1.5% penetration of population by 31 March 2010 according to the TRA. The absence of growth in the sector outside of mobile telecommunications is partly attributable to the absence of effective competition in these areas, as the incumbent operator had been the only provider of these services until Nawras launched its fixed line and broadband services in the second quarter of 2010.

Based on market statistics compiled by the TRA, Nawras' market share, based on customer numbers, of the mobile telecommunications market as at 30 June 2010 was 45%. There is currently no official information published with regard to the customer numbers for resellers.

The TRA has not published fixed line market statistics since before the launch of Nawras' fixed line products and services to corporate clients in May 2010 and to residential clients in June 2010. Accordingly, the TRA's most recent fixed line market statistics reflect the 100% market share the incumbent operator enjoyed at that time.

The table below shows the percentage of total mobile telecommunications revenue of each major telecommunications market participant for the years indicated.

	2005	2006	2007	2008	2009	2010 (to 30 June)
Oman Mobile	93%	82%	73%	66%	60%	59%
Nawras	7%	18%	27%	34%	40%	41%
Total Revenue (OMR millions)	185	260	332	411	425	224

Source: Nawras and Omantel.

The table below shows a breakdown of the total revenue for mobile and fixed line telecommunications services in Oman for the years indicated.

	2005	2006	2007	2008	2009	2010 (to 30 June)
	(OMR millions)					
Mobile	185	260	332	411	425	224
Fixed	100	113	127	139	142	68
Total Revenue	285	373	460	550	567	292

Source: Nawras and Omantel. Excludes resellers.

It is expected that revenue growth in the Oman telecommunications market will be primarily driven by growth in demand for data services as the telecommunications market continues to develop. Between 2010 and 2014, total revenues for mobile related services are expected to grow at a CAGR of 4.5% while revenues from fixed line services are expected to grow at 3.4%. The growth in data services is expected to be offset, in part, by a moderate decline in demand for voice services as that market reaches higher levels of saturation.

	2010	2011	2012	2013	2014
	(OMR millions)				
Mobile	446	470	490	510	528
Fixed	151	158	162	166	170
Total Revenue	589	629	654	677	698

Source: Oliver Wyman, Arab Advisors and Pyramid Research.

The TRA assumes no responsibility for the accuracy and adequacy of the statements and information contained in this Prospectus nor will it have any liability for any damage or loss resulting from the reliance upon or use of any part of the same by any person. The TRA has not played any role in the CMA's approval of this Prospectus or in the preparation of the proposed timetable for completion of the IPO.

Chapter X

Description of the Company and Business Overview

Nawras is a leading provider of telecommunications services in Oman.

Nawras' vision is to enrich the lives of the people of Oman through better communication services, and its mission is to be the communications provider, and employer, of choice in Oman.

Nawras currently provides a complete range of mobile telecommunications products and services, including prepaid, postpaid, data, SMS and value-added services. At 30 June 2010, Nawras had 1.97m customers and a 45% market share of mobile customers in the Oman mobile telecommunications market, according to the TRA. Since its launch in March 2005, Nawras has transformed many aspects of the Oman mobile telecommunications market, including being the first provider to offer international roaming for prepaid customers, 3G+ services and prepaid mobile broadband, as well as being the first to offer 24/7 customer support service and nation-wide telecommunications distribution.

Nawras has built a mobile network that utilises a combination of EDGE-enabled 2.75G and HSPA-enabled 3.5G mobile access technologies. Nawras' network is supported by an all-IP/MPLS transmission that is capable of supporting the roll out of emerging technologies, such as WiMAX services, as well as future technologies such as LTE. As of 30 June 2010, Nawras' network footprint covered approximately 96% of the population in Oman's challenging geographical landscape.

In June 2009, Nawras was awarded the Fixed Licence to provide fixed telecommunications services in Oman following a competitive bidding process. This is the second fixed licence in Oman, the first was granted to the incumbent operator in 2004. Nawras has provided fixed voice and data products and services since mid-2010, predominantly by way of fibre optic and, more recently, by way of WiMAX technologies. Nawras offers fixed products and services that are intended to complement and enhance its existing mobile and Internet products and services. Further, Nawras intends to use the Fixed Licence to expand its reach into the corporate and broadband markets, as well as exploit available and anticipated local and international wholesale opportunities.

Selected Financial and Operating Data

The table below shows selected financial and operating data for the years presented.

			For the year ended 31 December					For the six months ended 30 June	
			2005	2006	2007	2008	2009	2009	2010
Revenues	(OMR m)	Prepaid	12	42	74	104	117	55	62
	(OMR m)	Postpaid	2	6	18	32	43	20	26
	(OMR m)	Other	1	2	2	3	12	4	3
	(OMR m)	Total	15	50	94	139	172	79	91
Data revenue	(OMR m)	SMS	NA	4.1	9.4	16.6	23.3	10.9	12.9
	(OMR m)	Other	NA	0.7	2.4	7.2	15.4	6.3	10.3
	(OMR m)	Total	0.98	4.8	11.8	23.8	38.6	17.2	23.2
EBITDA[1]	(OMR m)		(20.9)	3.9	25.5	53.8	87.5	35.8	51.2
EBITDA Margin	(%)		(139.3)	7.8	27.0	38.7	51.0	45.1	56.1
Net Profit	(OMR m)		(28)	(12)	8	20	42	16	26
Net Debt[2]	(OMR m)		56.0	59.9	47.6	38.0	39.3	38.8	43.8
Cash Flow before Working Capital	(OMR m)		(17.8)	0.7	21.5	44.0	73.1	29	43
Capital Expenditure[3]	(OMR m)	Mobile	82	20	30	36	27	11	14
	(OMR m)	Fixed	—	—	—	—	25	23	29
	(OMR m)	Total	82	20	30	36	52	34	43
ARPU	(OMR)	Prepaid	9.5	10.2	9.4	7.2	6.1	6.1	5.7
	(OMR)	Postpaid	33.0	31.9	29.8	28.0	27.1	27.5	26.3
	(OMR)	Blended	11.0	11.4	10.3	8.8	7.7	7.7	7.4
Customers	(thousands)	Prepaid	233	549	938	1,401	1,714	1,549	1,795
	(thousands)	Postpaid	11	23	79	111	147	127	169
	(thousands)	Total	244	572	1,016	1,511	1,861	1,676	1,965
Employees			319	478	493	636	757	700	794

(1) EBITDA = Revenues – Operating Expenses – General and Administrative Expenses (excluding service fees).
(2) Net debt = Gross debt – cash and cash equivalents.
(3) Including licensing fees.

Competitive Strengths

Nawras' competitive strengths include:

Proven track record—Nawras has a proven track record for successfully delivering high-quality products and services and strong and efficient growth. Nawras has grown rapidly since it commenced operations in March 2005, acquiring more than 1.97m customers, which represents a market share of 45% based on number of customers, according to the TRA. Underpinning this growth has been Nawras' product and service innovation and in particular its focus on constantly improving the customer experience: Nawras has developed a strong brand that is recognised as delivering high customer satisfaction, value and innovation. This brand strength is evidenced by 90% customer satisfaction according to a January 2010 Ipsos customer survey and has been recognised in numerous awards, including Best Telecom Brand 2007, 2008 and 2009 and Middle East Mobile Operator of the Year 2007. Further evidence of Nawras' reputation is its market leading position in net additions of new customers. According to the TRA and Nawras information, Nawras has captured over 86% of the MNP market since 2006, which is the market for customers moving between operators while keeping their phone number. At the same time, Nawras has been able to deliver strong revenue growth and positive cash flow. Nawras' EBITDA has grown from OMR 25.5m in 2007 to OMR 87.5m in 2009, with EBITDA margin increasing from 27.0% to 51.0% over the same period. For the six months ended 30 June 2010, Nawras' EBITDA was OMR 51.2m and EBITDA margin 56.1%, as compared to OMR 35.8m and 45.1% for the corresponding period of 2009.

People and culture—since the beginning of its operations, Nawras has focused on attracting and retaining the best Omani and expatriate employees. Nawras seeks to attract and train its talented people in line with its core values to deliver caring, excellent and pleasingly different services. The focus on these values has enabled Nawras to provide an exceptional customer experience, while at the same time being able to make its operations more efficient with high employee engagement and employee turnover of only 1.8% within Customer Service for 2009. Through its focus on employee training and a culture of integrated customer service, Nawras has been recognised as a leader in customer service, including being awarded Middle East Customer Service Provider of the Year 2009.

Experienced management team—Nawras' senior management team has vast experience in the global telecommunications industry at more than 30 operators in over 20 countries. Many of its senior managers have been employed with Nawras since the launch of its mobile operations, including the Chief Executive Offer, Chief Operating Officer, Chief Technical Officer, Chief Commercial Officer and Chief Strategy Officer.

Distribution—Nawras has an extensive, well-developed and increasingly sophisticated direct and indirect distribution network covering all parts of Oman. Nawras was the first telecommunications provider in Oman to introduce indirect sales channels, and along with its introduction of innovative payment methods that take advantage of the latest technology, it has changed the way people buy and pay for telecommunications services in Oman. Nawras has over 1,600 dealers directly selling Nawras products and services (of whom 1,000 are currently providing electronic recharge services and in excess of 300 have direct access to Nawras' systems for activation and other purposes) and over 15,000 individual locations where customers can purchase and recharge prepaid credit for their phones, making it the widest telecommunications distribution network in Oman. The indirect distribution channels are managed through six strategically chosen distribution partners, with whom Nawras maintains long-standing relationships. Nawras also manages 23 of its own stores and kiosks, strategically located in areas with a high concentration of customers, each equipped with highly trained staff.

Network quality—as a relatively new operator, Nawras benefits from having a modern and efficient network that is adaptable to emerging technologies. The GSM network is less than five years old and has been delivered by Ericsson, a worldwide leader in GSM technology. The IP/MPLS based backbone is modern and has been designed to facilitate scalability of new operations and the future deployment of emerging technology. Nawras implemented the new fixed line services within its existing network without extensive changes to the underlying platforms or methods of operation. Nawras' operations are supported by modern, flexible and scalable IT systems designed to accommodate its anticipated business growth and integration of its new fixed and wholesale activities.

Relationship with Qtel—Nawras' relationship with Qtel has been a major catalyst of its success and growth. Mena Investcom, which is controlled by Qtel, will continue to hold a majority stake in Nawras post-IPO, and Nawras will continue to benefit from being a member of the Qtel group. The Qtel group has operations in 16 countries and has over 65m customers worldwide. Through this relationship, Nawras has benefited from receiving technical support for the Nawras network, industry best practice guidance, support for benchmarking initiatives to facilitate efficiency, as well as being able to leverage off the larger Qtel group to provide stronger purchasing power, facilitate employee recruitment and participate in regional initiatives.

Business Strategies

Nawras' overarching goal is to become the full service provider of choice in Oman, offering a one-stop shop for business and residential customers, meeting all their telecommunications needs whether in the office or at home, mobile or fixed line, broadband or voice. Nawras intends to grow revenues faster than the market, develop new revenue streams and remain a lean telecommunications company. Below is an outline of each of these core strategies.

Growing revenues faster than the market—Nawras aims to grow revenues faster than the market and capitalise on the growth opportunities available in all sectors of the telecommunications market. The key strategic initiatives to achieve this goal include:

- maintaining a high share of net additions through attractive and innovative promotional activities and through expansion into currently less developed market segments, such as broadband and underpenetrated regions;
- continuing to provide excellent customer service and attracting customers from other operators through MNP;
- continue shifting focus to high-value customers by retaining customers through incentive programmes and acquiring customers by focusing on developing targeted products and services for high value segments;
- stimulating usage and increasing penetration of value-added services through targeted promotions, a focus on mobile broadband and innovative bundling; and
- selling bundled products and services to existing customers to increase revenues from those customers and improve customer loyalty.

Developing new revenue streams—Nawras aims to develop new revenue streams through a combination of entering into the fixed and wholesale markets and increasing its share of the business market. The key strategic initiatives to achieve this goal include:

- capturing share of the fixed market by offering broadband coverage to business and residential customers and using Nawras' expanded product and service offerings to cross-sell products to its current mobile base, especially high-value customers;
- increasing its share of the business market by developing innovative, reliable and integrated business products and services that are tailored to the specific needs of individual businesses while delivering high-quality customer service; and
- developing wholesale opportunities through capturing a share of the reseller, international carrier and transmission wholesale opportunities that currently exist as well as ensuring that it is well positioned for future growth in these areas.

Remaining a lean and efficient operator—Nawras aims to be the most efficient infrastructure-based provider in Oman. The key strategic initiatives to achieve this goal include:

- improving efficiency by creating synergies between mobile and fixed line business by leveraging its established distribution network to serve fixed line customers and improving the efficiency of the sales channels by increasing levels of electronic and other automated processes;
- reducing costs for international traffic through the implementation of Nawras' own international gateway in 2010 and international transmission facilities anticipated from 2011;
- optimising network rollout to focus on high-value customers; and
- leveraging Qtel group synergies to obtain improved vendor arrangements.

Products and Services

Nawras currently provides a complete range of mobile telecommunications products and services, including prepaid, postpaid, data, SMS and value-added services and, with the recent launch of fixed line services, intends to provide a full fixed voice and data product portfolio. In order to best serve the needs of its customers, Nawras designs its service offerings to meet the requirements of its various customer segments, including differentiated pricing and feature options and customer support. Nawras' retail customers tend to focus on cost-efficient access to core mobile services. Within Nawras' retail customer base, Nawras has also tailored specific service offers to meet specific customer demographics, including its "Shababiah" brand that is designed for the youth market as well as other offerings aimed at the needs of high-value customers. In recent years, Nawras has grown its business customer base, which comprises most of its high-value postpaid customers. These customers are provided with tailored products and specialised customer service support to meet their specific business needs.

Prepaid voice and SMS

Nawras' primary prepaid offering is called "Mousbak" and provides customers with a range of voice, SMS, data and value-added services at a range of different tariffs. Domestically voice tariffs are at a single national rate with variable charges depending on whether usage is during peak or off-peak times. SMS rates are constant and value-added services pricing is variable depending on the service. Nawras also has a separate prepaid product for the youth market called "Shababiah", which has call rates with variable charges depending on whether calls are on-network or off-network as well as a lower SMS rate for on-network traffic.

Postpaid voice and SMS

Nawras' postpaid offering is called "Ajel" and provides customers with a range of voice, SMS, data and value-added services at a range of different tariffs. Domestically, voice tariffs are at a single national rate with charges varying depending on whether a call is on-network or off-network, with preferential rates for on-network calls. There is also a monthly subscription fee. Business customers receive certain preferential pricing based on volume, and many have in place a closed user group functionality that, in return for a monthly fee, allows intra-company calls to be free of charge. SMS rates are constant save for certain business discounts. Nawras also has a separate postpaid product for high spenders, called "Ajel Unlimited", where customers can benefit from a large bundle of on-network calls, video calls and SMS for a higher monthly fee.

Mobile Internet and broadband

Nawras' mobile Internet and broadband services provide customers a variety of options to browse the Internet, download data and access email. The services are accessible via the 2G technologies of GPRS and EDGE available throughout Oman and 3G HSPA, which is available in all major cities in Oman. There is a range of pricing options with respect to data usage including prepaid and various packages based around speed, quantity of data or period of time. These services are available for use through 2G and 3G enabled handsets or through a Nawras data modem that plugs directly into a customer's PC, self configures and then connects to the mobile network.

Value-Added Services (VAS)

Nawras offers a number of different value-added services to meet the communications requirements of its customers and to facilitate payments for additional services. These services illustrate Nawras' ability to provide new and innovative services to its customers. To give easy access to different value-added services, Nawras provides an automatic device configuration service, accessible through a simple SMS as well as via Nawras' web portal. Some of the current value-added services include advanced messaging services, content services and international roaming services.

Advanced messaging services

By utilising SMS, MMS and the Nawras web portal, customers can utilise a variety of different messaging services. These services include VoiceSMS, SMS-to-TV, SMS Prayer Time Notifications, SMS Parking, WebSMS, Flash SMS, Future SMS, SMS2email, SMS Classified ads, SMS link to Muscat municipality, SMS Flight Information with Oman Air, SMS Charity, Call-Me-Back notifications and SMS Translation services. Certain advanced messaging services are charged at a premium to normal SMS services, while others, such as Call-Me-Back are free of charge as they are designed to encourage additional use of basic voice services.

Content services

Nawras provides a range of content services that are designed to enhance the customer mobile experience. Nawras has specifically constructed a portal that gives customers access to a large selection of information and content services, including news, sports, weather, flight information and games. Nawras also offers local and international ring back tones, the ability to post classified ads by SMS and breaking news, together with daily sport and other updates that customers can choose to have delivered by email or SMS. Additionally, Nawras launched Mobile TV during 2009 to give customers access to 12 popular local, regional and international channels, which can be viewed from their handset. Nawras, as the first operator in Oman to offer this service, offered free trials during the Gulf Cup football tournament held in Oman in early 2009.

International roaming services

Nawras' international roaming services are offered to both postpaid and prepaid customers and can be received on both 2G and 3G handsets. Nawras is the market leader in Oman in terms of the number of roaming destinations and partners. As of 30 June 2010, Nawras' roaming partner numbers were as follows:

	Partners	Countries
Voice & SMS Roaming	440	171
Data Roaming	292	120
Full Prepaid Roaming (CAMEL)	89	52
3G Roaming	89	51

Nawras has also introduced roaming on Emirates and Qatar Airways.

The relationship with Qtel is beneficial to international roaming arrangements as Nawras is able to leverage Qtel's global reach to offer innovative and competitive roaming products and services. An example of this was Nawras' ability to offer the first single GCC rate available in Oman—"SmartRoamer"—launched by Nawras in 2009. This product gives Nawras' customers highly competitive international roaming prices on partner networks when roaming in other GCC countries.

Fixed Line Products Services

In June 2009 Nawras was granted its Fixed Licence to provide fixed telecommunications services including Internet, satellite and international services (which were previously only provided by the incumbent operator). This Fixed Licence also granted Nawras additional spectrum, which is being used to operate a wireless access network to provide for voice and data services, including broadband. Currently these services are provided by utilising WiMAX technology, another first in Oman, and can later be upgraded to future technologies such as LTE (provided that the LTE is used exclusively for fixed line telecommunications products and services). Nawras uses this new licence by providing a range of fixed services that are intended to complement and enhance the existing mobile and Internet products and services offered by Nawras as well as by focusing on lucrative corporate and broadband markets. Under the conditions of its Fixed Licence, Nawras has certain coverage obligations, including providing fixed coverage for 54% of the population of Oman in mid-2010 and 81% by mid-2011. Nawras is also obliged to install 2,027 km of fibre optic cable in 2010 and 5,035 km by 2011. Nawras has already met its obligations for 2010.

Nawras now offers residential and business voice and data services. The residential services are provided using WiMAX, while the business services are provided using a combination of WiMAX and fibre optic technologies where this is economically viable.

Residential voice services

Nawras recently began offering a "Home Voice" product, which supports local and international calls and facsimile transmissions. In addition, there is an innovative voice over IP service providing discounted calling to six Asian destinations.

Residential Internet services

Nawras currently offers three postpaid and three prepaid monthly "Home Broadband" bundles. The "Home Voice" connection is included free of charge for each of the bundles. The bundles include different data allowances and, depending where a customer is located on the network, can provide differentiated levels of speed. In addition, Nawras now offers a weekly prepaid "Home Broadband" bundle, without voice. The customer must purchase the modem from a Nawras store or selected premium dealer to access the service, and can also choose an optional Wi-Fi router when buying from our stores.

Business voice services

Nawras now offers two fixed line voice services to business customers, "Nawras Voice Professional" and "Nawras Voice Enterprise." The former is suited for customers requiring less than ten lines, and customers can choose between analogue lines or Basic Rate Interface, which allows for two simultaneous calls. Nawras Voice Enterprise suits customers with a private branch exchange requiring multiple voice lines, and customers can choose between Primary Rate Interface, allowing for 30 simultaneous calls, and Session Initiation Protocol trunks, a Nawras first in the Omani market. In addition, customers are able to call between their fixed lines for a fixed monthly charge. For the first time in the GCC, business customers can group all their fixed and mobile lines and benefit from calls among all lines for a monthly fixed charge.

Business Internet services

Nawras currently offers two fixed Internet services to business customers: "Nawras Internet Professional" and "Nawras Internet Enterprise." The former provides customers with a cost-efficient broadband Internet with asymmetrical bandwidth profiles from 1 Mbps to 16 Mbps and with the option of limited or unlimited usage. Nawras Internet Enterprise is similar to Nawras Internet Professional, with the exception that it offers dedicated bandwidth rather than bandwidth on a best efforts basis, and speeds of up to 155 Mbps can be provided.

Business data services

Nawras now offers two fixed line data services to business customers: "Nawras Ethernet Service" and "Nawras Leased Line." The latter is for customers requiring dedicated TDM-emulated point-to-point connections, while Nawras Ethernet Service, a first for the Omani market, is targeting customers requiring a more economical site-to-site connection using the Ethernet protocol.

Wholesale Services

Nawras currently has arrangements to provide mobile wholesale services to three resellers: Mazoon, which launched its service in November 2009, Injaz, which launched its service in April 2010, and Samatel, which is expected to launch its service in the third quarter of 2010. These service providers resell Nawras mobile services under a different name pursuant to individual agreements that Nawras has in place with each of them. Nawras intends to continue to develop these wholesale activities. In May 2010, Nawras started to provide international services directly through its own international gateway, which resulted in a reduction in international interconnection costs and increased revenues for incoming international traffic.

As the market is further liberalised, Nawras considers that multiple wholesale opportunities will emerge including with respect to transmission capacity, transit services, carrier select and international wholesale services. Nawras also intends to use the Fixed Licence to capture a share of the wholesale market for incoming international traffic.

Customer Service

Nawras considers customer service to be a key factor that differentiates it from its competitors, and Nawras has invested considerable resources in refining each point of customer interaction. The guiding principles upon which Nawras' award winning customer service is based include providing a customer experience that is excellent, caring and pleasingly different. Nawras consistently rates highly in customer satisfaction surveys and during 2009 received the Middle East Call Centre of the Year, best retention and motivation programme and best career and skill path programme from INSIGHTS and Customer Service Provider of the Year, Middle East & North Africa from CommsMEA. According to a recent survey conducted by Nielsen/Roland Berger, Nawras attained a mean score of 8.4 out of 10 for satisfaction from business customers, and in a survey of its retail customers conducted by Ipsos, Nawras attained a mean score of 8.1 out of 10 for customer satisfaction.

Nawras' customer service centre is open 24 hours a day, seven days a week, 365 days a year and is staffed by approximately 235 Omani customer service specialists, which Nawras refers to as "Customer Champions", a majority of whom are multilingual—Nawras currently provides support services in Arabic, English and Urdu. Nawras Customer Champions are all extensively trained to understand Nawras' products and services in order to provide quality communication to customers. Each Customer Champion and the customer service centre as a whole is measured against a set of key performance indicators, including the percentage of calls answered within certain periods of time, the percentage of first call resolution and the accuracy of information provided by Customer Champions. Customers also have access to a self-service interactive voice response system, a service utilised by the majority of the customers calling the customer service centre.

Nawras has also introduced a range of customer care services that are available by SMS. Examples of these services include the free SMS-based "1500 Information Service", which allows customers to request information regarding Nawras' services, including store locations and opening times, information on value-added services features and prices, as well as free SMS notifications of applicable roaming charges when arriving in a foreign country, SMS bill notifications, SMS based requests for credit transfer and itemised billing.

Nawras offers specialised customer care services to particular customer segments, including high-value customers and corporate customers. By approaching these customers differently, Nawras believes it is able to better customise its products and customer support to provide higher value-for-money services that help Nawras differentiate itself in these specialised customer segments. For example, business customers have the benefit of support from business-focused Customer Champions who can assist them in developing products and services tailored to meet their individual requirements. Nawras' business-focused Customer Champions also work closely with Nawras dedicated Business Account Managers to make it possible for business customers to purchase Nawras products and services without having to leave the office.

In addition to the customer service centre, Nawras has established a variety of customer service contact points to deal with the day-to-day queries of its customers. Those contact points include Nawras' 23 stores and Nawras' web-based service, called MyNawras. Nawras also provides multiple channels for its customers to settle their bills and recharge their prepaid accounts, including Nawras stores, Nawras' web-site, self-service machines, bank provided ATMs and CDMs and credit transfer between accounts.

Brand building and customer retention

In just a few years Nawras has established itself as one of the most recognised brands within Oman. In 2007, 2008 and 2009, Nawras was voted best telecom brand in Oman by Oman's Business Today magazine. Nawras has also achieved Superbrand status within Oman, according to the Superbrands Council of Oman, and global recognition with the award of the Global Brand Leadership Award in 2009 from the Global Awards for Brand Excellence. The Nawras brand has been built, and will continue to be built, to ensure that Nawras remains the communication provider of choice within Oman.

Nawras' advertising generally consists of:

- brand and image advertising and public relations campaigns to position Nawras as the telecommunications operator of choice in Oman and make the Nawras brand name one of the most recognised brand names in Oman; and
- product and tariff related advertising to inform customers of specific promotions, new tariffs and pricing discounts.

Nawras uses a combination of newspaper, magazine, radio, television, Internet and outdoor advertising, including billboards, to build brand awareness and stimulate demand.

Nawras' customer retention strategy is based on maintaining a highly competitive and appealing portfolio of products and services for Nawras customers and rewarding and incentivising customers who remain with Nawras. This is demonstrated through Nawras loyalty programmes:

- the Nawras Elite Club—this was the first loyalty programme of its kind in Oman and offers qualifying customers various benefits and privileges including free car parking in Muscat, access to the business traveller lounges at Muscat Airport, Meet & Greet service, AAA roadside assistance, priority call handling at Nawras customer care and many attractive discounts at various retail outlets in Oman; and
- Nawras Rewards—introduced during the first year of operation, Nawras Rewards provides customers with a large range of benefits and discounts through a network of partners including restaurants, healthcare, shopping and entertainment.

Distribution

Since its launch, Nawras has focused on ensuring that customers across Oman have convenient local access to Nawras' products and services. To achieve this, Nawras has developed an extensive direct and indirect distribution network within Oman. Nawras has agreements with six strategically chosen distribution partners with whom Nawras maintains close relationships and who in turn manage their dealer networks. The following table shows the growth in distribution during the period 2007 to 30 June 2010.

	Year Ended 31 December			Six Months Ended
	2007	2008	2009	30 June 2010
Nawras branded stores	16	19	22	23[1]
Premium dealers	55	60	80	88
Standard dealers	900	1,100	1,500	1,625
Electronic recharge outlets	—	—	250	1,000
Recharge card shops	10,000	12,000	15,000	15,000
Self-service machines	—	15	50	52

(1) Nawras is in the process of opening four additional stores in 2010.

Stores and kiosks

Having opened 12 Nawras stores and kiosks in 2005, Nawras has increased its direct distribution network to 23 stores and kiosks at 30 June 2010, with four additional stores expected to open in 2010. By operating its own stores and locating them in desirable high-traffic locations, Nawras is better positioned to control the customer buying experience and attract new customers. The stores are designed to simplify the presentation and marketing of Nawras products and services, which facilitates Nawras' ability to keep customers abreast of new technical developments. The stores employ professionally trained Nawras staff that provide personal sales assistance.

Indirect Sales Channels

Nawras was the first telecommunications operator in Oman to develop an indirect sales channel, utilising existing outlets. By entering into exclusive agreements with six major distribution partners, Nawras was able to quickly establish a nationwide sales network for both distribution of SIM cards and recharge cards. Nawras has rapidly expanded its number of SIM card dealers from 500 in 2005 to 1,625 at 30 June 2010 and grown its network of resellers of recharge cards from 3,000 in 2005 to 15,000 at 30 June 2010.

Nawras is continuously developing its indirect sales channels, with ongoing training for new products and services and brand-related market communication. This development also includes providing Nawras in excess of 300 dealers with direct access to Nawras' activation and payment systems, which facilitates rapid activation of customer accounts and where Nawras offers its postpaid services. A new initiative currently being implemented provides for electronic recharge services at designated outlets where the equipment is directly connected to Nawras' prepaid charging system. This service will reduce the need for, and costs associated with, physical recharge cards.

Network and IT Systems

Nawras prides itself on the quality of its network. Nawras currently operates an EDGE-enabled 2.75G network that covers 96% of the population of Oman and an HSPA-enabled 3.5G network, which covers 46% of the population of Oman in major population centres. Both networks are provided by Ericsson. Nawras' mobile network utilises 12.5 MHz (62 Channels) within the 900 MHz spectrum for its 2G network, and one 5 MHz carrier within the 2100 MHz spectrum for its 3G network. As at 30 June 2010, Nawras had 1,140 2G and 495 3G base stations across Oman. Nawras is also in the process of building a complementary Huawei-based WiMAX network which covered 54% of the population as of June 2010 and is intended to cover approximately 81% during 2011, utilising up to 30 MHz of spectrum included as part of the Fixed Licence that Nawras was issued in 2009. The TRA granted Nawras under the Fixed Licence (at no additional cost) an additional 10 MhZ of WiMAX spectrum from 20 MHz to 30 MHz in March 2010. Nawras has spent OMR 140.0m on network-related capital expenditures from its inception until 31 December 2009.

The networks described above are supported and complemented by optic fibre leased from the incumbent operator and Nawras' IP/MPLS backbone (more than 2,027 km as of 30 June 2010 with plans to achieve 5,035 km by 2011). Nawras has adopted a ring-based transmission structure, which allows for signal to be re-routed in a seamless and automatic fashion, which improves reliability and reduces the likelihood of network interruption. The reliability is further enhanced by the implementation of several sub-rings, which are able to provide redundancy to further increase network resiliency. As part of Nawras' international network strategy Nawras, together with Qtel and other GCC telecommunications companies, has entered into an agreement with TATA, an Indian company, which is constructing a new submarine cable to Oman, which Nawras believes will reduce international interconnection costs, national and international transmission lease-line costs and national-roaming services as well as enable Nawras to manage its own quality service level targets.

Network planning is done in close cooperation with commercial departments within Nawras to ensure that the network design best meets Nawras' customer requirements. This includes regularly evaluating the capacity, coverage and quality of service requirements for each geographical location in order to ensure that customer needs and expectations are met, as well as to enable the attraction of new customers and the corresponding growth in requirements.

Nawras also receives assistance from Qtel on technical issues related to network design and build as well as the purchase of necessary network equipment to ensure that the overall network is optimally designed and efficiently constructed.

IT Systems

Nawras develops, operates and manages a wide range of Operation Support Systems (OSS) and Business Support Systems (BSS) that support network management, customer registration and billing, customer service, marketing analysis, financial, human resources, enterprise resource management and other functions.

Nawras has in place a comprehensive data warehouse solution provided by Teradata that analyses and records customer behaviour and segmentation. The information presented by the data warehouse enables Nawras to better understand and meet the needs of its customers, and in turn provides the business with critical information to enable timely and well-informed decision making. Nawras has equipped itself with additional business intelligence tools to monitor company revenue and performance.

Nawras' IT strategy is to enable Nawras' business and provide a competitive edge to its products and services, and to this end, Nawras has a dedicated business-facing group within the IT team to work closely with the business functions. Nawras seeks to find the right source for each IT solution and service it uses, whether in-house or outsourced and to ensure that the customer management systems are capable of adaptation, automation and scalability. The IT department at Nawras complies with policies and an IT governance framework in order to ensure information security, performance and business continuity.

Nawras has a robust connectivity infrastructure between each of its key operating locations and the computing infrastructure for all of its major business support solutions. All key IT applications maintain appropriate levels of redundancy to ensure optimal operation and systems availability at all times. Through its relationship with Qtel, Nawras is able to acquire systems and applications at competitive terms.

Property

Nawras leases the land that it uses for its operations, including the main office buildings located in Athaiba, the Network Operations Centre in Ghubra and Athaiba and the Technical Buildings in Ghubra, Bowsher, Sohar, Nizwa and Salalah (co-located with the incumbent operator). Each base station is located on leased property with lease terms usually negotiated for a period of five or 15 years with options to renew for a further five- or 15-year period. Nawras also shares a substantial number of locations with the incumbent operator pursuant to co-location arrangements.

Nawras, together with Qtel and other GCC telecommunications companies, has entered into an agreement with TATA, an Indian company, which is constructing a new submarine cable to Oman. That cable will require a dedicated landing point and landing station, in Qalhat north of Sur, and Nawras is negotiating a long-term lease for that property.

Intellectual Property

Trademarks are the brand names on which Nawras' business is based and are among its most valuable assets. The Nawras brand and image are distinct and widely recognised within Oman. Nawras considers that the brand offers a clear, simple and easily identifiable message in an increasingly competitive market and it has worked hard at associating the brand with excellent customer experience, honesty and transparency. Nawras takes all reasonable steps to ensure that its intellectual property is protected within Oman and in particular it has registered, or is in the process of registering, the following principal trademarks, in English and Arabic, used by the business:

Nawras Mousbak, Nawras (right side logo), Nawras Mousbak plus, Nawras Ajel, Nawras (left side logo), Get closer, Goodwill journey logo, Nawras business solutions, Nawras Internet, Shababiah, Elite Club (Gold), Elite club (Silver), BawaBaty.

Nawras is in the process of expanding the protection of its three main brands (the Nawras logo (wings and word), the word "Nawras" and the Nawras logo (wings only without words)) in ten new classes. Phase one of registration is finished.

Employees

As of 30 June 2010, Nawras had 794 employees, all of whom are based in Oman. The terms of the Licences impose certain employment obligations on Nawras, including the requirement, referred to as "Omanisation", to employ a certain percentage of Omani citizens, which percentage increases over time until reaching a maximum of 90%. As a 30 June 2010, Nawras met the current Omanisation requirements applicable to it of 90% with respect to its Mobile Licence and 57% with respect to its Fixed Licence.

The Board of Directors has recently approved two employee retention programmes. The first programme entails making one-time payments to individuals who are employed by Nawras at the time of the IPO. Participants in the programme will be allocated a certain number of virtual, or "shadow", Shares in Nawras around the time of the IPO based on the length of their service to the Company and their monthly salaries as on the Offer Closing Date. Each participant will receive a cash payment in mid-2012, based on the market value in March 2012 of the virtual Shares allocated to him or her.

The second programme is a long-term incentive plan available to Nawras' management. Under the plan, awards of virtual Shares will be made annually to each eligible member of management based on Nawras' performance and that member of management's individual performance, provided that the value of the virtual Shares awarded to all eligible members of management with respect to any year does not exceed 2.5% of Nawras' net profit for that year after deducting an "equity charge". The virtual Shares will "vest" after a period of time to be decided by the Board. The member of management will be paid the cash value of the virtual Shares based on the average price of the Shares over a certain period as determined by Nawras.

Risk Management and Control

Nawras has a multi-faceted approach to risk management and cost and credit control. Nawras has dedicated functions addressing key aspects of risk, revenue assurance, credit control and insurance. The individuals working within those areas are appropriately supported from an IT perspective as well as by a range of internal governance and other policies specifically designed to ensure that Nawras appropriately manages risk wherever it manifests. Nawras also has an Internal Audit team that reports to Nawras' Audit Committee, a sub-committee of the Board of Nawras.

Corporate Social Responsibility

Since commencing its operations, Nawras has regarded Corporate Social Responsibility ("CSR") as an important way of establishing itself as a part of Omani society, and both Nawras and individual staff members contribute money and time to worthwhile causes throughout Oman. The efforts Nawras has put into its CSR programme have been recognised regionally through the award of the Middle East Business Achievement Award for Corporate Social Responsibility in 2007. Some of the most widely recognised of these initiatives include the following:

- The annual Nawras Goodwill Journey that is conducted during Ramadan each year is the most well-publicised Nawras CSR initiative. This event involves dozens of dedicated Nawras volunteers travelling to all parts of Oman over a period of two weeks and undertaking various community improvement projects—such as building a warehouse or constructing a football pitch in a remote region or erecting shelters—together with the dissemination of food, clothing and other useful goods and services, e.g. vehicles, air conditioners, computers, refrigerators and water heaters;
- Nawras sponsors a number of community causes including various sporting events, business promotion activities such as the "Big Business Idea Campaign", regional forums including Oman's first Youth Summit and the International Conference on Communications both held in 2009, the Sohar Jazz Festival and as the main sponsor of the Gulf Cup held in Oman in 2009; and
- Nawras regularly facilitates customers donating to worthwhile and emergency causes either through the Nawras distribution network or via SMS. Such initiatives include the SMS Palestine Campaign conducted during 2009, the joint initiative Nawras conducted with the Al Wisal Radio Station in an effort to raise awareness of, and money for, children with cancer, various initiatives to raise the awareness of a number of institutions providing services to needy children including annual gifts for Ramadan and actively encouraging Nawras staff to give their time for charitable causes.

Litigation and Regulatory Proceedings

Litigation

Nawras has no material litigation or claims to disclose. From time to time, Nawras is involved in non-material litigation in the ordinary course of business.

Regulatory Proceedings

Nawras, as a regulated telecommunications operator, is subject to oversight by the 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 believes that it has a productive relationship with the TRA and has worked with the TRA to remedy any concerns raised by the TRA. Below is a summary of the material regulatory decisions that relate to Nawras made by the TRA during the five years ended 30 June 2010:

- *Determination 1/2006 Mobile Number Portability*—this determination related to a complaint by Nawras against the incumbent operator regarding the introduction of MNP. The decision compelled the incumbent operator to implement MNP within a period of time. The implementation of MNP had a positive impact on Nawras' financial performance as Nawras benefited from acquiring customers through MNP (approximately 85,000 customers over the past four years). A full copy of the decision is available on the TRA website.

- *Determination No. 2/2006 on Reduction of Rates for International Outbound Calls Charged by the Incumbent Operator to* Nawras—this determination related to Nawras' complaint to the TRA regarding the prices the incumbent operator was charging Nawras for international services. The decision determined that it was acceptable for pricing for international services to be determined on a retail-minus basis but that the retail minus 15% rate being offered by the incumbent operator at the time needed to be increased to retail minus 20%. While the decision resulted in a one-time improvement in the profitability of Nawras' international services as compared to the period prior to the determination, pricing on a retail-minus basis negatively impacted on the profitability of international services offered by Nawras in all subsequent periods until Nawras was awarded the Fixed Licence in June 2009. A full copy of the decision is available on the TRA website.
- *Determination No. 4/2006 on Asymmetric Interconnection Charges*—this determination related to an application by Nawras for the TRA to regulate asymmetric interconnection rates so that interconnection rates for Nawras' network would be higher than the interconnection rates for the incumbent operator's networks during the first two years of Nawras' operation. The TRA decided against Nawras and determined that interconnection rates should remain symmetrical. This decision had no immediate impact on the financial position of Nawras but Nawras was required to forgo the additional revenues it may have been entitled to if the TRA had determined to introduce asymmetric termination rates. A full copy of the decision is available on the TRA website.
- *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 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 of 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 in respect of those breaches. That penalty was paid in 2009.
- *TRA Warning Regarding Advertisements*—on 12 July 2008, Nawras received a warning letter from the TRA in relation to a press release concerning statements made by Nawras about its network quality which the TRA deemed as anti-competitive.

Chapter XI

Capitalisation and Indebtedness

The following table sets out the actual capitalisation and long-term indebtedness of Nawras as at 30 June 2010. There will be no change to Nawras' capitalisation and long-term indebtedness as a result of the Offer.

Prospective investors should read this information in conjunction with "*Chapter XIV—Management's Discussion and Analysis of Financial Condition and Results of Operations*", and "*Chapter XIII—Audited Financial Statements*" included elsewhere in this Prospectus.

	As at 30 June 2010		As adjusted for the Offer	
	Amount (OMR, in millions)	**Ratio**	**Amount (OMR, in millions)**	**Ratio**
Debt				
Short-term debt				
Bank Loan	13.9		13.9	
Total short-term debt (1)	13.9		13.9	
Long-term debt				
Bank Loan	52.5		52.5	
Total long-term debt (2)	52.5		52.5	
Total debt (1+2)*	**66.4**	**36.0%**	**66.4**	**36.0%**
Equity				
Paid up share capital	65.1		65.1	
Statutory Reserve	6.9		6.9	
Cumulative changes in fair value	(2.7)		(2.7)	
Retained earnings	48.6		48.6	
Total equity (3)	**117.9**	**64.0%**	**117.9**	**64.0%**
Total financing sources (1+2+3)	**184.3**	**100%**	**184.3**	**100%**
Long-term debt/equity ratio (%)	44.5		44.5	

* The total debt is secured from a consortium of four banks including Bank Muscat, Qatar National Bank, Arab Bank and Gulf International Bank.

Chapter XII

Risk Factors and Mitigants

Prior to investing in Shares, prospective investors should carefully consider the risk factors relating to Nawras' business and industry described below together with all other information contained in this Prospectus including the financial statements under "Chapter XIII—Audited Financial Statements" before making any investment decision relating to Nawras' Shares. These risks and uncertainties are not the only issues that Nawras faces; additional risks and uncertainties not presently known to Nawras or that Nawras currently believes to be immaterial may also have a material adverse effect on its financial condition or business success. The occurrence of any or a combination of the following events could have a material adverse effect on Nawras' business, results of operations, financial condition and prospects and cause the market price of Nawras' Shares to fall significantly and investors to lose all or part of their investment. Unless otherwise stated in the relevant risk factors set out below, Nawras is not in a position to specify or quantify the financial or other risks mentioned herein.

Nawras may face competition from other operators in the telecommunications sector.

Oman's telecommunications market has become increasingly competitive. With respect to mobile telecommunications, Nawras currently competes with the incumbent operator as well as a number of resellers. In terms of fixed line services, Nawras at present faces competition from the incumbent operator, who enjoys a first to the market advantage on certain basic products and services, and is generally seen as the default provider of fixed line telecommunications services. The TRA may grant additional licences to allow additional operators to enter the Omani telecommunications market, and the market could become even more competitive. For example, the TRA has informed Nawras that it has recommended that an additional Class I licence be issued for an international gateway. While any market entrant would need to overcome the technological and logistical challenges inherent in delivering telecommunications products and services, new operators may have greater financial resources to fund capital projects such as network roll out, and the TRA may grant new entrants into the market certain incentives, which would make it more difficult for Nawras to compete.

The TRA has recently re-launched a competitive process to award the first "Universal Service Licence" that will enable the successful bidder to provide Government-subsidised fixed services in a specific region that the TRA has identified as currently being under-served in terms of telecommunications services. This licence will include an allocation of frequency to enable access to fixed services through wireless technology. Furthermore, the granting of licences to allow for the resale of basic public telecommunications services could further increase competition in the market, as resellers seek to offer niche products and services to customers.

Nawras' customer base may become increasingly vulnerable to market saturation.

The growth in Nawras' customer base will be lower than in past years. As Nawras continues to attract new customers who previously did not subscribe to mobile telecommunications services, it must take into account that their spending power may be lower than that of existing customers, thus creating additional downward pricing pressure. In addition, an abundance of players in a price sensitive market could lead to customers using different service providers for different types of communication (e.g. voice or data) depending on perceived value for money, thus driving down prices. In any case, mobile telecommunications charges within the Omani market are expected to fall, resulting in increased pressure on Nawras' revenues and margins. With greater choice, the churn rate is likely to increase, possibly reducing Nawras' market share, turnover and profitability.

If Nawras is unable to obtain adequate capital, it may have to limit its operations substantially, which could have a material adverse effect on its business, financial condition, results of operations and prospects.

Nawras will need to make significant capital expenditures, particularly in connection with the development of its fixed line network to offer wireless broadband access and roll out of a backbone network. In addition, Nawras' mobile network will continue to be developed and require additional capital expenditures such as for LTE. However, future financings and cash flow from Nawras' operations may not be sufficient to meet its planned needs in the event of various unanticipated potential developments, including the following:

- a lack of external financing sources;

- deterioration of worldwide liquidity, such as that experienced during the recent global economic downturn;
- further restraints on the ability of banks to make loans at all, or to make loans on reasonable terms;
- changes in the terms of existing financing arrangements;
- the need to accelerate network development to meet competition;
- substantial acquisitions or capital investments to meet competitive pressures to provide fixed mobile convergent services;
- construction of the wireless networks at a faster rate or higher capital cost than anticipated;
- slower than anticipated customer growth;
- slower than anticipated revenue growth;
- regulatory developments;
- changes in existing interconnection arrangements; and
- a deterioration in the Omani economy.

If Nawras cannot obtain adequate funds to satisfy its capital requirements, it may need to limit its operations accordingly. This could have a material adverse effect on Nawras' business, results of operations, financial condition and prospects.

Nawras' ability to provide a quality mobile network is dependent on the spectrum allocated to it.

A mobile network's capacity is, to a certain extent, limited by the amount of frequency spectrum available for its use. Thus, the capacity of Nawras' network is limited by the amount of spectrum allocated to it. The TRA manages and allocates frequency spectrum to mobile operators. Spectrum for GSM technology is generally allocated within two frequency bands, 900 MHz and 1800 MHz, and spectrum for 3G technology is generally allocated within the 2100 MHz frequency band. For fixed voice and broadband service, spectrum is allocated within 2300 MHz and 3500 MHz. Network expansion plans may be affected if Nawras is unable to obtain additional spectrum or if it is unable to do so in a reasonable timescale. This could, in turn, constrain Nawras' future network capacity growth and could have a material adverse effect on its business, results of operations, financial condition and prospects.

Additional spectrum is also required to maintain quality of service. As the number of callers simultaneously using the same spectrum capacity increases towards the maximum capacity of that spectrum, the quality of the service may suffer. Where this happens with respect to spectrum that has been assigned to Nawras in a particular area, the quality of Nawras' services may suffer, leading to customer dissatisfaction and a loss of customers and revenues. This could have a material adverse effect on Nawras' business, results of operations, financial condition and prospects.

Rapid growth and expansion may cause Nawras difficulty in obtaining adequate managerial and operational resources and thereby restrict Nawras' ability to expand its operations.

While Nawras has grown rapidly in recent years, Nawras' revenue and operations may suffer if it does not continue to effectively manage its growth. The rapid growth it has experienced presents challenges with regard to its operational capacity and financial controls, placing significant demands on its management. However, further growth is necessary in order to achieve Nawras' business objectives and generate shareholder value. Management of continued growth will require, among other things:

- stringent control of network build-out and other costs, which, if unchecked, could impair Nawras' proposed expansion strategy;
- continued development of financial and management controls and information technology systems;
- implementation of adequate internal controls;
- attraction, retention and motivation of its human resources in line with Nawras' growth in the face of competition for capable and qualified employees (especially those with technical or industry expertise); and

- retention of key senior personnel, whose management of Nawras and expertise in the industry is crucial to the success of Nawras.

Nawras anticipates that managing rapid growth will require it to continue developing and improving operational, financial and other internal controls. Larger operations will also increase Nawras' fixed operating costs and there can be no assurance that it will experience a sustained increase in revenues or derive operational synergies to offset these higher costs. No guarantees can be given that effective evaluation of risks and timely implementation of required operational or other enhancements will always be completed. Any failure by Nawras to do so could have a material negative effect on its business, results of operations, financial condition and prospects. Nawras has established certain policies and protocols to ensure growth and expansion is adequately monitored and managed.

Failure to fulfil the terms of Nawras' Licences could result in penalties, including substantial fines or revocation of the Licences.

Nawras' Licences require that it meet certain conditions, including capital commitments and coverage requirements. If a licensee does not fulfil the terms of a licence, the TRA may impose penalties, including substantial fines on the licensee or suspension or termination of that licence. If Nawras fails to comply with the requirements of applicable Omani law, or Nawras fails to meet the terms of its Licences and other authorisations necessary for its operation, the Licences may be suspended or revoked. Nawras has engaged personnel to ensure compliance with its Licences is monitored regularly and has ongoing discussions with the TRA about the status of compliance with its regulatory requirements.

Nawras' lenders have substantial rights to determine how it conducts its business.

Nawras has entered into various financing arrangements that contain provisions that restrict its ability to do, among other things, any of the following:

- incur additional debt (with limits and/or with conditions);
- pay dividends;
- merge into or acquire any other company;
- issue Shares;
- make investments or dispose of assets; or
- enter into, amend or terminate material contracts.

Nawras must inform and in certain cases obtain the approval of the lenders under its financing arrangements before undertaking these corporate actions. Nawras cannot assure investors that the lenders will grant the required consents (with or without conditions) in a timely manner or at all. The time required to secure consents may hinder Nawras from taking advantage of a dynamic market environment. Nawras is required to maintain certain financial ratios under its financial arrangements. These financial ratios and the restrictive provisions of the covenants could limit Nawras' flexibility to engage in certain business transactions or activities, which could put it at a competitive disadvantage and could have a material adverse effect on its business, results of operations, financial condition and prospects.

Certain elements of Nawras' financing arrangements enable the lenders to enforce their security interests on the occurrence of events of default such as a breach of financial covenant. It is possible that Nawras would not have sufficient available funds if the lenders required Nawras to pay the principal and interest in full as a result of an event of default. It is also possible that future financing arrangements may contain similar or more onerous covenants for Nawras.

Failure to keep pace with technological changes and evolving industry standards may harm Nawras' competitive position.

In the telecommunications industry, technology changes rapidly and standards evolve over time. Nawras' success depends, in part, on its ability to identify and deploy the most promising new technologies quickly, as well as on its ability to retire obsolete technologies.

In connection with the rollout of Nawras' fixed line services, Nawras intends to implement a backbone and WiMAX wireless access networks to deliver voice and data telecommunications and Internet access across Oman. However, WiMAX technology may not be accepted by customers or may be surpassed by other technologies including LTE. The introduction of voice over IP services may also change the way in which customers use traditional fixed line services and may negatively impact demand for Nawras' fixed line services offerings.

Competitors that can operate networks more cost effectively may have competitive advantages over Nawras, which could cause its business to suffer. The TRA may grant additional licences for any or all of the wireless technologies. The issuance of additional licences for existing wireless technologies or the implementation of new wireless technology in Oman could greatly increase competition and threaten Nawras' business, results of operation, financial condition and prospects.

Additionally, technologies Nawras utilises today may become obsolete or be subject to competition from new technologies for which Nawras may be unable to obtain appropriate licences. In particular, while WiMAX technology, which Nawras intends to deploy for offering broadband telecommunications and Internet, and 3.5G and 3.75G, which are currently available to Nawras' customers, are significantly superior to existing second generation standards, such as GSM, particularly in providing advanced data and content services, it remains uncertain whether such technologies will be generally accepted or whether more advanced technologies will be deployed. Nawras has recruited highly experienced technical staff to ensure that it is up-to-date with the latest technological trends in the telecommunications business.

Changes in regulation may increase competition or otherwise impact Nawras' business.

It is possible for the TRA to implement new and/or change existing regulations in a manner that is detrimental to Nawras' current business and future growth. Such changes may include amendments to tariffs or roaming regulations or requiring Nawras to offer its current services at much lower rates. The TRA also has the authority to implement changes in how Nawras bills for its services, such as requiring it to bill customers in smaller units, that may impact how Nawras markets certain products and services. The TRA may also grant additional licences and spectrum to other existing or new operators, which could limit Nawras' ability to increase its customer base and offer new products and services. While the TRA aims to support a fair and efficient marketplace, certain regulatory changes could adversely affect Nawras' business, results of operations, financial condition and prospects.

Handset subsidies may increase cost of sales.

In certain other mobile markets operators use a high level of handset subsidisation to attract new customers. Currently, in Oman, there is no or very low levels of handset subsidisation for new customers, which allows for lower customer acquisition costs as compared to other markets. Should subsidies start to be used to a larger extent, the cost of sales for new acquisitions and retention costs for existing customers would substantially increase, and Nawras' business and results of operations could be adversely affected.

If Nawras has difficulty in successfully executing planned network roll outs, this could have a negative effect on its business and results of operations.

Nawras has made substantial capital expenditures in recent years, the majority of which has been to expand mobile network coverage and capacity. In 2010 Nawras has made substantial investments establishing fixed line network coverage and capacity, and it also plans for the foreseeable future to expand its fixed line business, meet customer expectations with regard to the quality and types of services provided and to finance its general business plan. Failure to have proper planning and implementation of a network roll out could affect Nawras in various ways:

- in order to sell a service, the appropriate technical capacity and ability needs to be planned for, rolled out and maintained on time. This technical capacity needs to be constantly reviewed and updated as necessary; and
- to attract and retain customers, the services offered need to meet regulatory and customer expectations.

The build-out of Nawras' networks is subject to risks and uncertainties which could delay the introduction of service in some areas, increase the cost of network construction and/or prevent the network build-out altogether. To the extent Nawras fails to continue to expand or improve its network on a timely basis, it could experience difficulty in expanding or meeting the needs of its subscriber base. Nawras has invested significantly in its planned roll outs and does not believe that such delays will occur except as a result of matters beyond its control.

Nawras' network equipment, software and systems may be subject to disruption and failure, which could prevent it from operating its business and lead to a loss of customers, damage its reputation and violate the terms of its Licences and customer contracts.

Problems with Nawras' switches, controllers, microwave links, fibre-optic lines or base stations, whether or not within its control, could result in service interruptions or significant damage to its networks. Nawras could experience network service interruptions due to factors such as power failures, weather conditions, equipment and software upgrades, civil emergencies, system overload and terrorist attacks.

The TRA recently issued guidelines requiring telecommunications operators, including Nawras, to formulate plans to ensure that their networks remain functional for essential telecommunications services in the event of a natural calamity or public emergency. While Nawras is developing a business continuity plan with the assistance of a business continuity consultant, there can be no assurance that Nawras' plan will enable it to adequately respond to all possible eventualities. Further, notwithstanding the physical and software safeguards Nawras instituted to protect its computer and communications hardware, it still may be vulnerable to human error, fire, earthquake, storm, floods, loss of power, interconnection failures, software hacking, physical break-ins, terrorist attacks, and other similar events. Nawras has backup systems for its network. However, if Nawras' primary network management centre were unable to function, significant disruptions to its system would occur, including disruptions to its ability to provide services.

As mobile phones increase in technological capacity, they may become increasingly subject to computer viruses and other disruptions. These viruses can replicate and distribute themselves throughout a network system. This phenomenon slows the network through the unusually high volume of messages sent across the network and affects data stored in individual handsets. Although, to date, most computer viruses have been targeted at computer networks, mobile phone networks are also at risk.

Any significant interruption of services, virus or other disruption could harm Nawras' business reputation, reduce the confidence of its customers and deter new customers from subscribing to its services. It could also violate the terms of its Licences. Each of these consequences could adversely affect Nawras' business.

Delay in the development and supply of communications equipment may hinder the deployment of new technologies and services and cause Nawras' growth rates and net profit to decline.

Nawras' operations depend in part upon successful and timely supply of evolving communications technologies. If technologies are not developed by Nawras' suppliers on time or do not perform according to expectations or achieve commercial acceptance, Nawras may be required to delay service introductions and make additional capital expenditures. Nawras may be required to write-off investments in failed technology, causing its growth rates and net profit to decline.

Nawras' revenues may be unpredictable and its revenue sources short-lived.

The majority of Nawras' customers are not contractually committed to remain Nawras customers for any particular period of time and are therefore in a position to easily switch to an alternative provider relatively easily. Termination of usage of Nawras' services by customers is referred to as "churning" and the rate at which customers terminate services is referred to as the "churn rate". In addition, many of Nawras' customers are first time users of wireless telecommunications services. First time users have a tendency to migrate between service providers more frequently than established users. To the extent Nawras' competitors offer incentives to its customers to switch wireless service providers, the risk of churn will increase, and Nawras' churn rate has increased in recent years as the result of continued customer growth, increased market penetration and increased competition. Nawras' inability to retain existing customers and manage churn levels could have an adverse effect on its business, results of operations, financial condition and prospects. Moreover, because Nawras incurs costs based on its expectations of future revenues, any failure to accurately predict revenues could have a negative effect on its business.

Nawras may incur significant costs from fraud associated with unauthorised use of its networks, which could negatively affect its operating results.

Nawras may incur costs and revenue losses associated with the unauthorised use of its networks, including administrative and capital costs associated with the unpaid use as well as with detecting, monitoring and reducing incidences of fraud. Fraud also impacts interconnection costs, capacity costs, administrative costs and payments to other carriers for unbillable fraudulent roaming charges.

Alleged health and environmental risks associated with mobile telecommunications could lead to decreased usage of services and products and increased difficulty in obtaining sites for base stations, as well as potential liability.

Media reports have suggested that radio frequency emissions from wireless mobile devices and base stations may raise various health concerns, including cancer, and may interfere with various electronic medical devices (e.g. hearing aids and pacemakers) and the operation of certain electronic equipment (e.g. automobile braking and steering systems). Research on perceived adverse health effects is in progress and, although no report has conclusively shown use of mobile telephony to be harmful, Nawras cannot give assurance that further medical research will not establish credible links between radio frequency emissions of mobile handsets and/or base stations and health concerns. Whether or not such research concludes there is such a link, popular concerns about radio-frequency emissions may discourage the use of wireless mobile devices and may result in significant restrictions on both the location and operation of cell sites, either or both of which could have a material adverse effect on Nawras' growth rates, customer base and ARPU. In addition, the installation and maintenance of Nawras' telecommunications equipment and infrastructure poses certain risks to the health and safety of its employees and others. As a result of the foregoing, Nawras may be exposed to depreciation claims, increased regulatory costs and/or health related claims. An adverse outcome to, or settlement of, any litigation against Nawras or any other provider of wireless services could have a material adverse effect on Nawras' results of operations, financial condition or prospects.

Qtel has the ability to exert significant influence over Nawras, and its interests may conflict with those of other Shareholders.

Mena Investcom, which is controlled by Qtel, will continue to hold a majority stake in Nawras following the Offer. Accordingly, Qtel will have a controlling interest and will have the ability to exercise significant influence over Nawras' management, including over matters requiring Shareholder approval or approval by its Board of Directors. This will include the ability to vote Directors onto the Board and the right to approve significant actions at Board and Shareholders' meetings, including the issue of Shares and dividend payments, business plans, mergers and acquisitions, any consolidation or joint venture and any amendment to the Articles. This could delay, defer or prevent a change in control, impede a merger, consolidation, takeover or other business combination involving Nawras, or discourage a potential acquirer from attempting to obtain control of Nawras. Further, the interests of Qtel may not always coincide with the interests of other Shareholders, and it may act in a manner with which investors may not agree or that may not be in the best interests of Nawras' other Shareholders. Nawras has developed and maintained a close partnership with Qtel and, based on past experience, does not expect Qtel will exert any undue influence.

Nawras' business depends on its management team, as well as its ability to retain and attract skilled personnel.

Nawras is highly dependent on the services of its management team and skilled personnel. Nawras' ability to meet future business challenges depends on, among other things, the continued employment of its management team and its ability to attract and recruit talented and skilled personnel across its business. There can be no assurance that Nawras will be able to retain the members of its management team.

The labour market within telecommunications industry is very competitive, and the pool of qualified personnel is limited. Omanisation requirements to which Nawras and other Omani telecommunications operators are subject result in particularly intense competition for qualified Omani candidates. As part of its retention strategy, Nawras provides what it believes are competitive salaries and incentive packages to prospective and existing employees and intends to implement a long-term incentive plan and an additional employee retention programme linked to the IPO. However, there can be no assurance that Nawras will be able to continue to attract qualified personnel. Even if Nawras is successful, the cost of such incentives has in the past resulted, and will likely in the future result, in increased salaries and benefits costs, which could negatively impact Nawras' results of operations. In addition, the expansion in the Omani telecommunications industry specifically, and in the broader Omani economy generally, will make competition for qualified employees more difficult. The loss of skilled employees or Nawras' inability to attract or retain and motivate skilled personnel could have a material adverse effect on its business, financial condition and results of operations. Nawras prides itself on its relationship with its employees and its ability to attract the best personnel. Nawras believes that its track record of attracting personnel will continue, and it will continue to monitor its personnel policies to ensure staff retention.

If Nawras is unable to maintain its favourable brand image, it may be unable to attract new customers and retain existing customers, leading to loss of market share and revenues.

Nawras' ability to attract new customers and retain existing customers depends, in part, on its ability to maintain what it considers its favourable brand image. Negative rumours regarding Nawras or its services, even if unsubstantiated, could harm this brand image. In addition, consumer preferences change, and any failure to anticipate, identify or react to these changes by providing attractive services at competitive prices could negatively affect Nawras' market share. This loss of market share could negatively affect Nawras' revenues. Lastly, Nawras' competitors could improve their branding to the point where their brand images are more favourable or well known than Nawras', also potentially reducing Nawras' market share. Nawras seeks to protect its brand by registering its trademarks. Nawras will continue to review and upgrade its branding where appropriate to ensure that it remains competitive and recognisable in the market.

Any failure to build-out network infrastructure or failure to protect Nawras' rights to base station sites could negatively affect the growth of its business.

Nawras' ability to increase its customer base depends upon the success of its network build-out and the maintenance of the infrastructure that it already has. Nawras expended considerable resources to enable this build-out and maintain its existing network. The build-out of Nawras' network, and its maintenance, is subject to risks and uncertainties, including:

- potential difficulty in obtaining base station sites at suitable locations and on commercially attractive terms; and
- potential challenges to, and the loss of, agreements for the use of base stations which are in the form of service or storage agreements rather than lease agreements, which give Nawras less security of tenure and could result in it having to remove its telecommunications equipment from the premises that it currently uses under such agreements.

Nawras engages in transactions with certain related parties.

Nawras has engaged in transactions with certain related parties, and it may continue to do so in the future. See "*Chapter XVII—Related Party Transactions and Material Conflicts*". Conflicts of interests may arise between Nawras and its affiliates, potentially resulting in the conclusion of transactions on terms not determined by market forces. Nawras has certain policies in place dealing with conflicts of interest.

Inflation could increase Nawras' costs and adversely affect its results of operations.

While inflation levels decreased in 2009 and remained relatively stable during the first six month of 2010, the economy in Oman has been characterised by high rates of inflation in recent years. As Nawras tends to experience inflation-driven increases in some of its costs, which are sensitive to rises in general price levels in Oman, its costs may rise. In this situation, due to competitive pressures, Nawras may not be able to raise the prices it charges for its products and services sufficiently to preserve operating margins. Accordingly, any resumption of high rates of inflation in Oman could increase its costs and decrease its operating margins.

Adverse changes in foreign exchange and custom duty rates will adversely affect Nawras' business.

A substantial portion of the equipment that Nawras intends to deploy for expansion and future roll outs is imported and requires payments in foreign currencies. Imports are subject to regulations and approvals, the availability of foreign exchange credit and the levy of customs duties. Where there is no local alternative, delays in obtaining required approvals or changes in customs duties or foreign exchange rates could lead to a delay in the acquisition of necessary equipment and adverse financial implications due to price movements thereof, which could have a material adverse effect on Nawras' business, results of operations, financial condition and prospects.

Because Nawras has operated as a private company, it has limited experience complying with public company obligations and fulfilling these obligations will be expensive and time consuming and may divert Nawras' management's attention from the day-to-day operation of the business.

Nawras has operated historically as a privately owned company and, accordingly, some of its senior management have limited experience managing a publicly traded company and complying with laws pertaining to public companies. In particular, the significant regulatory oversight and reporting obligations imposed on public companies will require substantial attention from Nawras' senior management and may divert its attention away from the day-to-day management of Nawras' business, which could have an adverse effect on Nawras' business, financial condition and results of operations. Similarly, corporate governance obligations, including with respect to the development and implementation of appropriate corporate governance policies, and concurrent service on Nawras' Board of Directors and possibly multiple Board committees, will impose additional burdens on Nawras' non-executive directors.

In addition, as a public company Nawras will incur significant legal, accounting and other expenses that it did not incur as a private company. Nawras will also incur costs associated with its public company reporting requirements and it is expected that being a public company will make it more expensive for Nawras to hire directors and to obtain director and officer liability insurance. Nawras may be required to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. Further, Nawras may need to hire additional accounting, financial and compliance staff with appropriate public company experience and technical accounting knowledge.

There is no existing market for the Shares and it is uncertain whether one will develop to provide Shareholders with adequate liquidity.

Prior to the Offer, there has not been a public market for the Shares. The Selling Shareholders cannot predict whether investor interest in Nawras will lead to the development of an active trading market on the MSM or otherwise or how liquid any market that does develop might be. The Offer Price for the Shares may not be indicative of prices that will prevail in the open market following the Offer.

Future sales of the Shares could adversely affect their market price.

Nawras is unable to predict whether substantial amounts of Shares (in addition to those which will be available in the Offer) will be sold in the open market following the termination of the lock-up arrangements of the Selling Shareholders, which will be after the publication of accounts for the 2011 fiscal year. Any sales of substantial amounts of Shares in the public market, or the perception that such sales might occur, could materially and adversely affect the market price of the Shares.

The market price of the Shares may fluctuate widely in response to different factors.

Following the Offer, the market price of the Shares could be subject to significant fluctuations due to a change in sentiment in the stock market regarding the Shares or securities similar to them or in response to various facts and events, including any regulatory changes affecting Nawras' operations, variations in its half yearly or yearly operating results and its business developments or those of its competitors.

In addition, stock markets have from time to time experienced extreme price and volume volatility, which in addition to general economic and political conditions, could adversely affect the market price for the Shares. To optimise returns, investors may need to hold the Shares on a long-term basis as they may not be suitable for short-term investment. The value of the Shares may go down as well as up, and the market price of the Shares may not reflect the underlying value of Nawras' business.

Nawras may not be able to fulfil any future dividend policy.

Any payment of future dividends will be made taking into account the sufficiency of distributable reserves and liquidity in order to ensure Nawras' operational needs and/or business growth are not limited by the unavailability of funds, as well as Nawras' known contingencies and compliance with any funding facility covenants. In addition, under its current funding facilities, Nawras is currently prohibited from paying dividends unless the payment is made from retained profits (i.e. accumulated losses have been recovered), and Nawras is able to demonstrate from cash flow projections for the following year that it will be able to meet debt service on a quarterly basis in the following year and also maintain an interest coverage ratio in accordance with the facility agreement.

Dividend payments are not guaranteed and the Board of Directors may decide, in its absolute discretion, at any time and for any reason, not to pay dividends. Further, any dividend policy, to the extent implemented, will significantly restrict Nawras' cash reserves and may adversely affect its ability to fund unexpected capital expenditures as well as the ability to make interest and principal repayments on its term loan. As a result, Nawras may be required to borrow additional money or raise capital by issuing equity securities, which may not be possible on attractive terms or at all.

Chapter XIII

Audited Financial Statements

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P.R. No. MH/4

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF OMANI QATARI TELECOMMUNICATIONS COMPANY SAOC

We have audited the accompanying interim financial statements of Omani Qatari Telecommunications Company SAOC ('the Company'), which comprise the interim statement of financial position as at 30 June 2010 and the interim statement of income, interim statement of comprehensive income, interim statement of changes in equity and interim statement of cash flows for the period from 1 January 2010 to 30 June 2010, and a summary of significant accounting policies and other explanatory notes. The comparative information for the period from 1 January 2009 to 30 June 2009 presented in these interim financial statements was reviewed but not audited by us on which we issued an unmodified review conclusion in our review report dated 22 November 2009.

Board of Directors' Responsibility for the Financial Statements
The Board of Director is responsible for the preparation and fair presentation of these interim financial statements in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting* (IAS 34). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility
Our responsibility is to express an opinion on these interim 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 interim financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the interim financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the interim 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 interim 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 Board of Directors, as well as evaluating the overall presentation of the interim 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 interim financial statements present fairly, in all material respects, the financial position of the company as of 30 June 2010 and its financial performance and its cash flows for the period from 1 January 2010 to 30 June 2010 in accordance with IAS 34.

Ernst & Young

14 August 2010
Muscat

Omani Qatari Telecommunications Company SAOC

INTERIM STATEMENT OF INCOME
Period ended 30 June 2010

	Notes	Three months ended 30 June		Six months ended 30 June	
		2010	2009	2010	2009
		Audited RO'000	Reviewed RO'000	Audited RO'000	Reviewed RO'000
Revenue	4	**45,589**	41,088	**91,233**	79,404
Other (expense) / income		**(24)**	34	**8**	178
		45,565	41,122	**91,241**	79,582
Operating expenses	5	**(7,075)**	(9,623)	**(14,089)**	(21,328)
General and administrative expenses	6	**(15,678)**	(12,923)	**(28,707)**	(24,689)
Depreciation and amortisation		**(5,882)**	(4,856)	**(11,829)**	(9,406)
Royalty	11	**(2,826)**	(2,369)	**(5,442)**	(4,378)
Financing costs	7	**(1,011)**	(1,129)	**(2,131)**	(2,022)
PROFIT BEFORE TAX		**13,093**	10,222	**29,043**	17,759
Income tax expense	8	**(1,561)**	(1,219)	**(3,497)**	(1,759)
PROFIT FOR THE PERIOD		**11,532**	9,003	**25,546**	16,000
Basic and diluted earnings per share (RO)	9	**0.018**	0.014	**0.039**	0.025

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

Omani Qatari Telecommunications Company SAOC

INTERIM STATEMENT OF COMPREHENSIVE INCOME
Period ended 30 June 2010

	Three months ended 30 June		Six months ended 30 June	
	2010	2009	2010	2009
	Audited RO'000	Reviewed RO'000	Audited RO'000	Reviewed RO'000
Profit for the period	**11,532**	9,003	**25,546**	16,000
Other comprehensive income				
Direct cost related to proposed initial public offering	**—**	—	**—**	(28)
Net unrealised (profit) / loss on cash flow hedges	**(155)**	118	**(551)**	(981)
Net loss on cash flow hedges reclassified to the statement of income	**552**	564	**1,156**	1,055
Other comprehensive income for the period	**397**	682	**605**	46
Total comprehensive income for the period	**11,929**	9,685	**26,151**	16,046

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

Omani Qatari Telecommunications Company SAOC

INTERIM STATEMENT OF FINANCIAL POSITION
At 30 June 2010

	Notes	30 June 2010 Audited RO'000	31 December 2009 Audited RO'000
ASSETS			
Non current assets			
Property, plant and equipment	10	**145,673**	112,171
License fee	11	**47,978**	49,810
Deferred tax asset	8	**299**	64
		193,950	162,045
Current assets			
Inventories		**550**	593
Receivables and prepayments	12	**26,618**	24,420
Bank balances and cash	13	**22,411**	20,520
		49,579	45,533
TOTAL ASSETS		**243,529**	207,578
EQUITY AND LIABILITIES			
Equity			
Share capital	14	**65,094**	65,094
Statutory reserve	15	**6,931**	6,931
Cumulative changes in fair values	16	**(2,735)**	(3,340)
Retained earnings		**48,581**	23,035
Total equity		**117,871**	91,720
Non current liabilities			
Interest bearing borrowings	17	**52,383**	48,551
Site restoration provision	18	**2,957**	2,366
Negative fair value of derivatives	16	**944**	1,252
Employees' end of service benefits	19	**526**	448
		56,810	52,617
Current liabilities			
Payables and accruals	20	**42,480**	39,730
Interest bearing borrowings	17	**13,864**	11,264
Negative fair value of derivatives	16	**1,791**	2,088
Deferred revenue		**6,829**	5,707
Income tax payable	8	**3,884**	4,452
		68,848	63,241
Total liabilities		**125,658**	115,858
TOTAL EQUITY AND LIABILITIES		**243,529**	207,578

These interim financial statements were approved and authorised for issue by the Board of Directors on 14 August 2010 and were signed on their behalf by:

H.E. Sh. Salim bin Mustahil Al Ma'ashani Sd/- Chairman	Mr. Khalid Abdulla H. Al-Mansouri Sd/- Director	Ross Cormack Sd/- CEO

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

Omani Qatari Telecommunications Company SAOC

INTERIM STATEMENT OF CHANGES IN EQUITY
Period ended 30 June 2010

	Share capital	Direct costs relating to proposed initial public offering	Statutory reserve	Cumulative changes in fair value	(Accumulated losses) retained earnings	Total
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
At 1 January 2009	65,094	(238)	2,778	(4,012)	(14,343)	49,279
Profit for the period	—	—	—	—	16,000	16,000
Other comprehensive (expense) / income for the period	—	(28)	—	74	—	46
Total comprehensive income	—	(28)	—	74	16,000	16,046
At 30 June 2009	**65,094**	**(266)**	**2,778**	**(3,938)**	**1,657**	**65,325**
Balance at 1 July 2009	65,094	(266)	2,778	(3,938)	1,657	65,325
Profit for the period	—	—	—	—	25,531	25,531
Other comprehensive income for the period	—	266	—	598	—	864
Total comprehensive income	—	266	—	598	25,531	26,395
Transfer to statutory reserve (note 15)	—	—	4,153	—	(4,153)	—
At 31 December 2009	**65,094**	**—**	**6,931**	**(3,340)**	**23,035**	**91,720**
At 1 January 2010	**65,094**	**—**	**6,931**	**(3,340)**	**23,035**	**91,720**
Profit for the period	**—**	**—**	**—**	**—**	**25,546**	**25,546**
Other comprehensive income for the period	**—**	**—**	**—**	**605**	**—**	**605**
Total comprehensive income	**—**	**—**	**—**	**605**	**25,546**	**26,151**
At 30 June 2010	**65,094**	**—**	**6,931**	**(2,735)**	**48,581**	**117,871**

* Transfers to legal reserve are done on an annual basis.

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

Omani Qatari Telecommunications Company SAOC

INTERIM STATEMENT OF CASH FLOWS
Period ended 30 June 2010

	Notes	Six months ended 30 June 2010 Audited RO'000	Six months ended 30 June 2009 Reviewed RO'000
OPERATING ACTIVITIES			
Profit before tax for the period		**29,043**	17,759
Adjustments for:			
Depreciation	10	**9,997**	7,998
Amortisation of license fee	11	**1,832**	1,408
Interest income		**(31)**	(97)
Accrual for employees' end of service benefits	19	**111**	161
Financing cost		**1,999**	1,960
Impairment loss on property, plant and equipment		**67**	—
Unwinding of discount of site restoration provision	18	**132**	62
Operating profit before working capital changes		**43,150**	29,251
Working capital changes:			
Inventories		**43**	290
Receivables, prepayments and deferred costs		**(2,198)**	(1,616)
Payables, accruals and deferred revenue		**3,872**	7,018
Cash from operations		**44,867**	34,943
Interest paid		**(1,999)**	(1,960)
Income tax paid		**(4,300)**	—
Employees' end of service benefits paid	19	**(33)**	(10)
Net cash from operating activities		**38,535**	32,973
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	10	**(43,107)**	(12,271)
Payment of fixed line license fee and related borrowing costs	11	**—**	(21,403)
Interest income		**31**	97
Proceeds on disposal of property, plant and equipment		**—**	3
Net cash used in investing activities		**(43,076)**	(33,574)
FINANCING ACTIVITIES			
Direct costs relating to proposed initial public offering		**—**	(28)
Repayment of term loan		**(5,121)**	(5,088)
Long term loan draw down		**11,553**	—
Repayment of finance lease		**—**	(218)
Net cash from/(used in) financing activities		**6,432**	(5,334)
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**1,891**	(5,935)
Cash and cash equivalents at the beginning of the period		**20,520**	20,393
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	13	**22,411**	14,458

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

1 LEGAL STATUS AND PRINCIPAL ACTIVITIES

Omani Qatari Telecommunications Company SAOC ("the Company") is registered as a closed joint stock company in 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, it has commenced the process leading to initial public offering. 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 it's shares for the public subscription.

The results for the six months period ended 30 June 2010 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2010.

2 BASIS OF PREPARATION

Statement of compliance

The interim financial statements of the Company have been prepared in accordance with IAS 34 and applicable requirements of the Commercial Companies Law of the Sultanate of Oman.

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

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

3 SIGNIFICANT ACCOUNTING POLICIES

Changes in accounting policy and disclosures

The accounting policies are consistent with those used in the previous financial year. except as follows:

The Company has adopted the following new and amended IFRIC interpretations as of 1 January 2010:

IFRS 2 Share—based payment—Group Cash-settled Share-based payment transactions

IFRIC 17 Distributions of Non-cash Assets to Owners

IAS 39 Financial instruments: Recognition and Measurement—Eligible Hedged items

When the adoption of the standard or interpretation is deemed to have an impact on the interim financial statements or performance of the Company, its impact is described below:

IFRIC 17 Distributions of Non-cash Assets to Owners

This interpretation is effective for annual periods beginning on or after 1 July 2009 with early application permitted. It provides guidance on how to account for non-cash distributions to owners. The interpretation clarifies when to recognise a liability, how to measure it and the associated assets, and when to derecognise the asset and liability. The interpretation does not have any significant impact on the interim financial statements.

Other amendments resulting from improvements to IFRSs did not have any impact on the accounting policies, financial position or performance of the Company.

The following related standards, amendments and interpretations are not yet effective:

Phase 1 of IFRS 9

On 12 November 2009, the International Accounting Standard Board (IASB) published phase 1 of IFRS 9 Financial Instruments, the accounting standard that will eventually replace IAS 39: Financial Instruments: Recognition and Measurement. Whilst IFRS 9 is not mandatory until 1 January 2013, entities may adopt for reporting periods ending on or after 31 December 2009. The phase 1 of the standard when adopted is not expected to have any significant impact on the Company's financial statements.

Other related IASB Standards and Interpretations that have been issued but are not yet mandatory, and have not been adopted by the Company, are not expected to have a material impact on the Company's interim financial statements.

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 carriers are recognised based on the actual recorded traffic minutes.

Operating revenues for interconnections that are not made under contractual sharing agreements, i.e., based on tariff as stipulated by Telecommunication Regulatory Authority of Sultanate of Oman, or rates agreed between operators are reported on a gross basis. These interconnection charges are accounted for as operating expenses in the period these are incurred.

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 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.

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 taken to the statement of income.

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any impairment in value. Depreciation is charged to the statement of income 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 exchange and network equipment	5 – 15 years
Subscriber apparatus and other equipment	2 –10 years
Fixed line and network equipment	5 –15 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 the statement of income 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 derecognising of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of income 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 the statement of income 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

Trade and other receivables

Accounts receivable are stated at original invoice amount less a provision for any uncollectible amounts. 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 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.

Contributions to a defined contribution retirement plan for Omani employees in accordance with the Omani Social Insurance Scheme are recognised as an expense in the statement of income as incurred.

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 net 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. 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 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 the statement of income 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

Accounts payable and accruals

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

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 against income.

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 as an expense in the statement of income 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.

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 the statement of income.

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 transferred to the statement of income.

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

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

	Three months ended 30 June		Six months ended 30 June	
	2010	2009	2010	2009
	Audited RO'000	Reviewed RO'000	Audited RO'000	Reviewed RO'000
Traffic	**33,663**	32,541	**68,404**	64,022
One time and recurring charges	**6,087**	3,453	**11,490**	5,915
Interconnection revenue	**5,369**	4,525	**10,319**	8,398
Others	**470**	569	**1,020**	1,069
	45,589	41,088	**91,233**	79,404

5 OPERATING EXPENSES

	Three months ended 30 June		Six months ended 30 June	
	2010	2009	2010	2009
	Audited RO'000	Reviewed RO'000	Audited RO'000	Reviewed RO'000
Interconnection charges, net of volume rebate	**6,427**	8,609	**12,698**	19,341
Cost of equipment sold and other services	**598**	961	**1,294**	1,871
Commission on cards	**50**	53	**97**	116
	7,075	9,623	**14,089**	21,328

During 2009, the Company entered into volume rebate agreements with an operator. The company is entitled to different rebate categories based on its usage. After achieving a particular usage milestone, the rebate amount is adjusted retrospectively. The agreement was for one year period and it ended on 31 May 2010.

6 GENERAL AND ADMINISTRATIVE EXPENSES

	Three months ended 30 June		Six months ended 30 June	
	2010	2009	2010	2009
	Audited RO'000	Reviewed RO'000	Audited RO'000	Reviewed RO'000
Employees' salaries and associated costs	**5,470**	4,550	**10,593**	8,418
Rental and utilities	**2,890**	2,465	**5,482**	4,455
Repairs and maintenance	**2,522**	2,059	**4,502**	4,191
Service fees (note 21)	**1,367**	1,233	**2,736**	2,382
Sales and marketing	**913**	396	**1,622**	1,377
Legal and professional charges	**494**	540	**709**	727
Provision for impairment losses on trade receivables (note 12)	**517**	324	**462**	596
Others	**1,505**	1,356	**2,601**	2,543
	15,678	12,923	**28,707**	24,689

7 FINANCING COSTS

	Three months ended 30 June		Six months ended 30 June	
	2010	2009	2010	2009
	Audited RO'000	Reviewed RO'000	Audited RO'000	Reviewed RO'000
Interest on term loan (note 17)	**962**	1,006	**2,009**	1,871
Site restoration—unwinding of discount	**44**	34	**132**	62
Other interest (income)/ expense	**5**	1	**(10)**	1
Interest on short term loan from a related party (note 21)	**—**	88	**—**	88
	1,011	1,129	**2,131**	2,022

Borrowing costs capitalised during the six months period ended 30 June 2010 amount to RO 249,258 (30 June 2009: RO 255,108). Borrowing costs are capitalised at an effective annual interest rate of 3.2% (2009: 3.4%).

8 INCOME TAX

	Three months ended 30 June		Six months ended 30 June	
	2010	2009	2010	2009
	Audited RO'000	Reviewed RO'000	Audited RO'000	Reviewed RO'000
Statement of income				
Current period	**1,694**	951	**3,732**	951
Deferred tax relating to origination and reversal of temporary differences	**(133)**	268	**(235)**	808
	1,561	1,219	**3,497**	1,759

	30 June 2010	31 December 2009
	RO'000 Audited	RO'000 Audited
Current liability		
Current period	**3,732**	4,452
Prior year / period	**152**	—
	3,884	4,452

	Six months ended 30 June		Six months ended 30 June	
Deferred tax asset (net)				
Beginning of the period	**166**	471	**64**	1,011
Movement for the period	**133**	(268)	**235**	(808)
At end of the period	**299**	203	**299**	203

The deferred tax asset comprises of the following types of temporary differences:

	30 June 2010	31 December 2009
	RO'000 Audited	RO'000 Audited
Property, plant and equipment	**(579)**	(770)
Provisions	**878**	834
	299	64

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

	Three months ended 30 June		Six months ended 30 June	
	2010	2009	2010	2009
	Audited RO'000	Reviewed RO'000	Audited RO'000	Reviewed RO'000
Accounting profit	**13,093**	10,222	**29,043**	17,759
Tax at applicable rate	**1,567**	1,223	**3,485**	2,127
Non-deductible expenses and other permanent differences	**(6)**	(4)	**12**	(368)
At the effective income tax rate	**1,561**	1,219	**3,497**	1,759

The tax rate applicable to the Company is 12% (2009: 12%). Deferred tax asset is recorded at 12% (2009: 12%). For the purpose of determining the taxable results for the period, 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.

9 EARNINGS PER SHARE

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

	Three months ended 30 June		Six months ended 30 June	
	2010	2009	2010	2009
	Audited RO'000	Reviewed RO'000	Audited RO'000	Reviewed RO'000
Profit for the period	**11,532**	9,003	**25,546**	16,000
Weighted average number of shares outstanding for the period (number in thousand)*	**650,094**	650,094	**650,094**	650,094
Basic earning per share (RO)	**0.018**	0.014	**0.039**	0.025

* At the Extraordinary General Meeting held on 7 March 2010, the company's authorised share capital of 70,000,000 ordinary shares of RO 1 each was split into 700,000,000 ordinary shares of 100 baisa each. Accordingly, the issued share capital as at 30 June 2010 comprise of 650,094 thousand shares.

Earnings per share for prior periods have been recalculated using the revised number of shares in issue.

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.

10 PROPERTY, PLANT AND EQUIPMENT

	Mobile / fixed exchange and network equipment	Subscriber apparatus and other equipment	Buildings	Capital work in progress	Total
	RO'000	RO'000	RO'000	RO'000	RO'000
Cost					
1 January 2010	127,710	21,811	349	12,739	162,609
Additions	10,289	1,237	13	32,027	43,566
Capitalised during the period	13,158	—	—	(13,158)	—
Impairment loss	(76)	(2)	—	—	(78)
30 June 2010	**151,081**	**23,046**	**362**	**31,608**	**206,097**
Depreciation					
1 January 2010	35,220	15,188	30	—	50,438
Charge for the period	8,100	1,877	20	—	9,997
Relating to asset impaired	(9)	(2)	—	—	(11)
30 June 2010	**43,311**	**17,063**	**50**	**—**	**60,424**
Net book value (audited)					
At 30 June 2010	**107,770**	**5,983**	**312**	**31,608**	**145,673**
Cost					
At 1 January 2009	93,086	19,408	—	19,452	131,946
Additions	5,445	1,126	—	6,118	12,689
Capitalised during the period	9,104	—	333	(9,437)	—
Disposals	—	(9)	—	—	(9)
At 30 June 2009	**107,635**	**20,525**	**333**	**16,133**	**144,626**
Depreciation					
At 1 January 2009	21,869	11,298	—	—	33,167
Depreciation charge for the period	6,114	1,879	5	—	7,998
Disposals	—	(6)	—	—	(6)
At 30 June 2009	**27,983**	**13,171**	**5**	**—**	**41,159**
Net book value (reviewed)					
At 30 June 2009	**79,652**	**7,354**	**328**	**16,133**	**103,467**
Cost					
1 January 2009	93,086	19,408	—	19,452	131,946
Additions	10,697	2,412	—	17,563	30,672
Capitalised during the year	23,927	—	349	(24,276)	—
Disposals	—	(9)	—	—	(9)
31 December 2009	**127,710**	**21,811**	**349**	**12,739**	**162,609**
Depreciation					
1 January 2009	21,869	11,298	—	—	33,167
Charge for the year	13,351	3,896	30	—	17,277
Disposals	—	(6)		—	(6)
31 December 2009	**35,220**	**15,188**	**30**	**—**	**50,438**
Net book value (audited)					
31 December 2009	**92,490**	**6,623**	**319**	**12,739**	**112,171**

Addition for the six months period ended 30 June 2010 includes site restoration cost of OMR 459,000 (period ended 30 June 2009: RO 418,000). 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	Fixed line license	Total
	RO'000	RO'000	RO'000
Cost			
Balance at 1 January 2010	42,331	21,403	63,734
Amortisation			
Balance at 1 January 2010	13,492	432	13,924
Amortisation during the period	1,408	424	1,832
Balance at 30 June 2010	14,900	856	15,756
Net book value (audited)			
At 30 June 2010	**27,431**	**20,547**	**47,978**
Cost			
Balance at 1 January 2009	42,331	—	42,331
Additions during the period—license fee and related costs	—	21,403	21,403
Balance at 30 June 2009	42,331	21,403	63,734
Amortisation			
Balance at 1 January 2009	10,652	—	10,652
Amortisation during the period	1,408	—	1,408
Balance at 30 June 2009	12,060	—	12,060
Net book value (reviewed)			
At 30 June 2009	**30,271**	**21,403**	**51,674**
Cost			
Balance at 1 January 2009	42,331	—	42,331
Additions during the year—license fee and related costs	—	21,403	21,403
Balance at 31 December 2009	42,331	21,403	63,734
Amortisation			
Balance at 1 January 2009	10,652	—	10,652
Amortisation during the year	2,840	432	3,272
Balance at 31 December 2009	13,492	432	13,924
Net book value (audited)			
At 31 December 2009	**28,839**	**20,971**	**49,810**

Licence fee represents the amount paid to the Telecommunication Regulatory Authority of the Sultanate of Oman for obtaining the licence to operate as fixed and mobile telecommunication service provider. Licence 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 operating expenses.

12 RECEIVABLES AND PREPAYMENTS

	30 June 2010	31 December 2009
	Audited RO'000	Audited RO'000
Post paid receivable	**6,224**	5,535
Amount due from dealers	**8,097**	7,328
Receivable from other operators	**3,789**	6,939
Unbilled receivables	**2,994**	3,106
	21,104	22,908
Less: allowance for impaired receivables	**(3,981)**	(3,700)
	17,123	19,208
Amounts due from related parties (note 21)	**262**	238
Prepaid expenses and other receivables	**8,701**	4,495
Deferred cost	**532**	479
	26,618	24,420

As at 30 June 2010, trade receivables at nominal value of RO 3,963,938 (2009: RO 3,487,229) were impaired. Movements in allowance for impairment of receivables were as follow:

	Three months ended 30 June		Six months ended 30 June	
	2010	2009	2010	2009
	Audited RO'000	Reviewed RO'000	Audited RO'000	Reviewed RO'000
At 1 January	**3,464**	3,245	**3,700**	3,391
Charge for the period (note 6)	**517**	324	**462**	596
Written off during the period	**—**	—	**(181)**	(418)
At 30 June	**3,981**	3,569	**3,981**	3,569

As at 30 June 2010, the ageing of unimpaired trade receivables is as follows:

	Total	Neither past due nor impaired	Past due but not impaired 30-60 days	60-90 days	Over 90 days
	RO'000	RO'000	RO'000	RO'000	RO'000
30 June 2010	**17,140**	**15,927**	**374**	**115**	**724**
31 December 2009	19,421	15,538	2,280	978	625

Unimpaired receivables are expected, on the basis of past experience, to be substantially recoverable. It is not the practice of the Company to obtain collateral over receivables and virtually all are, therefore, unsecured. However sales made to dealers 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 RO nil (31 December 2009—RO 5,025,000) with certain commercial banks in Oman.

The Company is required to maintain certain service deposit balances to comply with the requirements of its term loan agreement. As of 30 June 2010, the balances in these service deposit accounts amounted to RO 4,374,000 (31 December 2009—RO 3,501,000).

14 SHARE CAPITAL

	Authorised		Issued and fully paid	
	30 June 2010	31 December 2009	30 June 2010	31 December 2009
	Audited RO'000	Audited RO'000	Audited RO'000	Audited RO'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 RO 1 each was split into 700,000,000 ordinary shares of 100 baisa each.

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.

The company follows the policy of making transfer to the legal reserve on an annual basis.

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 RO 43,324,000. 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 30 June 2010, the unrealised loss of RO 2,735,000 relating to measuring the financial instruments at fair value is included in equity in respect of these contracts (31 December 2009: RO 3,340,000). There was no significant ineffectiveness noted for 2010 and 2009.

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	Notional amount total	1 - 12 months	More than 1 up to 5 years	Over 5 years
	RO'000	RO'000	RO'000	RO'000	RO'000
30 June 2010 (audited)					
Interest rate swaps	2,735	43,324	10,398	32,926	—
31 December 2009 (audited)					
Interest rate swaps	3,340	48,523	10,398	38,125	—
30 June 2009 (reviewed)					
Interest rate swaps	3,938	53,663	10,386	43,277	—

17 INTEREST BEARING BORROWINGS

	30 June 2010 Audited RO'000	31 December 2009 Audited RO'000
Non-current liabilities		
Term loan	**66,430**	60,076
Less: Deferred financing costs	**(183)**	(261)
	66,247	59,815
Less: current portion classified under current liabilities	**(13,864)**	(11,264)
Non-current portion	**52,383**	48,551

The Company has availed a syndicated long-term loan facility from certain financial institutions aggregating to approximately RO 104 million (2009—RO 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.

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 the shareholders of the Company. 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, amongst others, 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, payment of dividends, 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 RO 35 million. The revised agreement was signed on 23 October 2007. At 30 June 2010, the Company drew down RO 23.1 Million from this additional facility.

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

In addition a commitment fee is payable on the additional undrawn facility.

The Company has received a market disruption clause notice from some of its lenders which request that finance cost on the commercial loan facility be based on LIBOR plus an additional margin from March 2009. The average annual additional interest paid in relation to this during the period amounted to 1.18% (2009: 1.61%).

18 SITE RESTORATION PROVISION

Site restoration provision as of the reporting date amounted to RO 2,957,000 (31 December 2009-RO 2,366,000). The Company is committed to restore each site as it is vacated. A movement schedule is set out below:

	30 June 2010 Audited RO'000	31 December 2009 Audited RO'000	30 June 2009 Reviewed RO'000
Balance at 1 January	**2,366**	1,838	1,838
Created during the period / year	**459**	397	418
Unwinding of discount	**132**	131	62
Balance at the end of the period/year	**2,957**	2,366	2,318

The provision is not expected to be utilised in next 12 months.

19 EMPLOYEES' END OF SERVICE BENEFITS

	30 June 2010	31 December 2009	30 June 2009
	Audited RO'000	Audited RO'000	Reviewed RO'000
Movement in the liability recognised in the statement of financial position is as follows:			
Liability as at 1 January	**448**	188	188
Accrued during the period/year	**111**	283	161
End of service benefits paid	**(33)**	(23)	(10)
Liability as at the end of the Period / year	**526**	448	339

20 PAYABLES AND ACCRUALS

	30 June 2010	31 December 2009
	Audited RO'000	Audited RO'000
Trade accounts payable	**10,495**	13,538
Accrued expenses—operating expenses	**13,306**	17,797
Accrued expenses—capital expenses	**15,497**	3,436
Amounts due to related parties (note 21)	**2,785**	4,549
Deposits from customers	**397**	410
	42,480	39,730

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 interim financial statements are set out below:

	Three months period ended 30 June 2010 (RO'000)		Three months period ended 30 June 2009 (RO'000)	
	Other related parties	Directors and key management	Other related parties	Directors and key management
Director's and key management remuneration	**—**	**205**	—	461
Service fee	**1,367**	**—**	1,233	—
Other expenses	**610**	**—**	607	2
	1,977	**205**	1,840	463

	Six months period ended 30 June 2010 (RO'000)		Six months period ended 30 June 2009 (RO'000)	
	Other related parties	Directors and key management	Other related parties	Directors and key management
Director's and key management remuneration	**—**	**558**	—	741
Service fee	**2,736**	**—**	2,382	—
Other expenses	**1,157**	**—**	1,012	2
	3,893	**558**	3,394	743

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:

	Period ended 30 June 2010 (RO'000)		Year ended 31 December 2009 (RO'000)	
	Receivable and prepayments	Payable and accruals	Receivable and prepayments	Payable and accruals
Major shareholders	**262**	**66**	238	—
Other related parties	**—**	**2,719**	—	4,549
	262	**2,785**	238	4,549

As of 30 June 2010, an amount of RO 262 thousand (31 December 2009: RO 238 thousand) is recoverable from the Company's shareholders towards IPO related expenses incurred by the Company on behalf of its shareholders.

Compensation of key management personnel

The remuneration of members of key management and directors during the period was as follows:

	Three months ended		Six months ended	
	30 June 2010	30 June 2009	30 June 2010	30 June 2009
	Audited RO'000	Reviewed RO'000	Audited RO'000	Reviewed RO'000
Salaries / remuneration and benefits	**131**	402	**423**	625
Director's remuneration	**50**	49	**100**	98
Employees' end of service benefits	**24**	10	**35**	18
	205	461	**558**	741

22 EXPENDITURE COMMITMENTS

	30 June 2010	31 December 2009
	Audited RO'000	Audited RO'000
Capital expenditure commitments		
Estimated capital expenditure contracted for at the reporting date but not provided for:		
Property, plant and equipment	**15,626**	54,624
Operating lease commitments		
Future minimum lease payments:		
Within one year	**4,970**	2,925
After one year but not more than five years	**10,042**	8,614
More than five years	**7,607**	8,453
Total operating lease expenditure contracted for at the reporting date	**22,619**	19,992

23 CONTINGENT LIABILITIES

Gurantees

At 30 June 2010, the Company had contingent liabilities in respect of performance bond guarantee of RO 6.6 million (2009: RO 8.7 million) in the ordinary course of business from which it is anticipated that no material liabilities will arise.

Claims

On 30 June 2010, an international operator has raised debit notes on the company claiming RO 9,420,000. Out of RO 9,420,000, the international operator has already paid RO 8,558,000 to the company and the balance amount of RO 862,000 is included in accounts receivable in these interim financial statements. The claim relates to certain transactions made by the international operator's roaming subscribers on the company's network during 2009 and 2010. The Company's management is confident that the Company has complied with the required regulations and accordingly, the international operator has no right to claim these balances. Accordingly no liability is expected to ultimately arise.

24 RISK MANAGEMENT

The Company's principal financial liabilities, other than derivatives, comprise bank loans, and trade payables. 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 30 June 2010, after taking into account the effect of interest rate swaps, approximately 65% of the Company's borrowings are at a fixed rate of interest (2009: 80%). 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 RO 26,000 (30 June 2009—nil) 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 3 largest dealers' balances account for 46% of outstanding unimpaired trade receivable at 30 June 2010 (2009: 37%). 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 43% (31 December 2009: 27%) of the Company's total payables and accruals. The Company's long term borrowings and certain bank deposits amounting to RO 66,430,000 and RO 12,748,450 respectively are denominated in US Dollars. The Rial Omani 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.

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 30 June 2010	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
	RO'000	RO'000	RO'000	RO'000	RO'000
Interest bearing borrowings	**6,932**	**6,932**	**52,566**	**—**	**66,430**
Payables and accruals	**39,298**	**397**	**—**	**—**	**39,695**
Due to related parties	**2,785**	**—**	**—**	**—**	**2,785**
Interest on term loan	**928**	**2,386**	**3,219**	**—**	**6,533**
Total	**49,943**	**9,715**	**55,785**	**—**	**115,443**

As at 31 December 2009	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
	RO'000	RO'000	RO'000	RO'000	RO'000
Interest bearing borrowings	5,199	6,065	48,812	—	60,076
Payables and accruals	34,771	410	—	—	35,181
Due to related parties	4,549	—	—	—	4,549
Interest on term loan	882	2,446	3,595	—	6,923
Total	45,401	8,921	52,407	—	106,729

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 utilised 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 six months period ended 30 June 2010 and year ended 31 December 2009. Capital comprises share capital and retained earnings, and is measured at RO 113,675 thousand as at 30 June 2010 (31 December 2009: RO 88,130 thousand).

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 RO 21,104 thousand (2009: RO 22,908 thousand) and the provision for doubtful debts was RO 3,981 thousand (2009: RO 3,700 thousand). 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.

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 30 June 2010 is RO 2,957,000 (31 December 2009—RO 2,366,000). 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 RO 720 thousand (31 December 2009: RO 774 thousand) and the provision for obsolete inventory amounted to RO 170 thousand (2009: RO 182 thousand). 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.

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 interim 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.

Segment revenue and results

A segment result represents the profit earned by each segment with out 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. Hence, during 2009 the Company had only Global System for Mobile Communication (GSM) segment and the comparative statement of income show the results of such segment.

Segmental results for the three months period ended 30 June 2010 are as follows:

	Mobile	Fixed line	Adjustment's	Total
	RO'000	RO'000	RO'000	RO'000
Revenue				
External sales	**44,912**	**677**	**—**	**45,589**
Inter-segment sales	**273**	**2,227**	**(2,500)**	**—**
Total revenue	**45,185**	**2,904**	**(2,500)**	**45,589**
Results				
Depreciation	**4,700**	**260**	**—**	**4,960**
Amortisation	**708**	**214**	**—**	**922**
Segment results—Profit / (loss)	**15,522**	**(1,418)**	**—**	**14,104**
Finance expense				**(1,011)**
Profit before taxation				**13,093**
Taxation				**(1,561)**
Profit for the period				**11,532**

Segmental results for the six months period ended 30 June 2010 are as follows:

	Mobile	Fixed line	Adjustment's	Total
	RO'000	RO'000	RO'000	RO'000
Revenue				
External sales	**90,556**	**677**	**—**	**91,233**
Inter-segment sales	**273**	**2,227**	**(2,500)**	**—**
Total revenue	**90,829**	**2,904**	**(2,500)**	**91,233**
Results				
Depreciation	**9,735**	**262**	**—**	**9,997**
Amortisation	**1,408**	**424**	**—**	**1,832**
`				
Segment results—Profit / (loss)	**33,427**	**(2,253)**	**—**	**31,174**
Finance expense				**(2,131)**
Profit before taxation				**29,043**
Taxation				**(3,497)**
Profit for the period				**25,546**

Capital expenditure incurred for different segments are as follows:

	Six months ended 30 June 2010	Six months ended 30 June 2009	Year ended 31 December 2009
	RO'000	RO'000	RO'000
Property, plant and equipment			
—Mobile	**14,338**	10,745	26,624
—Fixed	**29,228**	1,944	4,048
Intangible assets—Fixed license	**—**	21,403	21,403
	43,566	34,092	52,075

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 30 June 2010, 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 of the corresponding figures for 2009 have been reclassified in order to conform with the presentation for the current period. Such reclassifications were made within the same notes to the financial statements and do not affect previously reported profit or shareholder's equity.

The following reclassifications have been made in the comparative information:

	2009 RO'000	As previously reported	As reclassified
Statement of income			
Bank charges			
—Three months ended 30 June 2009	49	As part of finance cost	Disclosed as part of General and administrative expenses.
—Six months ended 30 June 2009	111		
Statement of financial position			
Unbilled revenue from other operators			
—As at 31 December 2009	1,567	As part of receivable from other operators	Disclosed as part of unbilled revenue.
Statement of cash flows			
Purchase of property plant and equipment (PPE)	12,689	Site restoration provision of RO 418 thousand was included as part of purchase of PPE.	Purchase of PPE is shown net of site restoration provision.

These reclassifications have been done to improve the quality of information presented.

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P.R. No. MH/4

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF OMANI QATARI TELECOMMUNICATIONS COMPANY SAOC

We have audited the accompanying financial statements of Omani Qatari Telecommunications Company SAOC ('the company'), which comprise the statement of financial position as at 31 December 2009 and the statement of income, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Board of Directors' Responsibility for the Financial Statements
The Board of Director is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' 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 auditors' judgement, 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 Board of Directors, 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 2009 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst & Young

24 February 2010
Muscat

Omani Qatari Telecommunications Company SAOC

STATEMENT OF INCOME
Year ended 31 December 2009

	Notes	2009	2008
		RO'000	RO'000
Revenue	4	**171,623**	139,222
Other income		**375**	1,034
		171,998	140,256
Operating expenses	5	**(37,551)**	(48,234)
General and administrative expenses	6	**(51,691)**	(41,345)
Depreciation and amortisation		**(20,549)**	(16,191)
Royalty		**(10,173)**	(7,060)
Financing costs	7	**(5,104)**	(4,310)
PROFIT BEFORE TAX		**46,930**	23,116
Income tax expense	8	**(5,399)**	(3,520)
PROFIT FOR THE YEAR		**41,531**	19,596
Basic and diluted earnings per share (RO)	9	**0.638**	0.301

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

Omani Qatari Telecommunications Company SAOC

STATEMENT OF COMPREHENSIVE INCOME
Year ended 31 December 2009

	2009	2008
	RO'000	RO'000
Profit for the year	**41,531**	19,596
Other comprehensive income/(loss)		
Transfer of proposed initial public offering costs from equity to receivables (note 12)	**238**	(238)
Net unrealised loss on cash flow hedges	**(1,653)**	(2,789)
Net loss on cash flow hedges reclassified to the income statement	**2,325**	1,336
Other comprehensive income/(expense) for the year	**910**	(1,691)
Total comprehensive income for the year	**42,441**	17,905

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

Omani Qatari Telecommunications Company SAOC

STATEMENT OF FINANCIAL POSITION
At 31 December 2009

	Notes	2009 RO'000	2008 RO'000
ASSETS			
Non current assets			
Property, plant and equipment	10	**112,171**	98,779
License fee	11	**49,810**	31,679
Deferred tax asset	8	**64**	1,011
		162,045	131,469
Current assets			
Inventories		**593**	918
Receivables and prepayments	12	**24,420**	21,414
Bank balances and cash	13	**20,520**	20,393
		45,533	42,725
TOTAL ASSETS		**207,578**	174,194
EQUITY AND LIABILITIES			
Equity			
Share capital	14	**65,094**	65,094
Direct costs relating to proposed initial public offering		**—**	(238)
Statutory reserve	15	**6,931**	2,778
Cumulative changes in fair values	16	**(3,340)**	(4,012)
Retained earnings (accumulated losses)		**23,035**	(14,343)
Total equity		**91,720**	49,279
Non current liabilities			
Interest bearing borrowings	17	**48,551**	47,992
Site restoration provision	18	**2,366**	1,838
Negative fair value of derivatives	16	**1,252**	1,896
Employees' end of service benefits	19	**448**	188
		52,617	51,914
Current liabilities			
Payables and accruals	20	**39,730**	53,814
Interest bearing borrowings	17	**11,264**	10,387
Finance leases		**—**	229
Negative fair value of derivatives	16	**2,088**	2,116
Deferred revenue		**5,707**	6,455
Income tax payable	8	**4,452**	—
		63,241	73,001
Total liabilities		**115,858**	124,915
TOTAL EQUITY AND LIABILITIES		**207,578**	174,194

These financial statements were approved and authorised for issue by the Board of Directors on 24 February 2010 and were signed on their behalf by:

H.E. Sh. Salim bin Mustahil Al Ma'ashani Sd/- Chairman	Mr. Saleh Nasser Al-Riyami Sd/- Director	Ross Cormack Sd/- CEO

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

Omani Qatari Telecommunications Company SAOC

STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2009

	Share capital	Direct costs relating to proposed initial public offering	Statutory reserve	Cumulative changes in fair value	(Accumulated losses) retained earnings	Total
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
At 1 January 2008	65,094	—	818	(2,559)	(31,979)	31,374
Profit for the year	—	—	—	—	19,596	19,596
Other comprehensive expense for the year	—	(238)	—	(1,453)	—	(1,691)
Total comprehensive income	—	(238)	—	(1,453)	19,596	17,905
Transfer to statutory reserve (note 15)	—	—	1,960	—	(1,960)	—
At 31 December 2008	**65,094**	**(238)**	**2,778**	**(4,012)**	**(14,343)**	**49,279**
At 1 January 2009	65,094	(238)	2,778	(4,012)	(14,343)	49,279
Profit for the year	—	—	—	—	41,531	41,531
Other comprehensive income for the year	—	238	—	672	—	910
Total comprehensive income	—	238	—	672	41,531	42,441
Transfer to statutory reserve (note 15)	—	—	4,153	—	(4,153)	—
At 31 December 2009	**65,094**	**—**	**6,931**	**(3,340)**	**23,035**	**91,720**

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

Omani Qatari Telecommunications Company SAOC

STATEMENT OF CASH FLOWS
Year ended 31 December 2009

	Notes	2009 RO'000	2008 RO'000
OPERATING ACTIVITIES			
Profit before tax		**46,930**	23,116
Adjustments for:			
Depreciation	10	**17,277**	13,352
Amortisation	11	**3,272**	2,839
Accrual for employees' end of service benefits	19	**283**	115
Financing costs	7	**4,973**	4,172
Interest income		**(185)**	(162)
Profit on disposal of equipment		**—**	(31)
Site restoration provision	18	**528**	552
Operating profit before working capital changes		**73,078**	43,953
Inventories		**325**	(261)
Receivable and prepayments		**(2,768)**	(96)
Payables and accruals and deferred revenue		**(14,832)**	6,213
Cash from the operations		**55,803**	49,809
Interest paid	7	**(4,973)**	(4,172)
Employees' end of service benefits paid	19	**(23)**	(35)
Net cash from operating activities		**50,807**	45,602
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	10	**(30,672)**	(35,811)
Payment of fixed line license fee and related borrowing costs	11	**(21,403)**	—
Proceeds from disposal of equipment		**3**	77
Interest income		**185**	162
Net cash used in investing activities		**(51,887)**	(35,572)
FINANCING ACTIVITIES			
Share issue expense		**—**	(238)
Repayment of term loan		**(10,117)**	(10,170)
Long term loan draw down		**11,553**	—
Repayment of finance lease liability		**(229)**	(206)
Net cash from/(used in) financing activities		**1,207**	(10,614)
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**127**	(584)
Cash and cash equivalents at the beginning of the year		**20,393**	20,977
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	13	**20,520**	20,393

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

1 LEGAL STATUS AND PRINCIPAL ACTIVITIES

Omani Qatari Telecommunications Company SAOC ("the Company") is registered as a closed joint stock company in 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.

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

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 is in the process of preparing for the launch of its fixed line services.

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

2 BASIS OF PREPARATION

Statement of compliance

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) and applicable requirements of the Commercial Companies Law of the Sultanate of Oman.

The accounting records are maintained in Rial Omani 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.

3 SIGNIFICANT ACCOUNTING POLICIES

Changes in accounting policy and disclosures

The accounting policies are consistent with those used in the previous financial year except as follows:

The Company has adopted the following new and amended IFRS and IFRIC interpretations as of 1 January 2009:

- IFRS 7 Financial Instruments: Disclosures effective 1 January 2009
- IFRS 8 Operating Segments effective 1 January 2009
- IAS 1 Presentation of Financial Statements effective 1 January 2009
- IAS 23 Borrowing Costs (Revised) effective 1 January 2009
- IFRIC 9 Remeasurement of Embedded Derivatives and IAS 39 Financial Instruments: Recognition and Measurement effective for periods ending on or after 30 June 2009

When the adoption of the standard or interpretation is deemed to have an impact on the financial statements or performance of the Company, its impact is described below:

IAS 1 Presentation of Financial Statements

The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented in a reconciliation of each component of equity. In addition, the standard introduces the statement of comprehensive income: it presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Company has elected to present two statements.

IFRS 7 Financial Instruments: Disclosures

The amended standard requires additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by source of inputs using a three level fair value hierarchy, by class, for all financial instruments recognised at fair value. In addition, a reconciliation between the beginning and ending balance for level 3 fair value measurements is now required, as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management. The fair value measurement disclosures are presented in note 27. The liquidity risk disclosures are not significantly impacted by the amendments and are presented in note 24.

IFRS 8 'Operating Segments'

IFRS 8 replaced IAS 14 Segment Reporting upon its effective date. The Company concluded that IFRS 8 has no major implication on the financial reporting as the Company currently only renders wireless services and its operations are mainly confined to the Sultanate of Oman. Related details are set out in note 26.

Other amendments resulting from improvements to IFRSs did not have any impact on the accounting policies, financial position or performance of the Company.

The following related standards, amendments and interpretations are not yet effective:

Phase 1 of IFRS 9

On 12 November 2009, the International Accounting Standard Board (IASB) published phase 1 of IFRS 9 Financial Instruments, the accounting standard that will eventually replace IAS 39: Financial Instruments: Recognition and Measurement. Whilst IFRS 9 is not mandatory until 1 January 2013, entities may adopt for reporting periods ending on or after 31 December 2009. The phase 1 of the standard when adopted is not expected to have any significant impact on the Company's financial statements.

IFRIC 17 Distributions of Non-cash Assets to Owners

This interpretation is effective for annual periods beginning on or after 1 July 2009 with early application permitted. It provides guidance on how to account for non-cash distributions to owners. The interpretation clarifies when to recognise a liability, how to measure it and the associated assets, and when to derecognise the asset and liability. The Company does not expect IFRIC 17 to have any significant impact on the financial statements.

Other related IASB Standards and Interpretations that have been issued but are not yet mandatory, and have not been adopted by the Company, are not expected to have a material impact on the Company's financial statements.

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 carriers are recognised based on the actual recorded traffic minutes.

Operating revenues for interconnections that are not made under contractual sharing agreements, i.e., based on tariff as stipulated by Telecommunication Regulatory Authority of Sultanate of Oman, are reported on a gross basis. These interconnection charges are accounted for as operating expenses in the year these are incurred.

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 balance sheet date.

Deferred income tax assets are recognised for all deductible temporary differences and carry-forward of unused tax assets and unused tax losses 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.

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 balance sheet date. All differences are taken to the statement of income.

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any impairment in value. Depreciation is charged to the statement of income 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 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 the statement of income 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 derecognising of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of income in the year 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 consolidated statement of income in the year 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 the statement of income 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 line 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

Trade and other receivables

Accounts receivable are stated at original invoice amount less a provision for any uncollectible amounts. 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 first-in, first-out 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.

Impairment and uncollectibility of financial assets

An assessment is made at each balance sheet date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognised in the statement of income. Impairment is determined as follows:

- For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognised in the statement of income;
- For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset;
- For assets carried at amortised cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate.

Employees' benefits

End of service benefits are accrued in accordance with the terms of employment of the Company for employees at the balance sheet 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 balance sheet date.

Contributions to a defined contribution retirement plan for Omani employees in accordance with the Omani Social Insurance Scheme are recognised as an expense in the statement of income as incurred.

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 net 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 balance sheet 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. 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 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 the statement of income 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.

Accounts payable and accruals

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

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 against income.

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 as an expense in the statement of income 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.

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 the statement of income.

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 transferred to the statement of income.

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

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 year are set out in note 25.

4 REVENUE

	2009 RO'000	2008 RO'000
Mobile traffic	**136,346**	112,092
Interconnection revenue	**17,944**	18,966
One time and recurring charges	**15,112**	6,732
Others	**2,221**	1,432
	171,623	139,222

5 OPERATING EXPENSES

	2009 RO'000	2008 RO'000
Interconnection charges, net of volume rebate	**36,832**	44,625
Cost of equipment sold and other services	**3,478**	3,063
Commission on cards	**203**	546
Release of operating costs accruals, no longer payable	**(2,962)**	—
	37,551	48,234

During the year, the Company entered into volume rebate agreements with an operator. The company is entitled to different rebate categories based on its usage. After achieving a particular usage milestone, the rebate amount is adjusted retrospectively. The agreement is for one year period.

6 GENERAL AND ADMINISTRATIVE EXPENSES

	2009 RO'000	2008 RO'000
Employees' salaries and associated costs	**17,797**	13,247
Repairs and maintenance	**8,376**	8,277
Lease lines and frequency fee	**5,365**	3,317
Service fees (note 21)	**5,149**	4,177
Rental and utilities	**4,301**	2,570
Sales and marketing	**3,193**	3,869
Legal and professional charges	**1,301**	1,459
Provision for impairment losses on trade receivables (note 12)	**727**	1,370
Provision for inventory	**51**	121
Others	**5,431**	2,938
	51,691	41,345

7 FINANCING COSTS

	2009 RO'000	2008 RO'000
Interest on term loan (note 17)	**3,908**	3,805
Interest on short term loan from related party (note 21)	**846**	—
Bank charges	**210**	237
Site restoration—unwinding of discount	**131**	138
Other interest	**7**	104
Finance lease interest	**2**	26
	5,104	4,310

Borrowing costs capitalised during the year ended 31 December 2009 amount to RO 1,315,981 (2008: RO 651,947). Borrowing costs are capitalised at an effective annual interest rate of 3.3% (2008: 4.1%).

8 INCOME TAX

	2009 RO'000	2008 RO'000
Statement of income		
Current year	**4,452**	—
Deferred tax expense relating to the reversal of temporary Differences	**947**	3,520
	5,399	3,520
Current liability		
Current year	**4,452**	—
Deferred tax asset (net)		
At 1 January	**1,011**	4,531
Movement for the year	**(947)**	(3,520)
At 31 December	**64**	1,011

The deferred tax asset comprises of the following types of temporary differences:

	2009 RO'000	2008 RO'000
Property, plant and equipment	**(770)**	(514)
Provisions	**834**	1,525
	64	1,011

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

	2009 RO'000	2008 RO'000
Accounting profit	**46,930**	23,116
Tax at applicable rate	**5,628**	2,770
Non-deductible expenses	**228**	110
Utilisation of deferred tax assets	**(185)**	821
Timing difference relating to depreciation	**(272)**	(181)
At the effective income tax rate of 11.5% (2008: 15.23%)	**5,399**	3,520

The tax rate applicable to the Company is 12% (2008: 12%). Deferred tax asset is recorded at 12% (2008—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.

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:

	2009 RO'000	2008 RO'000
Profit for the year	**41,531**	19,596
Weighted average number of shares outstanding for the year (number)	**65,094**	65,094
Profit per share (RO)	**0.638**	0.301

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.

10 PROPERTY, PLANT AND EQUIPMENT

	Mobile exchange and network equipment	Subscriber apparatus and other equipment	Buildings	Capital work in progress	Total
	RO'000	RO'000	RO'000	RO'000	RO'000
Cost					
1 January 2009	93,086	19,408	—	19,452	131,946
Additions	10,697	2,412	—	17,563	30,672
Capitalised during the year	23,927	—	349	(24,276)	—
Disposals	—	(9)	—	—	(9)
31 December 2009	**127,710**	**21,811**	**349**	**12,739**	**162,609**
Depreciation					
1 January 2009	21,869	11,298	—	—	33,167
Charge for the year	13,351	3,896	30	—	17,277
Disposals	—	(6)		—	(6)
31 December 2009	**35,220**	**15,188**	**30**	**—**	**50,438**
Net book value					
31 December 2009	**92,490**	**6,623**	**319**	**12,739**	**112,171**
Cost					
1 January 2008	70,747	17,213	—	8,237	96,197
Additions	—	2,195	—	33,616	35,811
Capitalised during the year	22,401	—	—	(22,401)	—
Disposals	(62)	—	—	—	(62)
31 December 2008	93,086	19,408	—	19,452	131,946
Depreciation					
1 January 2008	11,912	7,919	—	—	19,831
Charge for the year	9,973	3,379	—	—	13,352
Disposals	(16)	—	—	—	(16)
31 December 2008	21,869	11,298	—	—	33,167
Net book value					
31 December 2008	71,217	8,110	—	19,452	98,779

11 LICENSE FEE

	Mobile license	Fixed line license	Total
	RO'000	RO'000	RO'000
Cost:			
Balance at 1 January 2009	42,331	—	42,331
Additions during the year—license fee and related costs	—	21,403	21,403
Balance at 31 December 2009	**42,331**	**21,403**	**63,734**
Amortisation:			
Balance at 1 January 2009	10,652	—	10,652
Amortisation during the year	2,840	432	3,272
Balance at 31 December 2009	**13,492**	**432**	**13,924**
Net book value:			
At 31 December 2009	**28,839**	**20,971**	**49,810**
At 31 December 2008	**31,679**	**—**	**31,679**

Licence fee represents the amount paid to the Telecommunication Regulatory Authority of the Sultanate of Oman for obtaining the licence to operate as fixed and mobile telecommunication service provider. Licence 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 operating expenses. The Company currently pays royalty for providing services under its mobile license as it is yet to launch its fixed line services.

12 RECEIVABLES AND PREPAYMENTS

	2009	2008
	RO'000	RO'000
Post paid receivable	**5,535**	4,483
Amount due from dealers	**7,328**	8,516
Receivable from other operators	**8,506**	5,796
	21,369	18,795
Less: allowance for post paid impaired receivables	**(3,700)**	(3,391)
	17,669	15,404
Amounts due from related parties (note 21)	**238**	—
Prepaid expenses and other receivables	**4,495**	4,104
Unbilled receivables	**1,539**	1,400
Deferred cost	**479**	506
	24,420	21,414

As at 31 December 2009, trade receivables at nominal value of RO 3,487,229 (2008: RO 2,973,633) were impaired. Movements in allowance for impairment of receivables were as follow:

	2009	2008
	RO	RO
At 1 January	**3,391**	2,319
Charge for the year (note 6)	**727**	1,370
Written off during the year	**(418)**	(298)
At 31 December	**3,700**	3,391

As at 31 December 2009, the ageing of unimpaired trade receivables is as follows:

			Past due but not impaired		
	Total	Neither past due nor impaired	30-60 days	60-90 days	Over 90 days
	RO'000	RO'000	RO'000	RO'000	RO'000
2009	**17,882**	**13,999**	**2,280**	**978**	**625**
2008	15,821	11,529	1,873	1,044	1,375

Unimpaired receivables are expected, on the basis of past experience, to be substantially recoverable. It is not the practice of the Company to obtain collateral over receivables and virtually all are, therefore, unsecured. However sales made to dealers 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 RO 5,025,000 (2008—RO 9,435,000) with certain commercial banks in Oman. These are denominated in Rial Omani and are short term in nature and carry an effective annual interest rate of 2% (2008—1.25%).

The Company is required to maintain certain service deposit balances to comply with the requirements of its term loan agreement. As of 31 December 2009, the balances in these service deposit accounts amounted to RO 3,501,000 (2008—RO 3,474,000).

14 SHARE CAPITAL

	Authorised		Issued and fully paid	
	2009	2008	2009	2008
	RO'000	RO'000	RO'000	RO'000
Ordinary shares of RO 1 each	**70,000**	70,000	**65,094**	65,094

In accordance with the Company's mobile license requirement, it has commenced the process leading to initial public offering.

15 STATUTORY RESERVE

Article 106 of the Commercial Companies Law of 1974 requires that 10% of a company's profit 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 balance sheet date was RO 48,523,000. 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 2009, the unrealised loss of RO 3,340,000 relating to measuring the financial instruments at fair value is included in equity in respect of these contracts (2008:RO 4,012,000). There was no significant ineffectiveness noted for 2009 and 2008.

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.

	Negative fair value	Notional amount total	Notional amount by term to maturity		
			1-12 months	More than 1 up to 5 years	Over 5 years
	RO'000	RO'000	RO'000	RO'000	RO'000
31 December 2009					
Interest rate swaps	3,340	48,523	10,398	38,125	—
31 December 2008					
Interest rate swaps	4,012	58,859	10,387	48,472	—

17 INTEREST BEARING BORROWINGS

	2009	2008
	RO'000	RO'000
Non-current liabilities		
Term loan	**60,076**	58,859
Less: Deferred financing costs	**(261)**	(480)
	59,815	58,379
Less: current portion classified under current liabilities	**11,264**	10,387
Non-current portion	**48,551**	47,992

The Company has availed a syndicated long-term loan facility from certain financial institutions aggregating to approximately RO 104 million (2008—RO 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.

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 the shareholders of the Company. 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, amongst others, 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, payment of dividends, 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 RO 35 million. The revised agreement was signed on 23 October 2007. In December 2009, the Company drew down RO 11.5 Million from this additional facility.

The loan facilities bear interest at US LIBOR plus applicable margins. Margin percentage on the existing facilities of RO 60 million till the date the Company achieves positive cash flow is 0.80%, thereafter the following margins will apply on the existing and additional facilities.

Total net debt: EBITDA ratio

< or = 1.5 : 1	0.575%
> 1.5 : 1 and < or = 2.0 : 1	0.65%
> 2.0 : 1 and < or = 2.5 : 1	0.725%
> 2.5 : 1 and < or = 3.0 : 1	0.775%
> 3.0 : 1 and < or = 3.5 : 1	0.825%
> 3.5 : 1	0.925%

In addition a commitment fee is payable on the additional undrawn facility.

The Company has received a market disruption clause notice from some of its lenders which request that finance cost on the commercial loan facility be based on LIBOR plus an additional margin from March 2009. The average annual additional interest paid in relation to this during the year amounted to 1.61%.

18 SITE RESTORATION PROVISION

Site restoration provision as of the balance sheet date amounted to RO 2,366,000 (2008-RO 1,838,000). The Company is committed to restore each site as it is vacated. A movement schedule is set out below:

	2009 RO'000	2008 RO'000
Balance at 1 January	**1,838**	1,286
Created during the year	**397**	414
Unwinding of discount	**131**	138
Balance at 31 December	**2,366**	1,838

The provision is not expected to be utilised in next 12 months.

19 EMPLOYEES' END OF SERVICE BENEFITS

	2009 RO'000	2008 RO'000
Movements in the liability recognised in the balance sheet are as follows:		
Liability as at 1 January	**188**	108
Accrued during the year	**283**	115
End of service benefits paid	**(23)**	(35)
Liability as at 31 December	**448**	188

20 PAYABLES AND ACCRUALS

	2009 RO'000	2008 RO'000
Trade accounts payable	**13,538**	14,459
Accrued expenses—operating expenses	**17,797**	21,433
Accrued expenses—capital expenses	**3,436**	13,420
Amounts due to related parties (note 21)	**4,549**	4,040
Deposits from customers	**410**	462
	39,730	53,814

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:

	2009		2008	
	Other related parties	Directors and key management	Other related parties	Directors and key management
	(RO'000)		(RO'000)	
Director's and key management remuneration	—	1,318	—	1,322
Service fee	5,149	—	4,177	—
Interest	1,749	—	—	—
Other expenses	1,723	—	1,108	31
	8,621	1,318	5,285	1,353

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.

The Company has received a loan of OMR 20.5m from its ultimate parent company, Qatar Telecom during the year for payments against the fixed line license to TRA. This loan has been repaid by the Company during December 2009 along with interest amounting to RO 1,640 thousand, and the balance unpaid interest is included under payables.

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

	2009		2008	
	Other receivable	Trade payable	Other receivable	Trade payable
	(RO'000)		(RO'000)	
Major shareholders	238	—	—	197
Other related parties	—	4,549	—	3,843
	238	4,549	—	4,040

As of 31 December 2009, an amount of RO 238 thousand is recoverable from the Company's shareholders towards IPO related expenses incurred by the Company on behalf of its shareholders.

Compensation of key management personnel

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

	2009 RO'000	2008 RO'000
Salaries / remuneration and benefits	**1,074**	890
Director's remuneration	**200**	367
Employees' end of service benefits	**44**	65
	1,318	1,322

22 EXPENDITURE COMMITMENTS

	2009 RO'000	2008 RO'000
Capital expenditure commitments		
Estimated capital expenditure contracted for at the balance sheet date but not provided for:		
Property, plant and equipment	**54,624**	5,495
Operating lease commitments		
Future minimum lease payments:		
Within one year	**2,925**	2,484
After one year but not more than five years	**8,614**	12,304
More than five years	**8,453**	14,765
Total operating lease expenditure contracted for at the balance sheet date	**19,992**	29,553
Licence commitments	**—**	20,500

The license commitment that existed as of 31 December 2008 to Telecom Regulatory Authority of Oman for fixed line license has been paid during the year.

23 CONTINGENT LIABILITIES

At 31 December 2009, the Company had contingent liabilities in respect of performance bond guarantee of RO 8.7 million (2008: RO 8.7 million) in the ordinary course of business from which it is anticipated that no material liabilities will arise.

24 RISK MANAGEMENT

The Company's principal financial liabilities, other than derivatives, comprise bank loans, and trade payables. 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 2009, after taking into account the effect of interest rate swaps, approximately 80% of the Company's borrowings are at a fixed rate of interest (2008: 100%). With all other variables constant, a 25 basis possible change in interest rates on un hedged portion of loans and borrowings will have an impact of RO 29,000 (2008—nil) on the company's profit. There is only an immaterial impact on the Company's equity.

Credit risk

Credit risk is the risk that a 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 3 largest dealers' balances account for 41% of outstanding unimpaired trade receivable at 31 December 2009 (2008: 54%). 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.

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. Accounts payable include payables denominated in US Dollars and represent approximately 27% (2008: 34%) of the Company's payables and accruals. The Company's long term borrowings and certain bank deposits amounting to RO 60,076,000 and RO 8,098,197 respectively are denominated in US Dollars. The Rial Omani 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.

The table below summarises the maturities of the Company's undiscounted financial liabilities at 31 December 2009, based on contractual payment dates and current market interest rates.

Year ended 31 December 2009	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**> 5 years**	**Total**
	RO'000	**RO'000**	**RO'000**	**RO'000**	**RO'000**
Interest bearing borrowings	**5,199**	**6,065**	**48,812**	**—**	**60,076**
Payables and accruals	**34,771**	**410**	**—**	**—**	**35,181**
Due to related parties	**4,549**	**—**	**—**	**—**	**4,549**
Interest on term loan	**70**	**243**	**10,442**	**—**	**10,755**
Total	**44,589**	**6,718**	**59,254**	**—**	**110,561**

Year ended 31 December 2008	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**> 5 years**	**Total**
	RO'000	**RO'000**	**RO'000**	**RO'000**	**RO'000**
Interest bearing borrowings	5,193	5,194	48,472	—	58,859
Finance lease	—	229	—	—	229
Payables and accruals	49,312	462	—	—	49,774
Due to related parties	242	3,798	—	—	4,040
Interest on term loan	69	208	10,369	—	10,646
Total	54,816	9,891	58,841	—	123,548

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 years end 31 December 2009 and 31 December 2008. Capital comprises share capital and retained earnings, and is measured at RO 88,130 thousand as at 31 December 2009 (2008: RO 50,751 thousand).

25 KEY SOURCES OF ESTIMATION UNCERTAINTY

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and 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 balance sheet date, gross trade accounts receivable were RO 21,369 thousand (2008: RO 18,795 thousand) and the provision for doubtful debts was RO 3,700 thousand (2008: RO 3,391 thousand). 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.

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 2009 is RO 2,366,000 (2008—RO 1,838,000). 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 balance sheet date goods for resale were RO 774 thousand (2008: RO 1,050 thousand) and the provision for obsolete inventory amounted to RO 182 thousand (2008: RO 132 thousand). 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.

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

The Company currently only renders wireless services and its operations are mainly confined to the Sultanate of Oman. Details regarding the Company's wireless revenue are included in note 4. The Company has been recently awarded fixed line license and currently it is in the process of developing the related infrastructure. An analysis of the Company's capital expenditure is set out below:

	2009 RO'000	2008 RO'000
Wireless services	**26,624**	35,811
Fixed line services	**4,048**	—
	30,672	35,811

None of the Company's customers contribute more than 10% of its revenue.

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 2009, 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.

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P.R. No. MH/4

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF OMANI QATARI TELECOMMUNICATIONS COMPANY SAOC

We have audited the accompanying financial statements of Omani Qatari Telecommunications Company SAOC ('the company'), which comprise the balance sheet as at 31 December 2008 and the income statement, cash flow statement and statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Board of Directors' Responsibility for the Financial Statements
The Board of Director is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' 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 auditors' judgement, 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 Board of Directors, 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 2008 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Ernst & Young

7 March 2009
Muscat

Omani Qatari Telecommunications Company SAOC

INCOME STATEMENT
Year ended 31 December 2008

	Notes	2008	2007
		RO'000	RO'000
Revenue	4	**139,222**	94,372
Other income		**1,034**	647
		140,256	95,019
Operating expenses	5	**(48,234)**	(40,686)
General and administrative expenses	6	**(41,345)**	(28,181)
Depreciation and amortisation		**(16,191)**	(12,576)
Royalty		**(7,060)**	(5,232)
Financing costs	7	**(4,310)**	(4,370)
PROFIT BEFORE TAX		**23,116**	3,974
Income tax expense	8	**(3,520)**	4,202
PROFIT FOR THE YEAR		**19,596**	8,176
Basic earnings per share (RO)	21	**0.301**	0.141

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

Omani Qatari Telecommunications Company SAOC

BALANCE SHEET
At 31 December 2008

	Notes	2008 RO'000	2007 RO'000
ASSETS			
Non current assets			
Property, plant and equipment	9	**98,779**	76,366
License fee	10	**31,679**	34,518
Deferred tax asset	8	**1,011**	4,531
		131,469	115,415
Current assets			
Inventories		**918**	657
Receivables and prepayments	11	**21,414**	21,318
Bank balances and cash	12	**20,393**	20,977
		42,725	42,952
TOTAL ASSETS		**174,194**	158,367
EQUITY AND LIABILITIES			
Equity			
Share capital	13	**65,094**	65,094
Direct costs relating to proposed initial public offering		**(238)**	—
Statutory reserve	14	**2,778**	818
Cumulative changes in fair values	15	**(4,012)**	(2,559)
Accumulated losses		**(14,343)**	(31,979)
Total equity		**49,279**	31,374
Non current liabilities			
Interest bearing borrowings	16	**47,992**	58,161
Site restoration provision	17	**1,838**	1,286
Finance leases	18	**—**	241
Negative fair value of derivatives	15	**1,896**	1,942
Employees' end of service benefits	19	**188**	108
		51,914	61,738
Current liabilities			
Payables and accruals	20	**53,814**	48,094
Interest bearing borrowings	16	**10,387**	10,388
Finance leases	18	**229**	194
Negative fair value of derivatives	15	**2,116**	617
Deferred revenue		**6,455**	5,962
		73,001	65,255
Total liabilities		**124,915**	126,993
TOTAL EQUITY AND LIABILITIES		**174,194**	158,367

These financial statements were approved and authorised for issue by the Board of Directors on 7th March 2009 and were signed on their behalf by:

H.E. Sh. Salim bin Mustahil Al Ma'ashani Sd/- Chairman	Mr. Saleh Nasser Al-Riyami Sd/- Director	Ross Cormack Sd/- CEO

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

Omani Qatari Telecommunications Company SAOC

CASH FLOW STATEMENT
Year ended 31 December 2008

	Notes	2008 RO'000	2007 RO'000
OPERATING ACTIVITIES			
Profit before tax		**23,116**	3,974
Adjustments for:			
Depreciation and amortisation		**16,191**	12,576
Accrual for employees' end of service benefits	19	**115**	66
Financing costs	7	**3,831**	4,116
Interest income		**(162)**	(535)
Profit on disposal of assets		**(31)**	—
Site restoration provision	17	**552**	1,286
Operating profit before working capital changes		**43,612**	21,483
Inventories		**(261)**	(357)
Receivable and prepayments		**(96)**	(8,708)
Payables accruals and deferred revenue		**6,213**	22,722
Cash from the operations		**49,468**	35,140
Interest paid		**(3,831)**	(4,116)
Employees' end of service benefits paid	19	**(35)**	(32)
Net cash from operating activities		**45,602**	30,992
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	9	**(35,811)**	(29,584)
Proceeds from disposal of equipment		**77**	—
Repayment of finance lease liability		**(206)**	(425)
Interest income		**162**	535
Net cash used in investing activities		**(35,778)**	(29,474)
FINANCING ACTIVITIES			
Proceeds from issuance of share capital		**—**	10,769
Share issue expenses		**(238)**	—
Repayment of term loan		**(10,170)**	
Long term loan		**—**	86
Net cash (used in) from financing activities		**(10,408)**	10,855
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(584)**	12,373
Cash and cash equivalents at the beginning of the year		**20,977**	8,604
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	12	**20,393**	20,977

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

Omani Qatari Telecommunications Company SAOC

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2008

	Share capital	Direct costs relating to proposed initial public offering	Statutory reserve	Cumulative changes in fair value	Accumulated losses	Total
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
At 1 January 2007	54,325	—	—	(772)	(39,337)	14,216
Net movement in unrealised loss on revaluation of cash flow hedges	—	—	—	(1,787)	—	(1,787)
Total expense for the year recognised directly in equity	—	—	—	(1,787)	—	(1,787)
Profit for the year	—	—	—	—	8,176	8,176
Total income and expense for the year	—	—	—	(1,787)	8,176	6,389
Offer of share capital	10,769	—	—	—	—	10,769
Transfer to statutory reserve			818		(818)	—
At 31 December 2007	65,094	—	818	(2,559)	(31,979)	31,374
Net movement in unrealised loss on revaluation of cash flow hedges	—	—	—	(1,453)	—	(1,453)
Direct costs relating to proposed initial public offering	—	(238)	—	—	—	(238)
Total expense for the year recognised directly in equity	—	(238)	—	(1,453)	—	(1,691)
Profit for the year	—	—	—	—	19,596	19,596
Total income and expense for the year	—	(238)	—	(1,453)	19,596	17,905
Transfer to statutory reserve	—	—	1,960	—	(1,960)	—
At 31 December 2008	**65,094**	**(238)**	**2,778**	**(4,012)**	**(14,343)**	**49,279**

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

1 LEGAL STATUS AND PRINCIPAL ACTIVITIES

Omani Qatari Telecommunications Company SAOC ("the company") is registered as a closed joint stock company in 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 period ending 18 February 2020.

The company's current principal activities are the operation, maintenance and development of mobile 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.

2 BASIS OF PREPARATION

The accounting records are maintained in Rial Omani which is the functional and reporting currency for these financial statements. The financial statement 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.

Statement of compliance

The financial statements of the company have been prepared in accordance with International Financial Reporting Standards (IFRS) and applicable requirements of the Commercial Companies Law of the Sultanate of Oman.

3 SIGNIFICANT ACCOUNTING POLICIES

Changes in accounting polices

The accounting polices adopted are consistent with those of previous year except that during the year the company adopted IFRIC Interpretation 13- Customer Loyalty Programme. IFRIC Interpretation 13 was issued in June 2007 and becomes effective for annual periods beginning on or after 1 July 2008. This interpretation requires customer loyalty award credits to be accounted for as a separate component of the sales transaction in which they are granted and therefore part of the fair value of the consideration received allocated to the award credits and deferred over the period and that the award credit are fulfilled. Adoption of this interpretation did not have any effect on the financial performance or position of the Group.

Standards and amendments that are not yet effective

The following relevant International Accounting Standards Board (IASB) Standards and Interpretations have been amended/issued but are not yet mandatory, and have not yet been adopted by the company:

1) Revised IAS 1 "Presentation of Financial Statements" which will be effective for the year ending 31 December 2009. The application of this standard will result in amendments to the presentation of the financial statements."

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.

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.

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

Taxation is provided in accordance with Omani fiscal regulations.

Deferred income tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts.

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 balance sheet date.

Deferred income tax assets are recognised for all deductible temporary differences and carry-forward of unused tax assets and unused tax losses 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 income tax assets are reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

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 balance sheet date. All differences are taken to the income statement.

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any impairment in value. Depreciation is charged to the income statement 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 exchange and network equipment	5 – 15 years
Subscriber apparatus and other equipment	2 –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 the income statement 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 included in the income statement in the year 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 that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised in accordance with the allowed alternate treatment under IAS 23. All other borrowing costs are recognised as an expense when incurred.

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. 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 the income statement.

Trade and other receivables

Accounts receivable are stated at original invoice amount less a provision for any uncollectible amounts. 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 first-in, first-out 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 Cash Flow Statement, 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.

Impairment and uncollectibility of financial assets

An assessment is made at each balance sheet date to determine whether there is objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognised in the income statement. Impairment is determined as follows:

- For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognised in the income statement;
- For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset;
- For assets carried at amortised cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate.

Employees' benefits

End of service benefits are accrued in accordance with the terms of employment of the company for employees at the balance sheet 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 balance sheet date.

Contributions to a defined contribution retirement plan for Omani employees in accordance with the Omani Social Insurance Scheme are recognised as an expense in the income statement as incurred.

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.

Gains and losses are recognised in net profit or loss when the liabilities are derecognised as well as through the amortisation process.

Provisions

General

A provision is recognised in the balance sheet 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. 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

A provision for site restoration costs arises on construction of networking sites. A corresponding asset is recognised in property, plant and equipment. Site restoration costs are provided 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 the income statement 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

Accounts payable and accruals

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

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 against income.

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 as an expense in the income statement on a straight-line basis over the lease term.

Royalty

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

Derivative financial instruments

Derivative financial instruments are stated at fair value.

Cash flow hedges are those which hedge exposure to variability in cash flows of a recognised asset or liability or a forecasted transaction. For effective cash flow hedges, the gain or loss on the hedging instrument is recognised initially in equity and transferred to the income statement in the period in which the hedged transaction impacts the income statement.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised or no longer qualifies for hedge accounting. For cash flow hedges, any cumulative gain or loss on the hedging instrument recognised in equity remains in equity until the hedged transaction occurs. If the hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to the income statement.

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

Significant accounting judgments, estimates and assumptions

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Details regarding key sources of estimation uncertainty are set out in note 25.

4 REVENUE

	2008	2007
	RO'000	RO'000
Mobile traffic	**112,092**	66,877
Interconnection revenue	**18,966**	23,752
One time and recurring charges	**6,732**	3,035
Others	**1,432**	708
	139,222	94,372

5 OPERATING EXPENSES

	2008	2007
	RO'000	RO'000
Interconnection charges	**44,625**	38,493
Cost of equipment sold and other services	**3,063**	2,009
Commission on cards	**546**	184
	48,234	40,686

6 GENERAL AND ADMINISTRATIVE EXPENSES

	2008 RO'000	2007 RO'000
Employee salaries and associated costs	**13,247**	9,860
Repairs and maintenance	**8,277**	7,138
Rental and utilities	**5,887**	4,243
Service fee (note 22)	**4,177**	—
Sales and marketing	**3,869**	2,584
Others	**3,059**	1,800
Provision for impairment losses in respect of trade receivables (note 11)	**1,370**	1,709
Legal and professional charges	**1,459**	847
	41,345	28,181

7 FINANCING COSTS

	2008 RO'000	2007 RO'000
Interest on term loan (note 16)	**3,805**	4,078
Finance lease interest	**26**	38
Other interest	**104**	—
Bank charges	**237**	103
Site restoration—unwinding of discount	**138**	151
	4,310	4,370

Borrowing costs capitalised during the year amount to RO 651,947 (2007: RO 631,458). Borrowing costs are capitalised at an effective annual interest rate of 4.1%. (2007: 6.1%).

8 INCOME TAX

	2008 RO'000	2007 RO'000
Income statement		
Deferred tax (expense) income relating to the reversal of temporary differences	**(3,520)**	4,202
Deferred tax asset		
At 1 January	**4,531**	329
Movement for the year	**(3,520)**	4,202
At 31 December	**1,011**	4,531

The deferred tax asset comprises of the following types of temporary differences:

	2008 RO'000	2007 RO'000
Property, plant and equipment	**(514)**	(245)
Unused tax assets	**1,525**	4,776

The tax rate applicable to the company is 12% (2007: 12%). Deferred tax asset is recorded at 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 taxable profit for the year has been set off against tax losses brought forward from earlier years resulting in a taxable loss. Therefore, the applicable tax rate is nil (2007:nil). The average effective tax rate cannot be determined in view of the availability of brought forward losses.

The company has taxable losses available for off set against future taxable income as follows:

	2008	2007
	RO'000	RO'000
Available up to 2010 (estimated)	**—**	22,041
Available up to 2011 (estimated)	**9,032**	12,237
	9,032	34,278

The company's tax assessments up to 2006 have been completed.

9 PROPERTY, PLANT AND EQUIPMENT

	Mobile exchange and network equipment	Subscriber apparatus and other equipment	Capital work in progress	Total
	RO'000	RO'000	RO'000	RO'000
Cost				
1 January 2008	70,747	17,213	8,237	96,197
Additions	—	2,195	33,616	35,811
Capitalised during the year	22,401	—	(22,401)	—
Disposals	(62)	—	—	(62)
31 December 2008	**93,086**	**19,408**	**19,452**	**131,946**
Depreciation				
1 January 2008	11,912	7,919	—	19,831
Charge for the year	9,973	3,379	—	13,352
Disposals	(16)	—	—	(16)
31 December 2008	**21,869**	**11,298**	**—**	**33,167**
Net book value				
31 December 2008	**71,217**	**8,110**	**19,452**	**98,779**
Cost				
1 January 2007	46,128	14,843	5,642	66,613
Additions	—	—	29,584	29,584
Capitalised during the year	24,619	2,370	(26,989)	—
31 December 2007	70,747	17,213	8,237	96,197
Depreciation				
1 January 2007	5,432	4,661	—	10,093
Charge for the year	6,480	3,258	—	9,738
31 December 2007	11,912	7,919	—	19,831
Net book value				
31 December 2007	58,835	9,294	8,237	76,366

10 LICENSE FEE

	2008	2007
	RO'000	RO'000
Balance at 1 January	**34,518**	37,356
Amortisation during the year	**(2,839)**	(2,838)
Balance at 31 December	**31,679**	34,518

Licence fee represents the amount paid to the Telecommunication Regulatory Authority of the Sultanate of Oman for obtaining the licence to operate as a second mobile telecommunication service provider. Licence fee is stated at cost less accumulated amortisation and impairment losses. The license fee is being amortised on a straight-line basis from 1 April 2005 up to the expiry of the license in February 2020.

11 RECEIVABLES AND PREPAYMENTS

	2008 RO'000	2007 RO'000
Trade accounts receivable	**18,795**	18,756
Less: provision for doubtful debts	**(3,391)**	(2,319)
	15,404	16,437
Amounts due from related parties (note 22)	**—**	—
Prepaid expenses	**2,974**	1,743
Accrued income	**1,400**	1,100
Other receivables	**1,636**	2,038
	21,414	21,318

As at 31 December 2008, trade receivables at nominal value of RO 3,391,000 (2007: 2,319,000) were impaired. Movements in allowance for impairment of receivables were as follow:

	2008 RO	2007 RO
At 1 January	**2,319**	610
Charge for the year (note 6)	**1,370**	1,709
Written off during the year	**(298)**	—
At 31 December	**3,391**	2,319

As at 31 December 2008, the ageing of unimpaired trade receivables is as follows:

		Neither past due		Past due but not impaired	
	Total	nor impaired	30-60 days	60-90 days	Over 90 days
	RO'000	RO'000	RO'000	RO'000	RO'000
2008	**15,404**	**11,112**	**1,873**	**1,044**	**1,375**
2007	16,437	15,496	610	307	24

Unimpaired receivables are expected, on the basis of past experience, to be substantially recoverable. It is not the practice of the company to obtain collateral over receivables and virtually all are, therefore, unsecured. However sales made to dealers are backed with their corporate/bank guarantees.

12 BANK BALANCES AND CASH

Included in bank balances and cash are bank deposits of RO 9,435,000 (2007–RO 13,496,000) with certain commercial banks in Oman. These are denominated in Riyal Omani and are short term in nature and carry an effective annual interest rate of 1.25% (2007—5%).

The company is required to maintain certain service deposit balances to comply with the requirements of its term loan agreement. As of 31 December 2008, the balances in these service deposit accounts amounted to RO 3,474,000 (2007—RO 3,471,000).

13 SHARE CAPITAL

	Authorised		Issued and fully paid	
	2008	2007	2008	2007
	RO'000	RO'000	RO'000	RO'000
70,000,000 shares of RO 1 each	**70,000**	70,000	**65,094**	65,094

In accordance with the company's license requirement, it has to come out with its initial public offering by February 2010.

14 STATUTORY RESERVE

Article 106 of the Commercial Companies Law of 1974 requires that 10% of a company's profit 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.

15 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 16). The loan amount covered as at the balance sheet date was RO 58,859,284. 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 2008, the unrealised loss of RO 4,011,887 relating to measuring the financial instruments at fair value is included in equity in respect of these contracts (2007 :RO 2,559,250).

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	Notional amount total	1-12 months	More than 1 up to 5 years	Over 5 years
	RO'000	RO'000	RO'000	RO'000	RO'000
31 December 2008					
Interest rate swaps	4,012	58,859	10,387	48,472	—
31 December 2007					
Interest rate swaps	2,559	69,252	10,388	58,864	—

16 INTEREST BEARING BORROWINGS

	2008	2007
	RO'000	RO'000
Non-current liabilities		
Term loan	**58,859**	69,252
Less: Deferred financing costs	**(480)**	(703)
	58,379	68,549
Less: current portion classified under current liabilities	**10,387**	10,388
Non-current portion	**47,992**	58,161

The company has availed a syndicated long-term loan facility from certain financial institutions aggregating to approximately RO 104 million (2007—RO 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.

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 the shareholders of the company.

The loan agreement contains certain restrictive covenants which include, amongst others, 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, payment of dividends, disposal of property, plant and equipment and incurrence of additional debt.

During previous year, the company renegotiated the terms of its existing borrowings of RO 59 million and availed additional facilities amounting RO 35 million. The revised agreement was signed on 23 October 2007.

The loan facilities bear interest at US LIBOR plus applicable margins. Margin percentage on the existing facilities of RO 59 million till the date the company achieves positive cash flow is 0.80%, thereafter the following margins will apply on the existing and additional facilities.

Total net debt: EBITDA ratio	
< or = 1.5 : 1	0.575%
> 1.5 : 1 and < or = 2.0 : 1	0.65%
> 2.0 : 1 and < or = 2.5 : 1	0.725%
> 2.5 : 1 and < or = 3.0 : 1	0.775%
> 3.0 : 1 and < or = 3.5 : 1	0.825%
> 3.5 : 1	0.925%

In addition a commitment fee is payable on the additional undrawn facility.

17 SITE RESTORATION PROVISION

Site restoration provision as of the balance sheet date stands at RO 1,838,000 (2007-RO 1,286,000). The provision is expected to be fully utilised by 2020. The company is committed to restore each site as it is vacated. A movement schedule is set out below:

	2008 RO'000	2007 RO'000
Balance at 1 January	**1,286**	—
Created during the year	**414**	1,135
Unwinding of discount	**138**	151
	1,838	1,286

18 EXPENDITURE COMMITMENTS

	2008 RO'000	2007 RO'000
Capital expenditure commitments		
Estimated capital expenditure contracted for at the balance sheet date but not provided for:		
Property, plant and equipment	**5,495**	12,285
Operating lease commitments		
Future minimum lease payments:		
Within one year	**2,484**	3,047
After one year but not more than five years	**12,304**	15,233
More than five years	**14,765**	21,326
Total operating lease expenditure contracted for at the balance sheet date	**29,553**	39,606
Licence commitments	**20,500**	**—**

A consortium in which the company is a member has recently been named as the winning applicant for a fixed line license and is in the process of completing the related regulatory requirements. The consortium has subsequently requested that the license be awarded to the company instead. As of 31 December 2008, the Company's ultimate parent company has set aside a deposit of RO 20.5 million in an escrow account on behalf of the consortium to comply with the regulatory requirements. On formal issuance of license in due course, the company will be required to pay an equal amount to the Telecom Regulatory Authority of Oman as license fee.

Finance lease commitments

	Minimum lease payments RO'000	Interest RO'000	Present value of payments RO'000
Less than one year	229	—	229

Under the terms of the lease agreements, no contingent rents are payable.

19 EMPLOYEES' END OF SERVICE BENEFITS

	2008 RO'000	2007 RO'000
Movements in the liability recognised in the balance sheet are as follows:		
Liability as at 1 January	**108**	74
Accrued during the year	**115**	66
End of service benefits paid	**(35)**	(32)
Liability as at 31 December	**188**	108

20 PAYABLES AND ACCRUALS

	2008 RO'000	2007 RO'000
Trade accounts payable	**14,459**	21,466
Accrued expenses	**34,853**	25,651
Amounts due to related parties (note 22)	**4,040**	777
Advances from customers	**462**	200
	53,814	48,094

21 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:

	2008 RO'000	2007 RO'000
Profit for the year	**19,596**	8,176
Weighted average number of shares outstanding for the year (number)	**65,094**	57,915
Profit per share (RO)	**0.301**	0.141

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.

22 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.

	2008			2007		
	Directors' sitting fee RO'000	Service fee RO'000	Other expenses RO'000	Directors' sitting fee RO'000	Service fee RO'000	Other expenses RO'000
Other related parties	**—**	**4,177**	**1,108**	—	—	1,730
Directors and key management personnel	**367**	**—**	**31**	39		
	367	**4,177**	**1,139**	39	—	1,730

Effective 1 January 2008, the company has entered into a technical and service agreement with a 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 balance sheet are as follows:

	2008		2007	
	Trade receivables	Trade payables	Trade receivables	Trade Payables
	RO'000	RO'000	RO'000	RO'000
Major shareholders	—	**198**	—	388
Other related parties	—	**3,842**	—	389
Directors and key management personnel		**—**		
	—	**4,040**	—	777

Compensation of key management personnel

The remuneration of members of key management during the year was as follows:

	2008	2007
	RO'000	RO'000
Short-term benefits	**890**	1,273
Employees' end of service benefits	**65**	67
	955	1,340

23 CONTINGENT LIABILITIES

At 31 December 2008 the company had contingent liabilities in respect of letters of credit of RO 2.3 million (2007: RO 6.5 million) and performance bond guarantee of RO 2.1 million (2007: RO 2.1 million) in the ordinary course of business from which it is anticipated that no material liabilities will arise.

The claims against the company and not acknowledged as liabilities as at 31 December 2008 amounted to RO 150,000 (31 December 2007: 150,000).

There were no material contingent assets as of the balance sheet date.

24 RISK MANAGEMENT

The company's principal financial liabilities, other than derivatives, comprise bank loans, finance leases and trade payables. 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

The company's exposure to the risk of changes in market interest rates relates primarily to the company's long-term debt obligations with floating interest rates. 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 2008 and 2007, after taking into account the effect of interest rate swaps, all of the company's long term borrowings are at a fixed rate of interest.

The company's obligations under finance lease and its bank deposits carry fixed rate of interest and therefore are not exposed to interest rate risk.

Credit risk

The company trades only with recognised, creditworthy dealers. Its 3 largest dealers' balances account for 54% of outstanding accounts receivable at 31 December 2008 (2007: 46%). 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.

Currency risk

Accounts payable include payables denominated in US Dollars represent approximately 34% (2007: 40%) of the company's payables and accruals. The Rial Omani 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.

The table below summarises the maturities of the company's undiscounted financial liabilities at 31 December 2008, based on contractual payment dates and current market interest rates.

Year ended 31 December 2008	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
	RO'000	RO'000	RO'000	RO'000	RO'000
Interest bearing borrowings	**5,193**	**5,194**	**48,472**	**—**	**58,859**
Finance lease	**—**	**229**	**—**	**—**	**229**
Payables and accruals	**49,312**	**462**	**—**	**—**	**49,774**
Due to related parties	**242**	**3,798**	**—**	**—**	**4,040**
Total	**54,747**	**9,683**	**48,472**	**—**	**112,902**

Year ended 31 December 2007	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
	RO'000	RO'000	RO'000	RO'000	RO'000
Interest bearing borrowings	5,194	5,194	58,864	—	69,252
Finance lease	—	241	194	—	435
Payables and accruals	47,118	200	—	—	47,318
Due to related parties	388	389	—	—	777
Total	52,700	6,024	59,058	—	117,782

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.

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 years end 31 December 2008 and 31 December 2007.

25 KEY SOURCES OF ESTIMATION UNCERTAINTY

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are contained 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 balance sheet date, gross trade accounts receivable were RO 18,795,000 and the provision for doubtful debts was RO 3,391,000. Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the income statement.

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 2008 is RO 1,838,000 (2007—RO 1,286,000).

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 balance sheet date goods for resale were RO 1,049,527 and the provision for obsolete inventory amounted to RO 131,687. Any difference between the amounts actually realised in future periods and the amounts expected will be recognised in the income statement.

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.

26 SEGMENT INFORMATION

The company currently only renders wireless services and its operations are mainly confined to the Sultanate of Oman. Details regarding the company's revenue are included in note 4.

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, obligations under finance leases, 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.

28 COMPARATIVE FIGURES

The corresponding figures for 31 December 2007 have been reclassified in order to conform to the presentation for the current year. Such reclassification do not impact the company's previous year reported profit or equity.

Chapter XIV

Management's Discussion and Analysis of Financial Condition and Results of Operations

The following management's discussion and analysis of financial condition and results of operations discusses Nawras' historical financial results for the six months ended 30 June 2010 and 2009 and for the years ended 31 December 2009, 2008 and 2007. Investors should read the following discussion in conjunction with Nawras' interim financial statements for the six months ended 30 June 2010 and Nawras' audited consolidated financial statements as at and for the years ended 31 December 2009, 2008 and 2007 prepared in accordance with IFRS, including the accompanying notes thereto, which are included elsewhere in this Prospectus. Nawras' interim financial statements for the six months ended 30 June 2010 and Nawras' consolidated financial statements as at and for the years ended 31 December 2009, 2008 and 2007 have been audited by Ernst & Young, Nawras' independent auditor.

Prospective investors are encouraged to read the whole of this Prospectus, including "Chapter X—Description of the Company and Business Overview" for an overview and a description of Nawras' operations and "Chapter XII—Risk Factors and Mitigants" for a discussion of factors that may affect Nawras' business, financial condition and results of operations and not rely solely on the financial information contained in this section.

Overview

Nawras is a leading provider of telecommunications services in Oman.

Nawras' vision is to enrich the lives of the people of Oman through better communication services, and its mission is to be the communications provider, and employer, of choice in Oman.

Nawras currently provides a complete range of mobile telecommunications products and services, including prepaid, postpaid, data, SMS and value-added services. At 30 June 2010, Nawras had 1.97m customers and a 45% market share of mobile customers in the Oman mobile telecommunications market, according to the TRA. Since its launch in March 2005, Nawras has transformed many aspects of the Oman mobile telecommunications market, including being the first provider to offer international roaming for prepaid customers, 3G+ services and prepaid mobile broadband, as well as being the first to offer 24/7 customer support service and nation-wide telecommunications distribution.

Nawras has built a mobile network that utilises a combination of EDGE-enabled 2.75G and HSPA-enabled 3.5G mobile access technologies. Nawras' network is supported by an all-IP/MPLS transmission that is capable of supporting the roll out of emerging technologies, such as WiMAX services, as well as future technologies such as LTE. As of 30 June 2010, Nawras' network footprint covered approximately 96% of the population in Oman's challenging geographical landscape.

In 2009, Nawras was granted its Fixed Licence to provide fixed telecommunications services in Oman following a competitive bidding process. This is the second fixed licence in Oman, the first was granted to the incumbent operator in 2004. Nawras has provided fixed voice and data products and services since mid-2010, predominantly by way of fibre optic and, more recently, by way of WiMAX technologies. Nawras offers fixed products and services that are intended to complement and enhance its existing mobile and Internet products and services. Further, Nawras intends to use the Fixed Licence to expand its reach into the corporate and broadband markets, as well as exploit available and anticipated local and international wholesale opportunities.

Key Factors Affecting Nawras' Results

Customer base growth

In recent years, the number of mobile telecommunications customers in Oman has grown rapidly—at growth rates much higher than comparable rates in Western Europe—increasing from a mobile penetration rate of 56% in 2005 to 138% in 2009 to 147% as of 31 March 2010, according to the TRA. At the same time, Nawras grew from a start up with no customers in 2005 to 1.97 million customers at 30 June 2010. Growth in the number of customers and their volume of mobile usage during the periods under review has contributed to higher revenues and profits.

Mobile penetration

Increased levels of mobile penetration (i.e. the number of mobile phone numbers within a specific population) tends to depress revenue margins and profit per customer, which results from: (i) mobile carriers in more mature markets being more willing to offer incentives to retain customers on their network or convince them to switch from a competitor; (ii) some customers using multiple sim cards from different operators; and (iii) new customers tending to be more price conscious, and as such, being lower revenue sources than established customers.

Customer mix

Nawras' revenue from mobile traffic is primarily divided into revenue derived from prepaid mobile and postpaid customers. While prepaid customers represented the predominant share of Nawras' total customer base and while Nawras experienced a moderate decline in postpaid ARPU recently as a result of a higher rate of prepaid-to-postpaid migration and the addition of a higher number of business customers with relatively low ARPU, postpaid customers provided higher revenue per customer than prepaid customers due to increased mobile usage. Specifically, while prepaid customers represented approximately 92% of Nawras' total customer base in 2007 and 91% in the six months ended 30 June 2010, ARPU for postpaid customers was OMR 29.8, OMR 28.0 and OMR 27.1 in 2007, 2008 and 2009, respectively, and OMR 26.3 in the six months ended 30 June 2010 (OMR 27.5 in the six months ended 30 June 2009), and ARPU for prepaid customers was OMR 9.4, OMR 7.2 and OMR 6.1 in 2007, 2008 and 2009, respectively, and OMR 5.7 in the six months ended 30 June 2010 (OMR 6.1 in the six months ended 30 June 2009) (with the decline in ARPU for prepaid customers resulting from the addition of lower ARPU customers and increased competition). As a result, while revenue from prepaid customers was OMR 74m, OMR 104m and OMR 117m in 2007, 2008 and 2009, respectively, and OMR 62m in the six months ended 30 June 2010 (OMR 55m in the six months ended 30 June 2009), revenue from postpaid customers was OMR 18m, OMR 32m and OMR 43m in 2007, 2008 and 2009, respectively, and OMR 26m in the six months ended 30 June 2010 (OMR 20m in the six months ended 30 June 2009). Nawras will continue to seek to grow its postpaid customer base as it seeks to add more high-value customers.

Interconnection charges

The TRA sets the rates that Nawras and other telecommunications service providers can charge for interconnection services. Interconnection rates are the amount telecommunications operators charge each other to use their networks (for example for collecting and delivering calls, for installing, maintaining and operating interconnection points and payments for supplementary services). Over the period under review, the TRA has reduced interconnection rates that may be charged by telecommunications operators. Local interconnection rates reduced from Bzs 30.3 in 2007 to Bzs 20.9 in 2008 and to Bzs 15 in 2009. As a result, Nawras' growth in local interconnection revenue decreased between 2007 and 30 June 2010 (although Nawras began earning international interconnection revenue once its international gateway became operational in May 2010). Conversely, operating expenses, of which interconnection charges are a component, decreased over the same period, including once Nawras' international gateway became operational. On average during May and June 2010, 50% of the outgoing calls made from Nawras' network were routed through Nawras' international gateway, and more than 90% of the outgoing international traffic from Nawras' network goes via the international gateway as of 30 June 2010. Nawras expects its gross margin to improve if more traffic is routed through its international gateway.

Tariffs and usage per customer

Market trends indicate that as markets develop, average tariffs and usage per customer decrease, which has a negative impact on revenue and profit. The effects of growth in Nawras' customer base have been partially offset by declines in tariff levels resulting from increasing competitive pressures, decisions by regulators or, in certain cases, strategic decisions in order to increase their customer base. As Nawras' customer base grows to include those with lower income levels, it includes an increasing number of customers who use mobile telecommunications less frequently, which results in lower average minutes of usage per customer. Lower average minutes of usage by new customers may contribute to a decline in Nawras' average ARPU levels.

Competition

Since its inception, Nawras has competed primarily with the incumbent operator for customers on the basis of tariffs, network quality, customer service and the range of products and services offered.

Competition between Nawras and its competitor has resulted in declining prices for some of Nawras' services, which has a negative impact on its revenues. In addition, the Government has granted licences to a number of resellers, which has resulted in increased competition and in further downward pressure on tariffs, impacting Nawras' revenues and results.

Inflation

Inflation in Oman has been higher than in other developed markets in recent years, driven largely by increases in the general cost of goods and wages, as well as high liquidity and the depreciation of the U.S. Dollar, to which the Omani Rial is pegged. Inflation has resulted in increased costs in each of the years under review, most notably in salary costs. As pricing for Nawras' services are independent of inflation and more dependant on competition in the mobile telecommunications market, it is often not possible to increase its prices in line with the rate of inflation, which may impact Nawras' profitability.

Seasonality

Nawras tends to experience a moderate increase in revenue during the period of Ramadan due to increased mobile phone use by customers during the holiday season. However, factors such as sales promotions can influence quarterly trends, which may not be consistent from year to year.

Results of Operations

The table below sets out selected income statement data for the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2009 and 2010:

	Year Ended 31 December			Six Months Ended 30 June	
Selected Income Statement Data	**2007**	**2008**	**2009**	**2009**	**2010**
	(OMR, in millions)				
—Mobile traffic	66.9	112.1	136.4	64.0	68.4
—Interconnection revenue	23.8	19.0	17.9	8.4	10.3
—One time and recurring charges	3.0	6.7	15.1	5.9	11.5
—Others	0.7	1.4	2.2	1.1	1.0
Revenue	**94.4**	**139.2**	**171.6**	**79.4**	**91.2**
Other income	0.6	1.0	0.4	0.2	0.0
Operating expenses	(40.7)	(48.2)	(37.6)	(21.3)	(14.1)
General and administrative expenses	(28.2)	(41.3)	(51.7)	(24.7)	(28.7)
Depreciation and amortisation	(12.6)	(16.2)	(20.5)	(9.4)	(11.8)
Royalty	(5.2)	(7.1)	(10.1)	(4.4)	(5.4)
Financing costs	(4.4)	(4.3)	(5.1)	(2.0)	(2.1)
Profit before tax	**4.0**	**23.1**	**46.9**	**17.8**	**29.0**
Net provision for taxation	4.2	(3.5)	(5.4)	(1.8)	(3.5)
Profit for the period	**8.2**	**19.6**	**41.5**	**16.0**	**25.5**

Six months ended 30 June 2010 compared to six months ended 30 June 2009

Revenue

Nawras' revenue for the six months ended 30 June 2010 was OMR 91.2m as compared to OMR 79.4m for the six months ended 30 June 2009, an increase of OMR 11.8m, or 14.9%. Nawras' revenue for the six months ended 30 June 2010 consisted of revenue of OMR 90.6m from its mobile segment and revenue of OMR 677,000 from its fixed line segment. The increase in revenue in the six months ended 30 June 2010 was mainly attributed to an increase in Nawras' customer base (both prepaid and postpaid) and was partially offset by a decrease in ARPU compared to the first six months of 2009. The vast majority of the fixed line segment's revenue of OMR 677,000 resulted from incoming calls on Nawras' international gateway in May and June.

Mobile traffic

Mobile traffic revenue for the six months ended 30 June 2010 was OMR 68.4m as compared to OMR 64.0m for the six months ended 30 June 2009, an increase of OMR 4.4m, or 6.9%. The increase in mobile traffic revenue resulted primarily from an increase in customer numbers and usage volume and also reflects an OMR 862,000 increase in roaming revenue from certain routes. Revenue from international mobile traffic declined due to increased competition from resellers.

Interconnection revenue

Interconnection revenue for the six months ended 30 June 2010 was OMR 10.3m as compared to OMR 8.4m for the six months ended 30 June 2009, an increase of OMR 1.9m, or 22.6%. The increase in interconnection revenue was primarily attributable to higher international interconnection rates under a commercial agreement with the incumbent operator effective June 2009 and revenue from Nawras' own international gateway.

One-time and recurring charges

Revenue related to one-time and recurring charges, which consists primarily of revenue derived from monthly subscription fees for postpaid voice and postpaid mobile broadband and prepaid mobile broadband vouchers, was OMR 11.5m for the six months ended 30 June 2010 as compared to OMR 5.9m for the six months ended 30 June 2009, an increase of OMR 5.6m, or 94.9%. The increase in revenue related to one-time and recurring charges was primarily attributable to the increase in sales of prepaid mobile broadband vouchers.

Others

Others includes revenue related to other mobile services and primarily consists of revenues from sales of modems, hardware and handset and inbound roaming traffic. Revenue related to other mobile services for the six months ended 30 June 2010 was OMR 1m, a slight decrease from the revenue related to other mobile service of OMR 1.1m for the six months ended 30 June 2009. The decrease in revenue related to other mobile services was primarily attributable to the decrease in modem and handset sales.

Other income

Other income was OMR 8,000 and OMR 178,000 for the six months ended 30 June 2010 and 2009, respectively. The decrease in other income is primarily attributable to a provision recorded as a result of a claim made for damages due to the cyclone that affected Oman in June 2010.

Operating expenses

Operating expenses include interconnection charges, net of volume rebate, cost of equipment sold and other services and commission on cards. Operating expenses for the six months ended 30 June 2010 were OMR 14.1m as compared to OMR 21.3m for the six months ended 30 June 2009, a decrease of OMR 7.2m, or 33.8%, primarily due to a decrease in international interconnection charges that resulted from the lower international interconnection rates under a commercial agreement with the incumbent operator effective June 2009 and the introduction of Nawras' own international gateway.

General and administrative expenses

General and administrative expenses include employees' salaries and associated costs; repairs and maintenance; service fees; rental and utilities; sales and marketing; legal and professional charges; provisions for impairment losses on trade receivables; and other expenses. General and administrative expenses for the six months ended 30 June 2010 were OMR 28.7m as compared to OMR 24.7m for the six months ended 30 June 2009, an increase of OMR 4.0m, or 16.2%. The increase in general and administrative expenses was primarily attributable to increases in salary expenses following the hiring of over 90 employees in connection with the launch of Nawras' fixed line products and services and Internet leased-line expenses.

Depreciation and amortisation

Depreciation and amortisation expense for the six months ended 30 June 2010 was OMR11.8m as compared to OMR 9.4m for the six months ended 30 June 2009, an increase of OMR 2.4m, or 25.5%.

OMR 11.1m of Nawras' depreciation and amortisation expense for the six months ended 30 June 2010 was attributable to its mobile segment, and OMR 0.7m to its fixed line segment. The increase in depreciation and amortisation expense was primarily attributable to the amortisation of the licence fees related to the purchase of the Fixed Licence and reflects the increased depreciable costs in relation to capital expenditures for mobile and fixed line equipment.

Royalty

In accordance with the terms of the Licences, royalty is payable to the Government in an amount equal to 7% of revenue net of interconnection expenses. Royalty payable in the six months ended 30 June 2010 was OMR 5.4m as compared to OMR 4.4m for the six months ended 30 June 2009, an increase of OMR 1m, or 22.7%. The increase in royalty was primarily attributable to the increase in revenue and decrease in interconnection charges.

Financing costs

Financing costs in the six months ended 30 June 2010 were OMR 2.1m as compared to OMR 2.0m for the six months ended 30 June 2009, an increase of OMR 0.1m, or 5.0%, primarily due to increased borrowing costs.

Profit before tax

As a result of the foregoing factors, Nawras' profit before tax increased by 62.9% to OMR 29.0m for the six months ended 30 June 2010 from OMR 17.8m for the six months ended 30 June 2009. Nawras' profit before tax margin was 31.8% and 22.4% for the six months ended 30 June 2010 and 2009, respectively.

Taxation

Nawras' provision for taxation for the six months ended 30 June 2010 was OMR 3.5m, nearly double the provision for taxation of OMR 1.8m for the same period of 2009. The increase in Nawras' provision for taxation was primarily attributable to the increase in profit before tax. Nawras' provision for taxation consists of provisions for the current period and deferred taxation. The provision for deferred tax is related to taxable temporary differences arising at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts. In the six months ended 30 June 2010 and 2009, the provision for current taxation amounted to OMR 3.7m and OMR 1.0m, respectively. Nawras' effective tax rate for the six months ended 30 June 2010 was 12%.

Profit

As a result of the foregoing factors, Nawras' net profit increased by 59.4% to OMR 25.5m for the six months ended 30 June 2010 from OMR16.0m for the six months ended 30 June 2009. Nawras' net profit margin was 28.0% and 20.2% for the six months ended 30 June 2010 and 2009, respectively.

Year ended 31 December 2009 compared to year ended 31 December 2008 and year ended 31 December 2008 compared to year ended 31 December 2007

Revenue

Nawras' revenue in 2009 was OMR 171.6m compared to OMR 139.2m in 2008, an increase of OMR 32.4m, or 23.3%. The increase in revenue in 2009 was mainly attributed to the increase in customer base, increased inbound roaming as well as additional data and value-added service usage, which was offset, in part, by the decline in ARPU compared to 2008.

Revenue in 2008 increased by OMR 44.8m, or 47.5%, from OMR 94.4m in 2007. The increase in revenue in 2008 was mainly due to increase in customer base as well as additional data and value-added service usage, which was offset, in part, by a decline in ARPU in 2008 compared to 2007.

Mobile traffic

Mobile traffic revenue in 2009 was OMR 136.4m as compared to OMR 112.1m in 2008, an increase of OMR 24.3m, or 21.7%, reflecting an increase in customer numbers and usage volume. Mobile traffic revenue in 2009 also included an OMR 8.6m increase in roaming revenue from certain routes. The effect of the increase in customer numbers and usage volume was offset, in part, by a decrease of the effective rate per minute due to lower effective rates on on-network traffic and due to international call promotions introduced in the later half of 2009.

Mobile traffic revenue in 2008 increased OMR 45.2m, or 67.6%, from OMR 66.9m in 2007, reflecting an increase in customer numbers and usage volume. Outgoing traffic per prepaid customer remained flat and outgoing traffic per postpaid customer increased by 9% in 2008. The effective rate per minute decreased in 2008 mainly due to international call promotions introduced in the second half of 2008. Over the period, the rate of growth in mobile traffic revenue decreased as a result of decreased international traffic, increased competition resulting from resellers entering the market and the impact of lower revenue new customers.

Interconnection revenue

Interconnection revenue in 2009 was OMR 17.9m as compared to OMR 19.0m in 2008, a decrease of OMR 1.1m, or 5.8%. Interconnection revenue in 2008 decreased OMR 4.8m, or 20.2%, from OMR 23.8m in 2007. The decrease in interconnection revenue was primarily attributable to a decrease in interconnection rates over the period as a result of rate determinations by the TRA in each year. Specifically, interconnection revenue rates reduced from Bzs 30.3 in 2007 to Bzs 20.9 in 2008 and further to Bzs 15 in 2009. This was offset, in part, by increased interconnection traffic resulting from Nawras' larger customer base.

One-time and recurring charges

Revenue related to one-time and recurring charges, which are revenues derived from recurring postpaid voice and broadband and one-time charges related to prepaid broadband, was OMR 15.1m in 2009 as compared to OMR 6.7m in 2008, a more than twofold increase of OMR 8.4m. One-time and recurring charges in 2008 more than doubled to OMR 6.7m in 2008 from OMR 3.0m in 2007. The increase in revenue related to one-time and recurring charges was primarily due to an increase in postpaid customers in both voice and mobile broadband, closed user group subscriptions and increased sales to business customers.

Others

Revenue related to other mobile services in 2009 was OMR 2.2m as compared to OMR 1.4m in 2008, an increase of OMR 0.8m, or 57.1%. Revenue related to other mobile services in 2008 increased from OMR 0.7m in 2007. The main reason for the increase was an increase in sales of modems and other 3G related data products as Nawras continued to expand its customer base and mobile broadband offerings.

Other income

Other income was OMR 0.4m, OMR 1.0m and OMR 0.6m in 2009, 2008 and 2007, respectively. Other income included interest on bank deposits and insurance proceeds. Interest from bank deposits increased marginally in 2009 as increased bank balances were partially offset by lower interest on balances. One-off payment received from damages from hurricane was accounted in 2008.

Operating expenses

Operating expenses in 2009 were OMR 37.6m as compared to OMR 48.2m in 2008, a decrease of OMR 10.6m, or 22.0%, primarily due to a decrease in interconnection charges, especially on international interconnections, as part of a volume-based deal with the incumbent operator and a one-off reversal of interconnection expenses incurred in previous years, which was offset, in part, by increased costs of modems and handsets sold and increased network usage.

Operating expenses in 2008 increased by OMR 7.5m, or 18.4%, from OMR 40.7m in 2007, primarily due to increased interconnection charges due to higher customer usage, cost of equipment sold and other services related to an increase in Nawras' customer base and overall network usage as well as additional commissions payable from increased new customer sales through agents, which was offset, in part, by a decrease in the interconnection rate during the year. Over the period, interconnection charges and related roaming fees decreased as Nawras' market share increased, which reduced the amount of off-network customer usage.

General and administrative expenses

General and administrative expenses in 2009 were OMR 51.7m as compared to OMR 41.3m in 2008, an increase of OMR 10.4m, or 25.2%. General and administrative expenses in 2008 increased by OMR 13.1m, or 46.5%, from OMR 28.2m in 2007. General and administrative expenses increased over the three-year period due to an increase in salary expense by 34% each in 2008 and 2009 driven by a 29% increase in headcount in 2008 and a 19% increase in 2009 and due to a general salary increase awarded in late 2008 as part of a benchmarking exercise and to meet an increased cost of living. The increase in general and administrative expenses over the period also related to an increase in Internet leased-line expenses, which was primarily driven by increased demand for broadband, increases in site-related costs due to an increase in the number of base stations and increases in the service fees paid to Qtel for providing various support services to Nawras. Over the period, the increase in general and administrative expenses was generally in line with the overall growth of the business.

Depreciation and amortisation

Depreciation and amortisation expense in 2009 was OMR 20.5m as compared to OMR 16.2m in 2008, an increase of OMR 4.3m, or 26.5%. Depreciation and amortisation expense in 2008 increased by OMR 3.6m, or 28.6%, from OMR 12.6m in 2007. Depreciation expense increased over the period under review primarily due to increased depreciable costs in relation to capital expenditures for network equipment. Amortisation expense also increased in 2009 due to the amortisation of the Fixed Licence awarded in June 2009.

Royalty

Royalty payable in 2009 was OMR 10.2m as compared to OMR 7.1m in 2008, an increase of OMR 3.1m, or 43.7%. Royalty payable in 2008 increased by OMR 1.9m, or 36.5%, from OMR 5.2m in 2007. Royalty in 2009, 2008 and 2007 was calculated as 7% of adjusted revenue and therefore has increased over time in line with the increase in revenues.

Financing costs

Financing costs in 2009 were OMR 5.1m as compared to OMR 4.3m in 2008, an increase of OMR 0.8m, or 18.6%, primarily due to increased short-term borrowing to finance the purchase of the Fixed Licence and increased interest rates as a result of the trigger of a market disruption clause in Nawras' credit facility. Financing costs in 2008 decreased by OMR 0.1m, or 2.3%, from OMR 4.4m in 2007, primarily due to lesser amounts outstanding under Nawras' debt facilities, which were offset, in part, by increased charges during 2008 related to payments under interest rate hedges.

Profit before tax

As a result of the foregoing factors, Nawras' profit before tax increased by 103.0% to OMR 46.9m in 2009 from OMR 23.1m in 2008, which reflected nearly a fivefold increase from OMR 4.0m in 2007. Nawras' profit before tax margin was 27.3%, 16.6% and 4.2% in 2009, 2008 and 2007, respectively.

Taxation

Nawras' provision for taxation in 2009 was OMR 5.4m as compared to OMR 3.5m in 2008, an increase of OMR 1.9m, or 54.3%. Nawras' provision for taxation in 2008 increased by OMR 7.7m largely due to a net tax credit of OMR 4.2m in 2007. Nawras' provision for taxation consists of provisions for current year and deferred taxation. The provision for deferred tax is related to taxable temporary differences arising at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts. In 2009, a provision for current taxation amounted to OMR 4.5m, however, in 2007 and 2008, no provisions for current year taxation were made due to Nawras' ability to offset taxable profits with unabsorbed depreciation expenses carried forward from prior years. Nawras' effective tax rate for 2009 was 12%.

Profit

As a result of the foregoing factors, Nawras' net profit increased twofold to OMR 41.5m in 2009 from OMR 19.6m in 2008, which reflected an increase of more than twofold from OMR 8.2m in 2007. Nawras' net profit margin was 24.2%, 14.1% and 8.7% in 2009, 2008 and 2007, respectively.

Liquidity and Capital Resources

Nawras' primary sources of funding to date have been cash generated by operating activities, long-term and short-term debt financings and capital contributions from its Shareholders. Nawras has entered into long-term debt facilities with both Omani and regional banks, which were renegotiated and increased during 2007, primarily for the purchase of mobile exchange and network equipment as well as the purchase of the Fixed Licence in 2009. As of 30 June 2010, Nawras had outstanding long-term debt facilities of OMR 52.5m and the short-term portion of liabilities amounted to OMR 13.9m.

	Year Ended 31 December			Six Months Ended 30 June	
	2007	2008	2009	2009	2010
	(OMR, in millions)				
Cash flow statement data:					
Net cash from operating activities	31.0	45.6	50.8	33.0	38.5
Net cash used in investing activities	(29.5)	(35.6)	(51.9)	(33.6)	(43.1)
Net cash (used in)/from financing activities	10.9	(10.6)	1.2	(5.3)	6.4
Net increase/(decrease) in cash and cash equivalents	12.4	(0.6)	0.1	(5.9)	1.9
Working capital	(22.3)	(30.2)	(17.7)	(42.7)	(19.3)

Cash Flows Provided by Operating Activities. Cash generated from operations was OMR 38.5m in the six months ended 30 June 2010 compared to OMR 33.0m in the six months ended 30 June 2009. The increase was primarily attributable to the higher amount of cash generated from Nawras' business, which resulted from the factors discussed above, and was partially offset by payments to Nawras' vendors.

Cash generated from operations was OMR 50.8m in 2009 compared to OMR 45.6m in 2008 and OMR 31.0m in 2007. The improvement in cash generated from operations over the three-year period was primarily the result of the higher amount of cash generated from Nawras' business, as revenues increased in line with increases in the number of customers over the period under review.

Cash Flows Used In Investing Activities. Nawras' net cash used in investing activities amounted to OMR 43.1m in the six months ended 30 June 2010 compared to OMR 33.6m in the six months ended 30 June 2009. Nawras' net cash used in investing activities in 2009 amounted to OMR 51.9m, compared to OMR 35.6m in 2008 and OMR 29.5m in 2007. The increase in cash used in investing activities since 2007 resulted primarily from the licence fee related to the purchase of the Fixed Licence and, with respect to the six months ended 30 June 2010, the launch of Nawras' fixed line products and services.

Capital expenditures increased from OMR 34.1m in the six months ended 30 June 2009 to OMR 43m in the six months ended 30 June 2010, and increased from OMR 30m in 2007 to OMR 36m in 2008 and to OMR 52m in 2009. Capital expenditures in the six months ended 30 June 2010 included OMR 14m for the mobile segment and OMR 29m for fixed line segment. 2009 capital expenditures included OMR 21.4m paid as licence fees related to the purchase of the Fixed Licence and OMR 4m related to investments in Nawras' fixed line products and services.

Cash Flows Provided by / (Used In) Financing Activities. Nawras' net cash provided by financing activities amounted to OMR 6.4m in the six months ended 30 June 2010, compared to net cash used in financing activities of OMR 5.3m in the six months ended 30 June 2009, which primarily reflected an increase in borrowings by Nawras of OMR 11.6m under its debt facilities during the first six months of 2010 to fund the investments in both its mobile and fixed line segments.

Nawras' net cash provided by financing activities amounted to OMR 1.2m in 2009, compared to net cash used in financing activities of OMR 10.6m in 2008 and net cash provided from financing activities of OMR 10.9m in 2007, which primarily reflected increased borrowing under Nawras' debt facilities during 2009 and 2007 for capital expenditure projects, which was partially offset by facility repayments.

Working Capital. Nawras' working capital (current assets less current liabilities) was OMR (19.3)m as of 30 June 2010, OMR (17.7)m as of 31 December 2009, OMR (30.2)m as of 31 December 2008 and OMR (22.3)m as of 31 December 2007. The negative working capital is mainly due to the payables to network equipment vendors based on agreed credit terms.

Capital Expenditures

Nawras has incurred capital expenditures during the period under review related primarily to the continued build-out of its mobile and fixed line network and more recently for the development of its national backbone, broadband services and international gateway in relation to the Fixed Licence. Nawras' capital expenditures in 2007, 2008 and 2009, were OMR 29.6m, OMR 35.8m and OMR 30.7m, respectively, excluding licence fees related to the purchase of the Fixed Licence in 2009.

Nawras' capital expenditures in the six months ended 30 June 2010 were OMR 43.6m. In connection with roll out of its fixed line products and services, Nawras expects to spend approximately an additional OMR 110m on capital expenditure in the second half of 2010 and 2011, after which capital expenditures are expected to reduce to historic levels.

Contractual Obligations other than Expansion Projects

The following table sets out Nawras' contractual obligations to make future payments as of 30 June 2010:

	Payments due by period			
Contractual Obligations	**Total**	**Less than 1 year**	**1 to 5 year**	**After 5 Years**
	(OMR, in millions)			
Operating lease payments	22.6	5.0	10	7.6
Long-term debt	66.4	13.9	52.5	—

Outlook

Looking ahead, Nawras expects to continue to see revenue growth of its mobile customer base and expects mobile ARPU to stabilise as a result of increased revenue from broadband data and other services. Nawras expects that the launch of fixed broadband and wholesale services will also further drive growth. Nawras also looks to increase efficiency and reduce costs through leveraging its established mobile business in the launch of fixed line services, the launch of its own international gateway and backbone as well as through investments in the new submarine cable to Oman, which Nawras believes will reduce international interconnection costs, national and international transmission lease-line costs and overhead.

Quantitative and Qualitative Disclosures about Market Risk

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

The main risks arising from Nawras' 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. Nawras' exposure to the risk of changes in market interest rates relates primarily to its long-term debt obligations with floating interest rates. Nawras' bank deposits carry fixed rate of interest and therefore are not exposed to interest rate risk.

Nawras manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings. To manage this, Nawras enters into interest rate swaps, in which Nawras 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 30 June 2010, after taking into account the effect of interest rate swaps, approximately 65% of Nawras' borrowings are at a fixed rate of interest, compared to 80% at 31 December 2009 and 100% at 31 December 2008. With all other variables constant, a 25-basis point change in interest rates on unhedged portion of loans and borrowings would have had an impact of OMR 26,000 on Nawras' profit in the six months ended 30 June 2010, compared to an impact of zero in the six months ended 30 June 2009 (as Nawras did not have any unhedged loans or borrowings during that period). A 25-basis point change in interest rates on unhedged portion of loans and borrowings would have had an impact of OMR 29,000 on Nawras' profit in 2009, compared to an impact of zero in 2008 (as Nawras did not have any unhedged loans or borrowings during that period). There is only an immaterial impact on Nawras' equity.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. Nawras trades only with recognised, creditworthy dealers and operators. Nawras' three largest dealers' balances account for 46% of outstanding unimpaired trade receivable at 30 June 2010, compared to 41% at 31 December 2009 and 54% at 31 December 2008. Nawras obtains bank and/or corporate guarantees from its dealers in order to mitigate its credit risk. It is Nawras' policy that certain credit verification is performed for all of Nawras' postpaid customers. In addition, receivable balances are monitored on an ongoing basis.

With respect to credit risk arising from the other financial assets of Nawras, including cash and cash equivalents, Nawras' exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. Nawras believes that its credit risk with respect to bank deposits is limited, as the majority of its deposited funds are placed with banks with short-term deposit ratings from Moody's of at least 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. Accounts payable includes payables denominated in U.S. Dollars and represented approximately 43% of Nawras' payables and accruals in the six months ended 30 June 2010, compared to approximately 27% in the year ended 31 December 2009 and 34% in the year ended 31 December 2008. Nawras' long-term borrowings and certain bank deposits amounting to OMR 66.4m and OMR 12.7m, respectively are denominated in U.S. Dollars. The Omani Rial is pegged to the U.S. Dollar. Nawras has no other significant financial instruments denominated in foreign currencies other than U.S. Dollars and consequently foreign currency risk is mitigated.

Liquidity risk

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

The table below summarises the maturities of Nawras' undiscounted financial liabilities at 30 June 2010, based on contractual payment dates and current market interest rates.

As 30 June 2010	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
		(OMR, in millions)			
Interest bearing borrowings	6.9	6.9	52.6		66.4
Payables and accruals	39.3	0.4			39.7
Due to related parties	2.8				2.8
Interest on term loan	0.9	2.4	3.2	—	6.5
Total	49.9	9.7	55.8	—	115.4

Critical Accounting Policies

Critical accounting policies are those that are both (i) relevant to the presentation of Nawras' financial condition and results of operations and (ii) require management's most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently *uncertain. As the number of variables and assumptions affecting the possible future resolution of the uncertainties increase, those judgments become even more subjective and complex. In order to provide an understanding of how Nawras' management forms its judgments about future events, including the variables and assumptions underlying its estimates, and the sensitivity of those judgments to different circumstances, Nawras has identified the critical accounting policies discussed below. While Nawras believes that all aspects of its Financial Statements should be studied and understood in assessing its current and expected financial condition and results of operations, Nawras believes that the following critical accounting policies warrant particular attention. For more information, see note 3 to Nawras' Interim Financial Statements for the six months ended 30 June 2010 and note 3 to Nawras' Financial Statements for the years ended 31 December 2007, 2008 and 2009 under "Chapter XIII—Audited Financial Statements".*

Changes in accounting policy and disclosures

The accounting policies for the periods under review are consistent with those used by the Company in previous Financial Years, except as noted in note 3 to Nawras' Interim Financial Statements for the six months ended 30 June 2010 and note 3 to Nawras' Financial Statements for the years ended 31 December 2007, 2008 and 2009 under "*Chapter XIII—Audited Financial Statements*".

Phase 1 of IFRS 9

On 12 November 2009, the International Accounting Standard Board (the "IASB") published phase 1 of IFRS 9 Financial Instruments, the accounting standard that will eventually replace IAS 39: Financial Instruments: Recognition and Measurement. Whilst IFRS 9 is not mandatory until 1 January 2013, entities may adopt for reporting periods ending on or after 31 December 2009. The phase 1 of the standard when adopted is not expected to have any significant impact on Nawras' financial statements.

Other related IASB Standards and Interpretations that have been issued but are not yet mandatory, and have not been adopted by Nawras, are not expected to have a material impact on Nawras' financial statements.

Revenue and deferred income

Revenue from rendering of services

Revenue from rendering of services represents the value of telecommunications 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 carriers are recognised based on the actual recorded traffic minutes.

Operating revenues for interconnections that are not made under contractual sharing agreements, i.e. based on tariff as stipulated by Telecommunication Regulatory Authority of Sultanate of Oman or rates agreed between operators, are reported on a gross basis. These interconnection charges are accounted for as operating expenses in the period these are incurred.

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 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.

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 taken to the statement of income.

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any impairment in value. Depreciation is charged to the statement of income 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 exchange and network equipment	5 –15 years
Subscriber apparatus and other equipment	2 –10 years
Fixed line and network equipment	5 –15 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 the statement of income 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 derecognising of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of income 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 Nawras 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 the statement of income in the expense category consistent with the function of the intangible asset.

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

		Mobile Licence costs	**Fixed Licence 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

Trade and other receivables

Accounts receivable are stated at original invoice amount less a provision for any uncollectible amounts. 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 are accrued in accordance with the terms of employment of Nawras 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.

Contributions to a defined contribution retirement plan for Omani employees in accordance with the Omani Social Insurance Scheme are recognised as an expense in the statement of income as incurred.

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 net 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 Nawras 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. 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 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 the statement of income 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.

Accounts payable and accruals

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether billed by the supplier or not.

Leases

Finance leases, which transfer to Nawras 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 against income.

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 as an expense in the statement of income 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
- Nawras 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) Nawras has transferred substantially all the risks and rewards of the asset, or (b) Nawras 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

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

At inception of the hedge relationship, Nawras 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, Nawras 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.

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 the statement of income.

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 transferred to the statement of income.

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

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.

Chapter XV

Dividend Policy

Dividends

The Offer Shares rank equally with all other Shares for any rights to dividends that may be declared and paid in respect of the Financial Year ending 31 December 2010 on a *pari passu* basis and any subsequent years. Following the Offer, the Shareholders' register of Nawras maintained by the MCDC will be amended to include new Shareholders to receive dividends declared.

In accordance with the CCL, 10% of the profits of every company organised under Omani law must be transferred to a legal reserve until the reserve amounts to at least one third of the corporation's share capital.

Dividend Policy

Nawras has not distributed any dividends to date. The following table contains certain historical information regarding dividend distributions that is required to be included in this Prospectus:

	2005	2006	2007	2008	2009
Profit before tax *(OMR, in millions)*	(28)	(12)	4.0	23.1	46.9
Profit for the year *(OMR, in millions)*	(28)	(11.6)	8.2	19.6	41.5
Ratio of dividends paid to paid up capital (%)	0	0	0	0	0
Earnings (loss) per share[1]	(0.081)	(0.023)	0.014	0.030	0.064
Return on capital[2]	(80.7)%	(21.4)%	12.6%	30.1%	63.8%
Return on net worth[3]	(418.7)%	(81.8)%	26.1%	39.8%	45.3%

(1) Earnings (loss) per share is calculated after giving effect to the share split performed by the Company following the approval of this transaction at the 7 March 2010 EGM.
(2) Return on capital is equal to net profit divided by the paid up share capital.
(3) Return on net worth is equal to net profit divided by the total net worth (i.e. paid up share capital plus accumulated reserves).

Nawras has agreed with the lenders under its debt facilities that it will not declare any dividends until the expiration of the commitment period in October 2010. It is the current intention of Nawras to consider declaring dividends with respect to Financial Year 2010 onwards, with the first dividend payment therefore occurring in 2011 at the earliest. The level of such payment as a portion of its net income will be at least in line with other publicly listed telecommunications companies in the Middle East region. Nawras will pay a substantial portion of its earnings as dividends if there are no alternative uses of capital that would provide better returns for Nawras. The amount of annual dividends and the decision whether to pay dividends in any year will be decided by the Board of Directors and may be affected by a number of other factors including Nawras' business prospects, financial performance, cash availability, the needs of the business in terms of capital expenditure, debt repayments, working capital and operational expenditure requirements, any covenants or restrictions in Nawras' financing arrangements and the overall outlook of the telecommunications sector.

Chapter XVI

Valuation and Price Justification

Overview

Nawras is a leading provider of telecommunications services in Oman.

Since its launch in March 2005, Nawras has been able to reach 1.97m customers and acquire a 45% market share of mobile customers in Oman. During the same period, the Company has been able to deliver strong revenue growth and profitability; Nawras' EBITDA has grown from OMR 3.9m in 2006 to OMR 87.5m in 2009, with EBITDA margin increasing from 7.8% to 51.0% over the same period. For the six months ended 30 June 2010, Nawras' EBITDA was OMR 51.2m and EBITDA margin 56.1%, as compared to OMR 35.8m and 45.1% for the corresponding period of 2009.

In June 2009 Nawras was awarded the Fixed Licence to provide fixed telecommunications services including Internet, satellite and international services (which previously were provided in Oman exclusively by the incumbent operator). Nawras uses this new licence by providing a range of fixed services that are intended to complement and enhance its existing mobile and Internet products and services. As part of its Fixed License, Nawras is now able to provide international services directly and has started doing so following the implementation of its own international gateway.

Offer Price

The Joint Financial Advisors have used a number of valuation methodologies that are commonly used in IPOs and have taken into consideration current market conditions and market feedback received from the investor education phase to determine a Price Range of Bzs 702 to Bzs 902 per Share (which includes issue expenses of Bzs 2 per Share) for Nawras. These valuation methodologies were subsequently supplemented with an analysis of trading levels of stocks included in the Muscat Stock Market 30 Index.

Fundamental Analysis (Discounted Cash Flow Analysis)

Discounted Cash Flow Analysis ("DCF") has been one of the principal methodologies used in the valuation of Nawras as it captures its long-term strong growth potential which other valuation methodologies may not necessarily reflect fully.

Advantages:

- One of the most theoretically sound valuation methods.
- Forward-looking analysis, based on cash flow (and, therefore, less influenced by accounting rules), and in theory takes account of expected operating strategy to be incorporated.
- Less influenced by volatile market conditions.
- Allows a valuation of the entire business or of each of its components separately.

Disadvantages:

- Valuation is highly sensitive to underlying assumptions for cash flows, terminal value calculation and discount rate.
- Valuation depends on long-term projections, which may be affected by technological, macroeconomic and regulatory changes.
- Terminal value can sometimes represent a significant portion of total value.

Given that the DCF incorporates confidential information with respect to Nawras' expected future prospects and financial performance, such analysis will not be disclosed in this Prospectus.

Comparable Companies Analysis

Comparable Companies Analysis ("COMPS") is another key valuation methodology that has been used in the valuation of Nawras. This valuation methodology uses public market valuation levels, trading patterns and basic operating and financial ratios of comparable companies to formulate public market valuation benchmarks for a specific company (whether public or private).

Advantages:

- Based on publicly available information.
- Market efficiency theoretically implies that trading valuation should reflect all publicly available information, including industry trends, business risk, growth characteristics, etc.
- Can indicate the value of the company without reflecting a control premium (i.e. for the purposes of valuing a minority investment).
- Takes into consideration current market conditions.

Disadvantages:

- Difficult to find a sample of truly comparable companies.
- The trading valuation of a company may be affected by thin trading, small capitalisation, ownership restrictions, limited research coverage and small public float.
- External variables such as M&A activity and regulatory scrutiny may impact stock prices.

Various factors have been taken into account in developing a list of companies comparable to Nawras including—but not limited to—business mix, size, geography, market characteristics, market position and growth profile. The comparable companies have been divided into four groupings:

1) Direct Peers
   - Etihad Etisalat ("Mobily"); and
   - Emirates Integrated Telecommunications Company ("du").

Each of Mobily and du is a challenger to an incumbent operator in its respective market, operates in a single market within the GCC region and has a more comparable growth profile to Nawras.

2) Domestic comparables
   - Oman Telecommunications Company ("Omantel")

Although Omantel and Nawras operate in the same market, the two companies have different growth and maturity profiles, and therefore Omantel is not a directly comparable company.

3) Other Emerging Markets and Middle East and North Africa telecom companies generating revenues predominantly from a single market (together "Single Market Focused EM/MENA"), although among them Etisalat and STC in future years are expected to have a more relevant revenue contribution from international operations
   - Turkcell Iletisim Hizmetleri ("Turkcell")
   - Maxis Communications Berhad ("Maxis")
   - Safaricom Limited ("Safaricom")
   - Emirates Telecommunications Corporation ("Etisalat")
   - Saudi Telecom Company ("STC")
   - Itissalat Al Maghrib ("Maroc Telecom")

4) Other Emerging Markets and Middle East and North Africa telecom companies generating a significant portion of their revenues outside the home market (together "Multi Market EM/MENA")
   - Orascom Telecom Holding ("Orascom Telecom")
   - National Mobile Telecommunications Company ("Wataniya Telecom")
   - Qtel

It is also important to note that both Single Market Focused and Multi Market EM/MENA comparables do not directly compare to Nawras on an important factor such as growth profile. Their inclusion in this analysis is justified by aspects with respect to each company, such as business mix or exposure to markets with similar dynamics, which make each company comparable in a broader universe.

For each of the four groups of comparables (i.e. Direct, Domestic, Single Market Focused EM/MENA and Multi Market EM/MENA), the key financial ratios and multiples used to value Nawras are the Price/Earnings multiple ("P/E") and the Enterprise Value/EBITDA multiple ("EV/EBITDA"). These ratios and multiples are derived from financial statements obtained from publicly available sources and estimates from I/B/E/S (Institutional Brokers' Estimate System, which is a system that gathers and compiles the different estimates made by equity research analysts' on the future earnings for publicly traded companies).

Prices taken as of 13 August 2010.

P/E Multiples (x)	2009 (actual)	2010 (estimated)	2011 (estimated)	2009-2011 CAGR[1]
Direct Comparables				
du	30.7x	19.3x	11.0x	67.4%
Mobily	12.3x	10.5x	9.7x	12.4%
Average	***21.5x***	***14.9x***	***10.4x***	***44.2%***
Domestic Comparables				
Omantel	6.9x	7.4x	7.3x	(2.7%)
Single Market Focused EM/MENA				
Safaricom[2]	15.3x	12.7x	10.7x	19.5%
Turkcell	11.9x	10.4x	10.3x	7.5%
Maxis	17.8x	16.7x	15.8x	6.3%
Etisalat	9.0x	8.7x	8.3x	3.8%
STC	6.9x	7.8x	7.7x	(5.7%)
Maroc Telecom	13.8x	14.1x	13.8x	(0.1%)
Average	***12.4x***	***11.7x***	***11.1x***	***5.9%***
Multi Market EM/MENA				
Orascom Telecom	12.5x	15.0x	15.3x	(9.9%)
Qtel	8.8x	9.6x	9.4x	(3.3%)
Wataniya Telecom	9.5x	10.5x	9.9x	(2.1%)
Average	***10.2x***	***11.7x***	***11.5x***	***(5.8%)***
Overall Average	**13.0x**	**11.9x**	**10.8x**	**9.6%**
Nawras	11.0x to 14.1x	8.9x to 11.4x[3]	NA	NA

Source: Publicly available financial statements, Institutional Brokers' Estimate System (I/B/E/S) (Thomson Reuters).

(1) Compounded Annual Growth Rate.

(2) Earnings estimates—including 2009—calendarised to December end (company fiscal year ends in March).

(3) Annualised based on numbers for the six months ended 30 June 2010.

EV/EBITDA Multiples[1] (x)	2009 (actual)	2010 (estimated)	2011 (estimated)	2009-2011 CAGR[2]
Direct Comparables				
du	9.9x	6.5x	4.6x	45.7%
Mobily	9.1x	7.4x	6.8x	16.0%
Average	***9.5x***	***7.0x***	***5.7x***	***28.9%***
Domestic Comparables				
Omantel	4.0x	4.1x	4.1x	(1.4)%
Single Market Focused EM/MENA				
Safaricom[3]	6.7x	5.7x	5.1x	15.2%
Turkcell	6.1x	5.8x	5.3x	6.8%
Maxis	10.2x	9.4x	8.9x	7.0%
Etisalat	3.0x	3.2x	3.1x	(1.2)%
STC	5.1x	4.9x	4.8x	3.0%
Maroc Telecom	7.9x	7.8x	7.5x	2.2%
Average	***6.5x***	***6.1x***	***5.8x***	***5.9%***
Multi Market EM/MENA				
Orascom Telecom	4.3x	4.6x	4.4x	(1.3)%
Qtel	5.2x	4.8x	4.4x	8.3%
Wataniya Telecom	4.8x	4.7x	4.5x	3.9%
Average	***4.8x***	***4.7x***	***4.4x***	***3.7%***
Overall Average	**6.3x**	**5.7x**	**5.3x**	**9.5%**
Nawras	6.8x to 8.6x	5.8x to 7.3x[4]	NA	NA

Source: Publicly available financial statements, Institutional Brokers' Estimate System (I/B/E/S) (Thomson Reuters).

(1) Balance sheet data as of 30 December 2009 (QTel), 30 March 2010 (Safaricom, Maxis, Orascom Telecom and Wataniya Telecom) and 30 June 2010 (du, Mobily, Omantel, Turkcell, STC, Maroc Telecom and Etisalat).

(2) Compounded Annual Growth Rate.

(3) Earnings estimates—including 2009—calendarised to December end (company fiscal year ends in March).

(4) Annualised based on numbers for the six months ended 30 June 2010.

Muscat Stock Market-30 Index ("MSM-30") Trading Levels

In order to supplement DCF and COMPS, the P/E of the constituents of the MSM-30 Index were also used to arrive at a price range for Nawras.

Prices taken as of 15 August 2010.

Muscat Stock Market-30 Index Trading Valuations

	Price/Earnings (x)		
	2009A[2]		
Based on Last Twelve Months (LTM) Financial Results	**Min[1]**	**Max**	**Average[1]**
MSM-30 Banking & Finance	5.59	35.09	16.68
MSM-30 Industrial	8.41	16.46	10.39
MSM-30 Services	7.70	15.63	10.14
MSM-30 Overall	**5.59**	**35.09**	**12.40**

Source: Muscat Securities Market, Company Financials.

(1) Minimum values do not incorporate companies with negative earnings, while averages take the sum of all companies' market capitalisation and earnings (including negative earnings) into account.

(2) Based on the Price Range of Bzs 702 to Bzs 902 per Share for Nawras, the P/E of Nawras is 11.0x the Floor Price and 14.1x the Cap Price.

Chapter XVII

Related Party Transactions and Material Contracts

Related Party Transactions

During the Financial Year ending 31 December 2009 Nawras entered into transactions with entities over which certain Shareholders exercise significant influence (Related Parties). In the ordinary course of business, these Related Parties provide goods and render services to Nawras. Nawras considers that the terms of purchase, sale of goods and provision of services are comparable to or better than those that could be obtained from third parties. The details of transactions with entities that Nawras considers Related Parties are as follows:

Name of the Related Party	Nature of the Relationship	Details of the Transaction	Value (OMR '000)	Term
Qtel International LLC	Subsidiary of major Shareholder Qtel	Range of support and management services	5,149	May be terminated for convenience at any time on 180 days notice
Qatar Telecommunications (Qtel) QSC	Major Shareholder	Interest payment on loan made available by Qtel in respect of Fixed Licence acquisition cost	1,749	Agreement is now complete and loan has been repaid
Other related party transactions	Nature of relationship varies	Other expenses	1,723	Terms vary

Material contacts

The following are the material contracts that Nawras is currently party to:

Counterparty	Nature of Contract	Value (OMR)
Ericsson Oman LLC	Supply and Network Rollout Contract for a GSM System in the Sultanate of Oman	24,663,225
Ericsson Oman LLC	Operation, Management, Support and transfer of a GSM-system	4,445,401
Huawei Tech. Investment (Oman) LLC	WiMax Network Supply Agreement	11,657,843
Huawei Tech. Investment (Oman) LLC	Supply and Network Roll Out Contract for a Next Generation Transport Network in the Sultanate of Oman	10,106,408
Huawei Tech. Investment (Oman) LLC	Supply and Installation for a Next Generation Network International Gateway Project in the Sultanate of Oman	2,692,308
Huawei Tech. Investment (Oman) LLC	Supply and Installation of MSAN and GPON equipment	816,835
NCR Corporation	Supply and Installation of an International Gateway (Data) Project	1,090,043
Qatar International Trading & Technical Services Co. LLC	Supply and installation of a Network Management System	1,423,077
Oman Telecommunications Company SAOG	Backbone Agreement	1,922,011
Tata Communications (Bermuda) Ltd	Provision of a submarine cable	11,538,461
Oman Telecommunications Company SAOG	Wholesale Internet Leased-Line Agreement	1,434,000
Oman Telecommunications Company SAOG	Interconnection Agreement	43,169,518
Oman Mobile Telecommunications Company LLC	Interconnection Agreement	24,270,159
Sama Telecommunication Company LLC	Reseller Agreement	177,500

Counterparty	Nature of Contract	Value (OMR)
Injaz International Telecoms LLC	Reseller Agreement	291,067
Mazoon National Telecom Company LLC	Reseller Agreement	363,164
Bahwan Projects Telecom Co. LLC	Excavation, laying, testing and commissioning of fibre optic cable	4,121,566
OHI Telecommunications Co. LLC	Excavation, laying, testing and commissioning of fibre optic cable	4,412,330
Oman Fibre Optic Co. SAOG	Excavation, laying, testing and commissioning of fibre optic cable	4,318,020
Cupola Plastic Cards Limited	Supply of SIM cards and Recharge Vouchers	306,730
Emirates National Factory for Plastic Ind. LLC	Supply of SIM cards and Recharge Vouchers	322,592
National Telephone Services Co LLC	Provision of 21 rapid deployment units	270,000
OHI Telecommunications Company LLC	Provision of a collect call system	4,121,566
NCR Corporation	Provision of a data warehouse	4,412,330

Chapter XVIII

Corporate Governance

Certain sections of this chapter summarise the issues relating to corporate governance based on the Articles of Nawras, the CCL and the rules and regulations issued by the CMA, in particular, the Code. The description provided in this chapter is only a summary and does not purport to give a complete overview of the Articles, nor of the relevant provisions of the CCL, the Code or the CMA rules and regulations.

Overview

Nawras is committed to providing excellent telecommunications services to its customers in a caring and pleasingly different manner. In order to do that, Nawras has, since the beginning of its operations, endeavoured to ensure that it has the right people and the right processes in place to manage and support its business.

This section details the composition of Nawras' Board, various Board committees and senior management. It also highlights the corporate governance practices that Nawras has in place.

Board

Current Board Composition

The current Board of Directors was elected on 16 March 2008, and its members' term of office shall expire in March 2011 pursuant to Article 95 of the CCL. The current composition of the Board of Directors is as follows:

Name	Representing	Executive/ Non-Executive	Independent/ Non-Independent*
H.E. Sh. Salim bin Mustahil Al Ma'ashani (Chairman)	TDC-Qtel Mena Investcom BSC	Non-Executive	Independent
Mr. Abdulla Zaid Rashid Al-Talib (Vice Chairman)	TDC-Qtel Mena Investcom BSC	Non-Executive	Independent
Dr. Hammed S Al-Rawahi	Internal Security Services Pension Fund	Non-Executive	Independent
Mr. Jens Hauge	TDC-Qtel Mena Investcom BSC	Non-Executive	Independent
Mr. Khalid Abdulla H Al-Mansouri	TDC-Qtel Mena Investcom BSC	Non-Executive	Independent
Dr. Nasser Mohammed Marafih	TDC-Qtel Mena Investcom BSC	Non-Executive	Independent
Sh. Saif bin Hashil Al-Maskery	Nawras Development LLC	Non-Executive	Independent
Mr. Saleh Nasser Al-Riyami	Diwan of Royal Court Pension Fund	Non-Executive	Independent
Sh. Saud bin Nasser Faleh Al-Thani	TDC-Qtel Mena Investcom BSC	Non-Executive	Independent

* A director is deemed independent pursuant to CMA rules and regulations. See "*Chapter I—Abbreviations/Definitions*" of this Prospectus for the criteria for director independence.

H.E. Sh. Salim bin Mustahil Al Ma'ashani. Sh. Salim Bin Mustahail Al Ma'ashani is Nawras' Chairman. He started his career in the Ministry of Foreign Affairs as First Secretary and was later promoted to Deputy Directory of the European Department. In 1988, he was transferred to the Ministry of Education and Youth Affairs, Oman as Under Secretary for Youth. Sh. Al Ma'ashani was later promoted to Under-Secretary for Higher Education, Oman and was then promoted in May 2001 as an Advisor with ministerial rank in Diwan of Royal Court. In addition to his role at Nawras, Sh. Al Ma'ashani also holds the position of Vice Chairman of Muscat Overseas Group and is a Member of the Board of Trustees of Dhofar University. Sh. Al Ma'ashani holds a degree in International Studies from the Salford University (UK).

Mr. Abdulla Zaid Rashid Al-Talib. Mr. Abdulla Zaid Rashid Al-Talib has served as Vice Chairman of Nawras since its inception in 2004. He was also the Chairman of the Steering Committee in charge of establishing Nawras. Mr. Al-Talib has been a Board Member of Qtel since 2003. He is also the Chairman of Qtel's Audit Committee. Currently, Mr. Al-Talib is the Corporate Manager of Information and Communication Technology at Qatar Petroleum, and he is also the Chairman of Qatar University Wireless Innovations Center at Qatar Science and Technology Park. His previous experience includes serving as Board Member as well as an Executive Committee Member of Qatar Liquefied Gas Company, Member of the Higher Committee to Restructure the Electricity and Water Sectors in the State of Qatar and a Member of the Higher e-Government Steering Committee. Mr. Al-Talib has a B.Sc. (with honours) in Computer Engineering from the University of Portland (USA).

Dr. Hammed S Al-Rawahi. Dr. Hammed Salim Al-Rawahi has held a variety of important positions within both Government and private institutions within Oman. In addition to serving on the Board of Nawras, Dr. Al-Rawahi is currently a Board Member of Bank Sohar and the Information Technology Authority, which is the Government body within Oman that is responsible for implementing key information technology initiatives. Dr. Al-Rawahi has a Ph.D. and M.Phil. from Cranfield University (UK) and a B.Sc. from the University of Salford (UK). He is also a registered in the UK as a Chartered Engineer (C.Eng) and a Chartered IT Professional (CITP).

Mr. Jens Hauge. Mr. Jens Hauge has been working in the Danish telecommunications sector for 26 years and is currently working for TDC as a Senior Executive Advisor in Public Affairs. During his career, Mr. Hauge has held many positions, including CEO of Tele Sønderjylland, Head of Human Resources at TDC Solutions and Head of Regulatory Affairs at TDC. Mr. Hauge has also held a number of important industry positions including being a Member of the Executive Board of the Danish ICT and Electronics Federation and Chairman of the General Assembly of the European Telecommunications Network Operators' Association. Mr. Hauge holds a Bachelor of Economics from the University of Aarhus (Denmark).

Mr. Khalid Abdulla H. Al-Mansouri. Mr. Al Mansouri joined Qtel in September 2007 as Executive Director—Business Solutions. Prior to Qtel, Mr. Al-Mansouri worked for Kahramaa for over 13 years. Mr. Al Mansouri worked with Qatar General Electricity & Water Corporation as Director of Water Network Affairs from January 2004 to August 2007. He was later placed in charge of managing the entire water system in the State of Qatar as Customer Services Manager for five years. In addition Mr. Al-Mansouri has held additional positions as a Member of Nawras' Board since March 2008, Chairman of Nawras' Executive Committee, a Member of Nawras' Audit Committee and a Starlink Board Member. Mr. Al-Mansouri holds a Bachelor of Science in Electrical Engineering.

Dr. Nasser Marafih. Dr. Nasser Marafih has been CEO of Qtel since in 2002. He is also a Non-Executive Director of the Board of Starhub Ltd. of Singapore. He has been the Commissioner of Indosat since August 2008. Dr. Marafih is also a Non-Executive Director for Liberty Telecoms Holding Inc of the Philippines and sits on the Boards of the Al Thuraya Satellite Company, Tunisiana, Asiacell, Nedjma, Wataniya Kuwait and Wataniya Palestine, among others. Dr. Marafih holds a Bachelor of Science in Electrical Engineering, a Master of Science and a Ph.D in Communication Engineering, all from George Washington University (USA).

Sh. Saif bin Hashil Al-Maskery. Sh. Saif bin Hashil Al-Maskery has held a variety of important diplomatic and business positions within Oman. Sh. Al-Maskery started his career working with the Ministry of Foreign Affairs before becoming a UN Ambassador for Oman and subsequently the Under-Secretary for Ministry of Commerce. Sh. Al-Maskery has also been a Member of the State Council as Chairman of the Economic Committee, President of the Oman Football Association, a Founder and Director of the Oman Modern College of Business Sciences and Deputy Chairman of the Oman and UAE Exchange Centre. Sh. Al-Maskery has studied International Relations, Law and Trade and Finance at Oxford University (UK).

Mr. Saleh Nasser Al-Riyami. Mr. Saleh Nasser Al-Riyami has been a Member of the Nawras Board since its inception and has over 20 years of experience as the Investment Expert for 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).

Sh. Saud Bin Nasser Faleh Al-Thani. Sh. Saud Bin Nasser Faleh Al-Thani is the Executive Director of Group HR and the acting Executive Director of General Services of Qtel and has had a career with Qtel spanning 18 years. In 2005, he was appointed Executive Director of Special Businesses. As acting Executive Director of General Services, Sh. Al-Thani oversees Qtel's cable television operations, yellow pages directory and coast station services. He is also a Member of the Arab Organization for Satellite Communication. He has a Bachelor of Arts in Public Administration from Western International University (USA).

Post-IPO Board Composition

It is intended that the Board composition post-IPO will not change (i.e. nine members). Sh. Saif bin Hashil Al-Maskery, who served as a member of the Board as the representative of Nawras through Nawras Development LLC, which is selling all of its Shares in Nawras as part of the IPO, is expected to continue to sit on the Board as an Independent Director on a temporary basis until the next general meeting. Mr. Jens Hauge is also expected to continue to sit on the Board until the next general meeting, even following the sale by TDC to Qtel of its stake in Mena Investcom.

Nawras intends to have a Board that complies with applicable CMA and CCL requirements, including with respect to the number of Independent Directors and non-executive directors, and thus that represents the interests of all Shareholders, including those who purchase Shares in the Offer.

Appointment of Board

The Board will be elected by the general meeting of the Shareholders through secret ballot, and if a candidate (whether individual or corporate) is a Shareholder, it must hold at least 6,000,000 (Six Million) Shares at the time of its nomination to the Board. The duration of the membership of the Board of Directors will be for a period of three years, and their re-election is permitted for a similar period. This period will be calculated from the date of the general meeting in which this election was made until the third subsequent general meeting. If the date of this general meeting exceeds the period of three years, the membership will be extended by law until the date of such meeting but it should not exceed the period specified in Article 120 of the CCL for holding the general meeting.

Subject to Article 95 of the CCL, and without prejudice to the Articles, nominees to the membership of the Board must:

- be of good conduct and sound reputation;
- be at least 25 years old;
- not be unable to settle indebtedness to the Company;
- not be declared insolvent or bankrupt unless the state of insolvency or bankruptcy has ceased pursuant to the law;
- not be convicted of a felony or dishonourable crime unless he has been discharged;
- not be a member or a representative of a juristic person in more than four public joint stock companies based in the Sultanate of Oman once appointed to the Board in question;
- be authorised to nominate himself to the membership of the Board of Directors by the juristic person if he is nominated with such capacity;
- not be a member of the board of directors of a public or closed joint stock Company which is based in the Sultanate of Oman and which is carrying out similar objectives to that of the Company which he intends to nominate himself to the membership of its Board; and
- present an acknowledgement which contains a statement of the number of his Shares if he is a Shareholder and that he will not dispose of them to the extent that he will be deprived of his status as a Shareholder in the Company, throughout the term of his office.

Without any prejudice to the regulations of the CCL mentioned above, the following conditions will be fulfilled while forming the Board of Directors:

- The Board will be comprised of a majority of non-executive directors. A non-executive director means "the member of the board who is not a whole time director (employee director) and/or does not draw any fixed monthly or annual salary from the Company".
- A minimum of one-third of the total Board (subject to a minimum of two) will be composed of Independent Directors in accordance with the rules and conditions issued by the CMA from time to time.
- A juristic Shareholder will not be represented by more than one representative on the Board.
- The roles of Chief Executive Officer and Chairman will not be combined.

If a member of the Board of Directors ceases to meet any of the conditions necessary for membership of the Board, he/she must inform the Board about the same and his/her place will be considered vacant from the date of receipt of that information; otherwise, his/her membership will terminate from the date the Company finds out this information, without prejudice to his/her liability in accordance with law, and his/her place will be filled in accordance with the regulations of the Article 98 of the CCL.

The Board of Directors will elect a Chairman and a Deputy Chairman from its members. The Deputy Chairman will officiate as Chairman when the latter is absent. The Chairman of the Board of Directors must implement the resolutions of the Board of Directors and must conduct the regular business of the Company under the supervision and control of the Board of Directors in accordance with the authority specified in the Articles and the Company's internal regulations.

Role of Board

The primary role of the Board of Directors is to provide entrepreneurial leadership to the Company within a framework of prudent and effective controls that enable risk to be properly assessed and managed.

Powers of Board

The Board has full authority to perform all acts required to manage the Company in accordance with its objectives and with the primary objective of creating value for the Shareholders. This authority is not limited or restricted except as provided by law, by the Articles or by a resolution of the Shareholders. The day-to-day management of the Company is performed by Nawras' senior management team as described in a separate section below.

Some of the principal functions of the Board include:

- determining, refining and advancing the Company's vision through corporate strategy, major plans of action and business decisions, and by monitoring developments and approving variations to the strategy and vision;
- analysing and approving the Annual Operating Plan and developing, reviewing and updating other necessary plans to effectuate the Company's objectives;
- appointing the Chief Executive Officer and all positions reporting directly to the Chief Executive Officer and specifying their roles, responsibility, and power;
- supervising and assessing the performance of executive management to ensue that the business is properly managed to meet the Company's objectives;
- monitoring the integrity of the Company's accounting and financial reporting systems, including the independent audit function, and ensuring that appropriate internal controls are in place;
- approving financial statements related to the Company's business and work results, as submitted quarterly by executive management to the Board, in a manner that accurately reflects the financial position of Nawras;

- approving, within three (3) months of the end of the Financial Year, the Company's balance sheet and a profit and loss statement audited by the Company's auditors;
- preparing, adopting and monitoring the effectiveness of corporate governance rules and disclosure practices in support of the Company's commitment to best practices;
- approving material internal regulations of the company regarding including specifying the responsibilities and the authorities of the executive management;
- reviewing material transactions with related parties that are not in the ordinary course of business prior to bringing such matters before a General Meeting;
- applying and maintaining high ethical standards throughout Nawras;
- approving policy and overseeing disclosure, communications and Shareholder reporting processes to ensure the fair and timely release of material information and compliance with regulatory requirements;
- approving a formal and comprehensive delegation of power to the various levels of management, the Board sub-committees and any other financially empowered group or individual, with an awareness of the limits imposed by the Articles or applicable law;
- determining the frequency with which delegates must report to the Board regarding the exercise of delegated powers; and
- ensuring that any persons acting pursuant to a delegation from the Board will inform the Board at regular intervals about decisions taken pursuant to such authority.

The Board of Directors must not perform the following acts unless expressly authorised to do so by the Articles or by a resolution of the general meeting:

- make donations, except donations required by the business wherever they are small and customary amounts;
- sell all or a substantial part of the Company's assets;
- pledge or mortgage the assets of the Company, except to secure debts of the Company incurred in the ordinary course of the Company's business; or
- guarantee debts of third parties, except guarantees made in the ordinary course of business for the sake of achieving the Company's objectives.

The Company will be bound by all acts performed by its Board of Directors, its Chairman, its Chief Executive Officer and all other senior management (if any), as long as they act in the name of the Company and within the scope of their powers.

The Board of Directors, in cases other than the distribution of dividends and approving the balance sheet, profit and loss account, and reports of the Auditing Committee and Auditors, may pass resolutions without the need to convene a meeting of the Board of Directors if all members of the Board approve the same in writing.

Pursuant to Article 107 of the CCL, it is not permitted for any of the Directors or senior management to utilise the information that reaches them in the capacity of their positions or jobs to gain any benefit for themselves or their minor children or for any of their relatives to the 4th degree as a result of transactions in the Shares. It is also not permitted for any Directors or senior management who have a direct or indirect interest in any authority that is involved in activities which are aimed at influencing the price of Shares issued by the Company. The regulations of Articles 109 and 110 of CCL will be applied in case of violation.

A member of the Board of Directors, senior management or other related party of the Company must not have any direct or indirect interest in the transactions or contracts concluded by the Company for its account, except those concluded in accordance with the disclosure requirements of the CMA.

The members of the Board of Directors will be liable to the Company, the Shareholders and third parties for damages caused by their acts in violation of the law and their acts which fall beyond the scope of their powers, or by any fraud or negligence in the performance of their duties or by their failure to act prudently under certain circumstances.

Any provisions or stipulations limiting the liability of the members of the Board of Directors will be null and void, and the Company will reimburse any director the costs and sums adjudged in any civil or criminal case brought against him as a result of his activities as a member of the Board of Directors of the Company in the event that final judgment in such case will absolve the director of liability. The Company may institute an action against any director of the Company it deems liable for damages that the Company has suffered. The Board of Directors or the ordinary general meeting will appoint a person to pursue the case on behalf of the Company and authorise him to pay costs of the case from the funds of the Company. Any Shareholder may propose suing the members of the Board of Directors, and if the ordinary general meeting does not adopt his/her proposal, he/she may himself/herself file the case on behalf of the Company. If the case is successful, the Shareholder will be reimbursed the costs and expenses of the case out of the sums adjudged and the balance will be paid to the Company.

It is not permitted to file a lawsuit against the members of the Board of Directors or their heirs regarding the works they have done while discharging their duties, unless the case is filed within 5 years from the earlier of (i) the date of the act or omission forming the basis of the complaint; or (ii) the date of the general meeting at which the Board of Directors submitted the accounts of the Company for the period including the act or the shortcoming which is the reason for the complaint. This period will not apply to suits filed by the CMA.

Remuneration of the Board

The AGM will determine the annual remuneration and sitting fees of the Chairman and the members of the Board of Directors at not more than 5% of the net annual profits of the Company after providing for taxation and deducting the legal and optional reserves in accordance with Article 106 of the CCL and setting aside or distributing the dividends to Shareholders at not less than 5% of the net profits. The maximum total over-all limit on the entire remuneration and sitting fees paid by the Company will be OMR 200,000 (two hundred thousand Omani Rials), with a sub-ceiling of OMR 10,000 (ten thousand Omani Rials) as a sitting fee for each Director per annum. Where the Company makes losses or less profit to the extent that setting aside or distributing dividends to the Shareholders is not possible, remuneration and sitting fees will be determined in accordance with the rules issued by the CMA. The remuneration will be distributed amongst the members of the Board of Directors in such proportions and manner as they, by agreement, may determine, failing which the remuneration will be divided equally among the Board. A member of the Board of Directors will be eligible for compensation for his services if he is assigned a job or travels or does something related to the Company's work.

Board members are currently paid OMR 500 per sitting at Board and committee meetings. The Company approved further remuneration for Board members such that the total distribution to the Board of Directors equaled approximately OMR 200,000 in respect of each of 2007, 2008 and 2009. The remuneration in respect of Financial Year 2007 was paid to Board members in Financial Year 2008 and thus is reflected in Nawras' audited financial statements for Financial Year 2008.

Total remuneration, including sitting fees, in respect of Board Directors for each of 2008 and 2009 are set out below.

Total remuneration paid in respect of 2008

Name of the Director	Position	Amount—OMR
H.E. Sh. Salim bin Mustahil Al Ma'ashani	Chairman	0
Mr. Abdulla Humaid Said Al-Ma'mary	Director	5,024
Mr. Abdulla Zaid Rashid Al-Talib	Vice Chairman	21,675
Mr. Ali Asaid Al-Emadi	Director	3,774
Sh. Fahad Jassim Al-Thani	Director	15,368
Dr. Hammed Salim Al-Rawahi	Director	18,840
Paid in respect of the seat held by Mr. Henning Vest	Director	21,625
Mr. Khalid Abdulla H. Al-Mansouri	Director	21,527
Mr. Khalil Ebrahim Al-Emadi	Director	5,534
Dr. Nasser Mohammed Marafih	Director	21,175
Sh. Saif bin Hashil Al-Maskery	Director	20,613
Mr. Saleh Nasser Al-Riyami	Director	25,113
Sh. Saud bin Nasser Faleh Al-Thani	Director	21,006

Total remuneration paid in respect of 2009

Name of the Director	Position	Amount—OMR
H.E. Sh. Salim bin Mustahil Al Ma'ashani	Chairman	0
Mr. Abdulla Zaid Rashid Al-Talib	Vice Chairman	23,375
Dr. Hammed Salim Al-Rawahi	Director	25,875
Mr Jens Hauge	Director	23,875
Mr. Khalid Abdulla H. Al-Mansouri	Director	27,875
Dr. Nasser Mohammed Marafih	Director	22,875
Sh. Saif bin Hashil Al-Maskery	Director	22,875
Mr. Saleh Nasser Al-Riyami	Director	26,375
Sh. Saud bin Nasser Faleh Al-Thani	Director	26,875

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. Each is briefly described below.

The Executive Committee is composed of three Directors. It focuses on strategic issues and has responsibility for budget and procurement issues. The current members of the Executive Committee are:

- Mr. Khalid Abdulla H Al-Mansouri (Chairman)
- Sh. Saud bin Nasser Faleh Al-Thani
- Dr. Hammed S Al-Rawahi

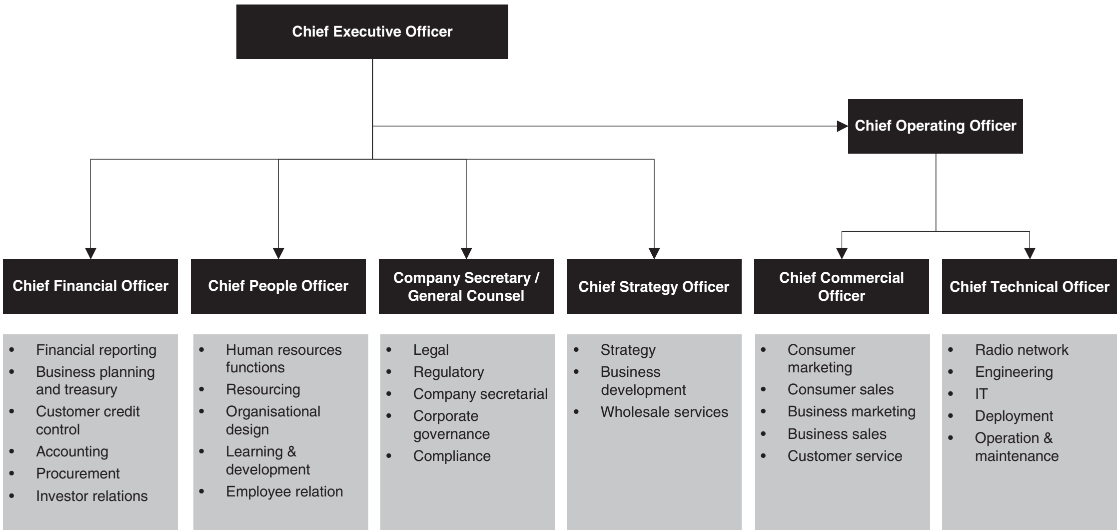
The Audit Committee assists the Board in overseeing the integrity of the Company's policies and financial statements, including validating and recommending them for approval to the Board, and also oversees the performance of the Company's internal audit function. The current members of the Audit Committee are:

- Sh. Saud bin Nasser Faleh Al-Thani (Chairman)
- Mr. Khalid Abdulla H Al-Mansouri
- Mr. Saleh Nasser Al-Riyami

The Compensation & Benefits Committee focuses on the compensation and benefits of the senior employees of the Company. It also supervises Nawras' Omanisation plan. It is composed of two Directors and four senior managers of the Company. The current members of the Compensation & Benefits Committee are:

- Sh. Salim bin Mustahil Al Ma'ashani, (Chairman)
- Dr. Hammed S Al-Rawahi, Vice-Chairman
- Mr. Ross Cormack
- Mr. Khalid Al Mahmoud
- Mr. Philippe Vogeleer
- Mr. Mathews Mammen

Senior Management Team



The Senior management team at Nawras is as follows:

Mr. Ross Cormack	Chief Executive Officer
Mr. Khalid Al Mahmoud	Chief Operating Officer
Sh. Abdulla Al-Rawahy	Chief Strategy Officer
Mr. Jorgen Latte	Chief Financial Officer
Mr. Peter Rubeck	Chief Technical Officer
Mr. Tore Solberg	Chief Commercial Officer
Mr. Philippe Vogeleer	Company Secretary / General Counsel

Mr. 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 such time as an appointment is made.

Mr. Khalid Al-Mahmoud. *Chief Operating Officer*. Khalid has been Chief Operating Officer of Nawras since 2005, prior to which he was Senior Manager, Product Management and Marketing, at Qtel. Khalid has more than 16 years of experience in the telecommunications sector, having held positions in IT, ISP and data management to product management and marketing. Khalid holds a Bachelor of Science in Computer and Electrical Engineering from the University of Pittsburgh (USA).

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 Masters of Science in Electrical Engineering from the University of Central Florida (USA).

Mr. 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 with additional prior experience at TeliaSonera and Tele2. Jorgen holds a Bachelor of Arts in Finance and Accounting from Stockholm University (Sweden).

Mr. Peter Rubeck. *Chief Technical Officer*. Peter has been Chief Technical Officer of Nawras since 2004 and has more than 25 years of experience in both mobile and fixed line telecommunications. Peter has served as both Chief Executive Officer and Chief Operating Officer at Contactel in the Czech Republic, Chief Technical Officer at BEN B.V. in the Netherlands and President of Tele-Denmark as well as working for the International Telecommunications Union in Geneva. Peter holds a Bachelor of Science from Aarhus School of Engineering and a Graduate Diploma in Business Administration from Copenhagen Business School (Denmark). In his capacity as Chief Technical Officer, Peter reports to the Chief Operating Officer.

Mr. Tore Solberg. *Chief Commercial Officer*. Tore joined Nawras in 2004 and has been in his current position since 2008. He has over 20 years of experience in the telecommunications industry, spanning fixed, Internet and mobile services. Tore's previous experience included serving as Solutions Manager for Ericsson, Wholesale Director at the start-up fixed and mobile operator diAx, founding Member of gaiaNET, a fixed broadband startup company, and, most recently, Director of Mobile Marketing at TDC Switzerland. Tore holds a Masters of Science in Computer Engineering from the University of California at Santa Barbara (USA). In his capacity as Chief Commercial Officer, Tore reports to the Chief Operating Officer.

Mr. Philippe Vogeleer. *Company Secretary / General Counsel.* Philippe has been Company Secretary / General Counsel of Nawras since April 2010. Philippe's previous experience included working as Secretary General & Chief Strategy Officer of Orange in Jordan, as Associate Lawyer for Trowers & Hamlins in Bahrain, as General Counsel and Head of the Program Office for the France Telecom Open Seamless Alliance, as Head of Regulatory Affairs for Mobistar, the Belgian subsidiary of Orange, and as Manager in the media & telecommunications division of Deloitte & Touche Tohmatsu International. Philippe is trained in Law from King's College London (UK), Universita di Padova (Italy), KUL (Belgium), UCL (Belgium) and FUSL (Belgium). He is also trained in Management from INSEAD (France) and Stirling University (UK).

Internal Regulations

In accordance with the provisions set out in Article 68 of the CCL, Nawras is required to lay down internal regulations for regulating its management, business and personnel affairs through its Board of Directors, within one year from the date of transformation of the Company with the Commercial Registrar pursuant to the controls issued by the CMA. Nawras has in place a number of corporate governance processes that meet most of the CMA's requirements for an SAOG as mandated by the regulations issued by the CMA dealing with corporate governance and it will review these and make any appropriate changes that are required in light of its transformation to an SAOG. Nawras currently has policies and regulations which govern the following:

- a Corporate Governance Manual detailing 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—Executive Committee, Audit Committee, Chief Executive Committee, Tender Committee, Pricing Committee, Sponsorship Committee and Senior Operations Management Committee;
- clear organisation structure of the Company that identifies the responsibilities related to the various posts of the Company and the reporting structures and procedure including specifying the extent of the authority vested with each post with regard to approval of the financial expenditure;
- appropriate policies in place to govern the Company's expenditure including accounting polices and procedures and procurement policies;
- clear policies related to human resources including with respect to salaries, appointment, development, training, promotions and termination of the services; and
- a policy addressing related party transactions together with appropriate Codes of Ethics that apply both to the Board and the Company.

Chapter XIX

Rights and Liabilities of Shareholders

Shareholder's liabilities

The liability of a Shareholder will be limited to payment of the value of the Shares the Shareholder has subscribed for. The Shareholder will not be liable for the debts of the Company.

Shareholder's rights

All the Shares will enjoy equal and inherent (attached) rights, which, in accordance with the CCL, are:

- the right to receive dividends declared in the general meeting;
- preference rights to subscribe for any new Shares, except as provided for under law;
- the right to share in the distribution of the proceeds of the Company's assets on liquidation;
- the right to assign Shares in accordance with the law;
- the right to access the Company's balance sheet, profit and loss account and Shareholders' register;
- the right to be invited to attend the general meeting and vote in such meetings personally or by proxy (each Shareholder will have one vote for each ordinary Share owned);
- the right to apply for annulment of any resolution made by the general meeting or the Board of Directors if such resolution(s) are contrary to the law or the Articles or the internal regulations of the Company;
- the right to institute legal proceedings on behalf of the Shareholders or the Company against the Board of Directors or the auditors of the Company; and
- the right to approach the CMA (provided that the move is supported by Shareholders who own at least 5% (five percent) of the Shares), to request the CMA to exercise its authority to suspend the resolutions of the general meeting which are made in favour of a certain category of Shareholders or against a certain category of Shareholders, or in the interest of the members of the Board of Directors or others.

Reports and statements

The Board of Directors will prepare unaudited quarterly financial statements for the first, second and third quarter of each Financial Year. It will also prepare an annual report within two months from the end of the Financial Year comprising the audited balance sheet, profit and loss account, statement of changes in equity, cash flow statement, report of the Board of Directors, report on the discussions held by the Board and their analysis and report on the organisation & management of the Company. These statements should be disclosed two weeks prior to the AGM through the electronic transmission system through the MSM website.

The un-audited quarterly financial statements will be forwarded to the information centre of the MSM within 30 days from the end of each quarter, or any other legal period prescribed by the disclosure rules and conditions issued by the CMA, through the private electronic transmission system of the MSM. The MSM will also be provided with two copies duly endorsed by the Board of Directors of the Company. Nawras will also have it published within the said period.

Annual Ordinary General Meetings

The Board of Directors will extend an invitation to all Shareholders for the annual ordinary general meeting within three months of the end of the Financial Year. The general meeting will be responsible for the deliberation of the following:

- consider and approve the report of the Board of Directors;
- to consider and approve the corporate governance report;

- to consider the Auditors report and approve the financial statements;
- to review the report on the declaration of dividends. However, any dividend will be distributed only from the net profit generated or from the special reserve accounts, subject always to the provisions set out in Article 106 of the CCL;
- to elect members of the Board of Directors if the term of office of one, or all, is expired, or any of the posts become vacant;
- to consider and approve the annual remuneration and sitting fees of the members of the Board of Directors and any committees constituted under it for the Financial Year ended;
- to look into the transparency of any transactions with related parties during the previous Financial Year (if any);
- to approve any expected transactions with related parties during the next Financial Year (if any); and
- to appoint Auditors for the next Financial Year and fix their fees, taking into consideration the provisions laid down in the law.

The Board of Directors may convene the annual general meeting at any time and such meeting will be convened whenever required by law or the Articles, or upon request of one or more Shareholders who represent at least 25% (twenty five percent) of the capital of the Company.

The Board of Directors will establish the agenda of the general meeting. If the meeting is convened by the auditors, the agenda will then be established by them. The Board or the auditors, if necessary, will include in the agenda any proposal put forward by the Shareholders who represent more than 10% (ten percent) of the capital of the Company provided that such proposal is submitted for inclusion in the agenda at least one month before the date of the meeting.

The resolutions of the ordinary meeting will be void unless the meeting is attended by Shareholders or their proxies who represent at least half the capital of the Company. If a quorum is not formed, a second meeting will be called to discuss the same agenda. The second ordinary meeting will be notified to the Shareholders in the same manner as the first meeting, at least one week prior to the date set for the second meeting. The resolution of the meeting will be valid regardless of the number of Shares represented, provided that such meeting is held within one month from the date of the first meeting. The resolution of the ordinary general meeting will be adopted by relative majority of the vote. However, these amendments will be enforced only if approved by the CMA and registered with the Commercial Register at the MOCI.

Extraordinary General Meetings

An EGM will be convened to decide on the following issues:

- reducing or increasing the Company's capital;
- dissolution, liquidation or merger of the Company;
- to sell or otherwise dispose of all or a substantial part of the Company's assets;
- amendment of the Articles, provided that such amendment will not be effective until after it has been certified by the CMA and registered in the Commercial Register at the MOCI;
- repurchase, by the Company, of some of its own Shares not exceeding 10% (ten percent) of its paid up capital, subject to the prior approval of the CMA;
- the increase in the paid up capital of the Company through a private placement of shares; and
- the transformation or conversion of the Company into another legal status.

Resolutions of the EGM will not be valid unless the meeting is attended by Shareholders and proxies representing at least three-quarters of the Company's capital. Failing such a quorum, a second meeting will be convened to discuss the same agenda. The Shareholders will be notified of the second EGM in the same manner as the first EGM, at least two weeks prior to the date set for the second meeting.

The resolutions of the second meeting will be valid if the meeting is attended by Shareholders or proxies representing more than half of the Company's capital, provided such meeting is held within six weeks of the date of the first meeting.

The resolution of the EGM will be adopted by a majority of three-quarter of the votes cast in respect of a certain resolution, provided such resolution will always receive votes representing more than fifty percent of the Company's capital.

Any Shareholder or any interested party may refer to the Commercial Court (the competent department) within five years from the date on which the meeting was held, to decide on nullification of any decision if taken during the meeting in violation of the CCL or the provisions of the Articles or through deceit or abuse of authority.

Restrictions on transfer of ownership of the Shares

The shareholding of each Shareholder will not exceed the maximum limit prescribed and provided for in the Articles, the CCL and the Capital Market Law respectively, unless the necessary approvals are secured.

Any person whose shareholding, along with his minor children's shareholding, reaches 10% (ten percent) or more of the Company's share capital, is required to advise the CMA of the same in writing. Further, the Shareholder will inform the CMA in writing of any transaction or dealing which leads to any change in this percentage immediately after it happens.

No single person or related person up to second degree will hold 25% (twenty five percent) or more of the shares of a public joint stock company, save in accordance with the rules issued by the CMA on the subject.

Nawras is obliged, under the Licences, to inform the TRA of any proposed change in the Company's shareholding, which exceeds any of the following thresholds:

- 5%;
- 10%;
- 20%;
- 33.3%;
- 50%; and
- 66.6%.

Nawras is required to notify the TRA 30 working days prior to such a change taking effect. Consequently, as a corollary, each Shareholder is obliged to inform the Company of any proposed change in its shareholding which would result in the thresholds above being exceeded to enable the Company to comply with its reporting requirements imposed by the Licences.

Chapter XX

Subscription Conditions and Procedures

Offer Structure

	Category I Investors	Category II Investors
No. of Equity Shares	182,264,383 Shares	78,113,307 Shares
Percentage of Offer Size	70%	30%
Basis of Allotment	Proportionate	Proportionate
Minimum Subscription	500 Shares and thereafter in multiples of 100 Shares thereafter	500,100 and in multiples of 100 Shares thereafter
Maximum Subscription	500,000 Shares which is equal to 0.19% of the Offer size	26,037,700 Shares which is equal to 10% of the Offer size
Terms of Payment of Application Money	100% of the subscription amount to be paid at the time of submission of the Application to the Subscription Banks	100% of the subscription amount to be paid at the time of submission of the Application to the Joint Bookrunners
Other Conditions	Application to be submitted to any of the Subscription Banks on or before 14 October 2010	Order to be submitted to either of the Joint Bookrunners. Final order to be submitted through the Application along with the Application Money to either of the Joint Bookrunners who will submit it to the Sole Issue Manager on or before 14 October 2010
Offer Period	15 September 2010 to 14 October 2010	15 September 2010 to 14 October 2010

The Offer

Based on the Price Range, this Offer is being offered to Category I Investors at Bzs 902 per Share (Bzs 902 being the Cap Price) and to Category II Investors through a bookbuild offering (as described in more detail in "*Chapter XXI—Bookbuilding Process*"). All Applicants will be allotted Shares at the Offer Price. The Offer Price is the final price at which Shares will be issued and allotted pursuant to the terms of this Prospectus. The Offer Price will be decided by the Company in consultation with the Joint Bookrunners on the Pricing Date.

Eligibility for the Subscription of Offer Shares

The subscription to 260,377,690 Offer Shares offered will be open to Omani and non-Omani individuals and juristic persons. All GCC individuals and juristic persons are treated as Omani individuals and juristic persons. Post listing on the MSM, non-GCC Shareholders are permitted to own Shares equal to not more than 70% of the paid up capital of the Company. No single person or related person up to a second degree can hold 25% or more of the shares of a public joint stock company, except with the explicit approval of the CMA.

Prohibitions with Regard to the Applications for Subscription

According to the Capital Market Law the following investors will not be permitted to participate in the Offer, except as otherwise stated. All Applications made by such investors will be rejected without contacting the Applicant:

- **Sole Proprietorship Establishments**: The owners of sole proprietorship establishments may submit Applications in their personal names.
- **Trust Accounts**: Customers registered under trust accounts may only submit Applications in their personal names.

- **Multiple Applications**: An Applicant may not submit more than one Application.
- **Joint Applications** (i.e. applications made in the name of more than one individual) including Applications made on behalf of legal heirs: These Applications should only be made in their personal names.
- **Certain individuals connected to the TRA**: None of the Chairman, any board member or any employee of the TRA, or any relative of the foregoing up to the third degree, may submit an Application.

Subscription on Behalf of Minor Children

- For the purpose of this Offer, any person born on or after 15 October 1992 will be defined as a minor.
- Only a father may subscribe on behalf of his minor children.
- If an Application is made on behalf of a minor by any person other than the minor's father, the person submitting the Application will be required to attach a valid Sharia (Legal) Power of Attorney issued by the competent authorities authorising him or her to deal in the funds of the minor through sale, purchase and investment.

Shareholder's (Applicant's) Number with Muscat Clearing & Depository Co. SAOC (MCDC)

- Any Applicant who subscribes for the Offer Shares must have an account and shareholder's number with the MCDC. Any Applicant may apply to obtain an Investor Number and open an account by completing the MCDC application form. This may be obtained from the MCDC's Head Office or its website at www.csdomain.co.om, or from brokerage companies licensed by the MSM. The completed form may be submitted by an Applicant through any of the following channels:
    - At the Head Office of the MCDC based in the first floor of the building of the Capital Market Authority, Commercial Business District, Muscat, Oman.
    - At the branch of the MSM based in Salalah, Oman, Tel: +968 23299822, Fax: +968 23299833
    - At the office of any brokerage company licensed by the MSM.
    - By sending a facsimile to MSDC at +968 24817491.
    - By opening an account through the MCDC website at www.csdoman.co.om.
- In order to open an account with the MCDC, a juristic person will be required to furnish a copy of its constitutional documents, in the form prescribed by the MCDC, along with a completed MCDC application form in order to open an account and receive an Investor Number.
- Applicants who already hold accounts with the MCDC are advised, before the Offer, to confirm their details as noted in the Application. Applicants may update their particulars through any of the channels mentioned above.
- All correspondence including allocation notices and dividend cheques will be sent to Applicant's address as recorded at the MCDC. Applicants should ensure that their addresses as provided to the MCDC are correct.
- Each Applicant should secure from the MCDC its Investor Number as the Investor Number will be required in order to complete the Application. Each Applicant is responsible for ensuring that the Investor Number set out in their Application is correct. Applications not bearing the correct Investor Number will be rejected without contacting the Applicants.
- For more information on these procedures, Applicants should contact the MCDC:

Muscat Clearing & Depository Co., SAOC
Tel. 24814827 - Fax. 24817491
http://www.csdoman.co.om/

Maximum Limit of Subscription

As per the Capital Market Law (Article 7), the maximum limit for an Application is 10% of the total Offer size which equates to 26,037,700 Shares. It is not permissible for any Applicant to subscribe for more than this amount.

Additionally, the Company, in consultation with the CMA, has determined to limit the size of Applications for Category I Investors to 500,000 Shares.

Each Applicant is advised to ensure that it's Application for Shares does not exceed:

- 500,000 for Category I Investors
- 26,037,700 for Category II Investors

The Company and the Sole Issue Manager are not liable for any changes in applicable laws or regulations that occur after the date of this Prospectus. Applicants are advised to make their own independent investigations to ensure that their Applications comply with prevailing laws and regulations.

Price Range

- The Price Range has been fixed at Bzs 702 to Bzs 902 per Share, Bzs 702 being the Floor Price and Bzs 902 being the Cap Price. The Floor Price and the Cap Price each includes issue expenses of Bzs 2 per Share.
- Copies of the Prospectus will be available to Applicants at branches of the Subscription Banks and the Company's stores. Copies will also be available from the Joint Book Runners.

Offer Period

The Offer Period for both Category I and Category II Investors will commence on 15 September 2010 and end on 14 October 2010 with the end of the official working hours of the Subscription Banks.

Subscription Process for Category I Investors

- Category I Investors will submit their Applications to the Subscription Banks. Along with submission of the Application, all Category I Investors must make a payment of 100% of the subscription amount, calculated as the total number of Shares applied for multiplied by the Cap Price of Bzs 902 per Share.
- Any refunds due to Category I Investors will be calculated based on the difference between the Cap Price and the Offer Price. The Offer Price will be determined by the outcome of the bookbuild offering to Category II Investors. All Investors will be allotted Shares at the same Offer Price.

Category I Investor Portion

70% of the Offer will be available for allocation to Category I Investors. Category l Investors are required to submit their Applications through the branches of the Subscription Banks.

Applications

- The Application must be completed in full in accordance with the instructions contained in this Prospectus. Incomplete Applications may be rejected. Applicants may only use the specified Application for the purpose of making a subscription for the Offer.
- Category I Investors subscribing for this Offer should apply at the Cap Price of Bzs 902 per Share. Applicants must specify the number of Shares applied for in their Application.
- Each Applicant is eligible to submit only one Application. Submission of a second Application to either the same or to another Subscription Bank will be treated as a multiple application and will be rejected at any point in time prior to the allotment of Shares in the Offer.
- Along with the Application, all Investors must make a payment for their subscription for Shares in the manner described under the paragraph "Terms of Payment".

Basis of Allotment

- Applications received from Category I Investors will be grouped together to determine the total demand under this Category. The allotment to all the Category I Investors will be made at the Offer Price.
- If the aggregate demand in this Category is less than or equal to 182,264,383 Shares at the Offer Price, full allotment will be made to the Category I Investors up to the amount of their valid Applications.
- If the aggregate demand in this Category is greater than 182,264,383 Shares at the Offer Price, the allotment will be made on a proportionate basis.

Subscription Process for Category II Investors

Category II Investors may only place Orders with either of the Joint Bookrunners prior to the Offer Closing Date. The initial Orders are not binding and can be modified by placing a revised Order with one of the Joint Bookrunners at any time prior to the Offer Closing Date.

Each Order made by a Category II Investor must be replaced with an Application on or before the Offer Closing Date. The submission of an Order is for the bookbuild process only and is aimed at determining the Offer Price and final allocations. There is no limitation on the number of Orders a Category II Investor may make during the Offer Period. However, just before the close of the Offer Period, the Orders will need to be consolidated into an Application which shall contain a maximum of five (5) price and quantity combinations.

Along with the Application, all Category II Investors must make a payment of 100% of the subscription amount, representing the highest order value, calculated as the maximum of the total amount of Shares applied for multiplied by the corresponding share price.

Build up of the Book and Revision of Orders

- Category II Investors will place their Orders with the Joint Bookrunners only.
- Orders registered by the Category II Investors through the Joint Bookrunners will be collated into the order book.
- The order book gets built up at various price levels. This information will be available for the Joint Bookrunners only and is confidential.
- Category II Investors can place Orders at any price within the Price Range but must confirm the desired number of Shares required at each price. During the Offer Period, any Category II Investor who has registered its interest in the Offer Shares at a particular price level is free to revise its Order within the Price Range by submitting a revised Order to either of the Joint Bookrunners.
- Revisions can be made in relation to both the desired number of Offer Shares and the bid price. All the Orders need to be replaced with an Application on or before the Offer Closing Period. The Category II Investor must submit its final Order through its Application to the Joint Bookrunners before the close of the Offer Period.
- The Joint Bookrunners will submit the Application along with the Application Money to the Sole Issue Manager.

Basis of Allotment

- Applications received from Category II Investors with Orders at or above the Offer Price will be grouped together to determine the total demand under this Category. The method adopted for building up the book is described in "*Chapter XXI—Bookbuilding Process*". The allotment to all the successful Category II Investors will be made at the Offer Price.
- Category II Investors submitting Applications with Orders below the Offer Price will not be allotted any Shares.

The table below shows orders received from five hypothetical Category II Investors at different prices during the bookbuild period.

Total Category II Offering 30,000,000

Orders				Effective Demand Analysis		
Investor Name	Strike Bid	Limit Bid	Step Bid	@0.600	@0.750	@0.900
Investor A	10,000,000			10,000,000	10,000,000	10,000,000
Investor B		10,000,000 at OMR 0.750		10,000,000	10,000,000	—
Investor C			10,000,000 at OMR 0.600 5,000,000 at OMR 0.900	10,000,000	5,000,000	5,000,000
Investor D			15,000,000 at OMR 0.600 10,000,000 at OMR 0.750	15,000,000	10,000,000	—
Investor E		15,000,000 at OMR 0.750		15,000,000	15,000,000	—
Total Demand				60,000,000	50,000,000	15,000,000
Final Price					0.750	

In the table above, five orders have been received, in addition to the subscriptions in Category I. Each investor has placed different orders. Investor A is willing to purchase shares at any price within the price range, while Investors B and E do not wish to purchase shares at a price above OMR 0.750. Investors C and D have provided step bids indicating that they will purchase less shares as the share price goes higher. Based on the orders received, the Bookrunners will analyse the effective demand at each price within the offer range. For example while Investor B has placed his order at OMR 0.750 he would be willing to buy the same number of shares for less and his demand will be included in the demand at the share price OMR 0.600. The Bookrunners and the Company will review the order book to determine the offer price. As can be seen from the analysis above, the Company has received sufficient demand at the middle of the price range and is able to price the offering at OMR 0.750. This will mean that all Category II Investors who have applied at a price of RO 0.750 or more will receive a proportionate allotment.

- If the aggregate demand in this Category is less than or equal to 78,113,307 Shares at or above the Offer Price, full allotment will be made to the Category II Investors to the extent of their demand.
- If the aggregate demand in this Category is greater than 78,113,307 Shares at or above the Offer Price, the allotment will be made on a proportionate basis.

Price Discovery and Determination of Offer Price

- After the Offer Closing Date, the Sole Issue Manager will analyse the demand generated by the Category II Investors at various price levels and discuss pricing strategy with the Company.
- The Company in consultation with the Sole Issue Manager and the CMA will determine the Offer Price, which will be within the Price Range, and will also determine the proportionate allocation to successful Applicants.
- If there is undersubscription in either Category of Investor, the Company will make the remaining Shares in that Category available for subscription by the other Category of Investor.
- If the demand from Category II Investors is less than the Shares offered in that Category, the Shares will be priced at the Floor Price of the Price Range.
- After the Company, in consultation with the Sole Issue Manager and the CMA, determines the Offer Price, an advertisement will be issued by the Company.
- The Sole Issue Manager will notify the Subscription Banks of the Offer Price.

Terms of Payment

- The Selling Shareholders will open an escrow account entitled the "Nawras IPO" account with each of the Subscription Banks for the collection of the Application Money.
- This account will be managed by each Subscription Bank who, after allotment and refunds, will transfer the balances in such account to the Sole Issue Manager.
- Each Applicant can pay by cash, draw a cheque or demand draft or instruct an account transfer for the amount payable at the time of submission of the Application and/or on allocation.

Particulars of the Bank Account of the Investor

- Each Applicant is required to furnish the particulars of its bank account (registered in the name of the Applicant). The Applicant must not use the bank account number of any other Person except in the case of minor children only.
- If the bank account of the Applicant is registered with a bank other than one of the Subscription Banks, the Applicant will be required to submit a document to confirm the details of the bank account particulars as provided in the Application. This can be done by submitting any document from the bank of the Applicant that states the account number and name of the account holder. Documents that may be accepted include account statements or a letter or any document issued by the bank confirming this information. The Applicant is responsible for ensuring that the evidence submitted is legible and contains the required information. The Applicant is not obliged to submit any evidence with regard to the accuracy of its bank account if it is subscribing through the Subscription Bank where it maintains its account. In this case, the bank will be required to verify and confirm the correctness of the Applicant's account through its own system and procedures or through the evidence submitted to it by the Applicant.
- All Category II Investors who have an account with a bank other than the Joint Bookrunners will be required to submit a document to confirm the details of the bank account particulars as provided in the Application. This can be done by submitting any document from the bank of the Applicant that states the account number and name of the account holder. Documents that may be accepted include account statements or a letter or any document issued by the bank confirming this information. The Applicant is responsible for ensuring that the evidence submitted is legible and contains the required information.
- In accordance with the instructions of the CMA, the details of the bank account will be listed in the records of the MCDC for transferring any refund as well as for crediting the dividends distributed by the companies listed on the MSM. For Applicants who already have bank accounts registered with the MCDC the account mentioned in the Application will be used for the transfer of refunds only.
- The Application containing the bank account number of a person other than the Applicant will be rejected, with the exception of the Applications made on behalf of minors that contain bank accounts particulars of their fathers.

Documentation Required

- Submission of a document confirming the accuracy of the bank account number provided in the Application only where the bank account is registered with a bank that is not the Subscription Bank.
- Copy of a valid power of attorney duly endorsed by the competent legal authorities in the event the subscription is on behalf of another person (with the exception of a subscription made by a father on behalf of his minor children).
- In case of applications by juristic persons (non-individuals) which are signed by a person in his or her capacity as an authorised signatory, a copy of adequate and valid documentation should be attached.

Mode of Application

- The Applicant will be responsible for furnishing all particulars and will ensure the correctness and validity of the information set out in the Application. The Applicant will be required, before completing the Application, to read the Prospectus including the conditions and procedures governing the subscription with total care and importance.
- The Applicant will be required to fill in the Application and furnish copies of all particulars as noted on the Application.
- The Applicant will be required to submit the Application to one of the Subscription Banks or to the Joint Bookrunners in case of a Category II Investor as referred to in the Prospectus, together with the Application Money and the documents in support of the Application.
- Cheque or demand draft for the Application Money will be in favour of "Nawras IPO".

Banks Receiving the Applications

The Category I Investors' Applications will be accepted by any one of the following Subscription Banks during official bank hours only:

- Bank Muscat SAOG
- National Bank of Oman SAOG
- Ahli Bank SAOG
- Oman Arab Bank SAOC

The Subscription Bank receiving the subscription is required to accept the Application after confirmation of compliance of the procedures set out in the Prospectus. The Subscription Bank must instruct the Applicants to comply and fulfil any requirements set out in the Application.

The Category I Applicant must submit an Application to one of the Subscription Banks on or before the Offer Closing Date. The Subscription Bank shall refuse any Application received after the official working hours on the Offer Closing Date.

The Category II Investors' Applications will be accepted by either of the following Joint Bookrunners as provided below during official bank hours only which in turn will submit the Applications to the Sole Issue Manager before the Offer Closing date:

- Bank Muscat SAOG
- Morgan Stanley & Co. International plc

The Joint Bookrunner receiving the Application is required to accept the Application after confirmation of compliance of the procedures set out in the Prospectus. The Joint Bookrunners must instruct the Applicants to comply and fulfil any requirements set out in the Application.

The Category II Applicant must submit an Application to one of the Joint Bookrunners before the Offer Closing Date. The Sole Issue Manager shall refuse any Application received after the official working hours on the Offer Closing Date from any of the Joint Bookrunners.

Payment into Escrow Account

- All Investors will, with the submission of the Application, pay by cash, draw a cheque or demand draft or instruct an account transfer for the amount payable at the time of submission of the Application and/or on allocation in favour of "Nawras IPO".
- Where an Investor has been allocated less Shares than indicated in the Application or at a price less than the price at which the Application money was calculated, the excess amount, if any, paid on Application, will be refunded to the Investor from the escrow account of "Nawras IPO".

Acceptance of the Applications

The Subscription Banks or the Joint bookrunners must not accept the Applications in the following circumstances:

- If the Application does not bear the signature of the Applicant.
- If the Application Money is not paid by the Applicant in accordance with the conditions set out in the Prospectus.
- If the Application Money is paid by cheque and the cheque is dishonoured for whatever reason.
- If the Application does not include the Applicant's Investor Number registered with the MCDC.
- If the Application is submitted in joint names.
- If the Applicant is a Sole Proprietorship or trust account.
- If the Investor Number furnished in the Application is incorrect.
- If the Applicant submits more than one Application in the same name, all of them will be rejected.
- If the supporting documents are not enclosed with the Application.
- If the Application does not contain all the particulars of the bank account of the Applicant.
- If the particulars of the bank account provided for in the Application are found to be incorrect or not relevant to the Applicant, with the exception of the applications submitted in the names of minor children, who are allowed to make use of the particulars of the bank accounts held by their father.
- If the power of attorney is not attached to the Application in respect of an Applicant who subscribes on behalf of another Person (with the exception of the fathers who subscribe on behalf of their minor children).
- If the Application does not comply with the legal requirements as provided for in the Prospectus.

If the Subscription Bank or Joint Bookrunner receives an Application that does not comply with the procedures set out in the Prospectus, due effort will be taken to contact the Applicant so that the mistake may be corrected. If the Applicant does not rectify the Application within a specified period, the Subscription Bank or a Joint Bookrunner will return the Application together with the Application Money to the Applicant.

Refusal of Applications

The Sole Issue Manager may reject any Application under any of the conditions referred to above, subject to securing the approval of the CMA and submission of a comprehensive report furnishing the details of the Applications that are rejected and the reasons behind the rejections.

Enquiry and Complaints

The Category I Applicants who intend to seek clarification or file complaints with regard to issues related to the allotment or rejected Applications or refund of the Application Money in excess of the subscription, may contact the branch of the Subscription Bank where the subscription was made. In case there is no response from the Subscription Bank, the Category I Applicants may contact the person whose details are set out below:

Bank	Person(s) in charge	Postal Address	Phone	Fax	Email
Bank Muscat SAOG	Mr. Talal Al Zadjali	PO 134, PC 112, Ruwi, Muscat, Sultanate of Oman	24768214	24788864	tlzadjali@bankmuscat.com
National Bank of Oman SAOG	Mr. Gopalakrishnan K.	PO 751, PC 112, Ruwi, Muscat, Sultanate of Oman	24778610	24778993	gopal@nbo.co.om
Ahli Bank SAOG	Mr. Nasser Dur Mohd Al Balushi	PO 545, PC 116, Mina Al Fahal, Muscat, Sultanate of Oman	24577159	24568014	Nasser.albalushi@ahlibank-oman.com
Oman Arab Bank SAOC	Mr. Ahmed Al Riyami	PO 2010, PC 112, Ruwi, Muscat, Sultanate of Oman	24827328	24827367	a.riyami@oabinvest.com

If the Subscription Bank fails to resolve the complaint with the Applicant, it will refer the subject matter to the Sole Issue Manager and keep the Applicant informed of the progress and development in respect of the subject matter of the dispute.

The Category II Investors who intend to seek clarification or file complaints with regard to issues related to the allotment or rejected Applications may contact any one of the Joint Bookrunners as follows:

Bookrunners	Person(s) in charge	Postal Address	Phone	Fax	Email
Bank Muscat SAOG	Mr. Talal Al Zadjali	PO 134, PC 112, Ruwi, Muscat, Sultanate of Oman	+968 24768214	+968 24788864	tlzadjali@bankmuscat.com
Morgan Stanley	Mr. Graham Edmeades	20 Bank Street, Canary Wharf, London, UK E14 4AD, United Kingdom	+44 20 7425 8000	+44 20 7425 8990	graham.edmeades@morganstanley.com

Allotment Letters and Refund of Money

The Sole Issue Manager will arrange to allot the Offer Shares to the Applicants within 15 days after the end of the Offer Period after receiving the approval of the CMA on the basis of allotment. The Sole Issue Manager will also refund the excess money to the eligible Applicants within 15 days after the end of the Offer Period and after receiving the approval of the CMA. The Sole Issue Manager will arrange to send allotment letters to the applicants who have been allotted Shares through MCDC as per the addresses registered with the MCDC.

Basis for Undersubscribed Shares

In case of a shortfall in the overall subscription, the Offer Shares will be adjusted in proportion to the Shares offered by the Selling Shareholders and the undersubscribed Offer Shares will be retained by the Selling Shareholders.

Proposed Timetable

The following table shows the expected time schedule for completion of the subscription procedures:

Procedure	Date
Commencement of subscription	15 September 2010
Closing of subscription	14 October 2010
Due date for the Sole Issue Manager to receive the subscription data and final registers from the Subscription Banks	23 October 2010
Finalisation of the Offer Price and notification of the CMA of the outcome of the subscription and the proposed allotment	24 October 2010
Approval of the CMA of the proposed allotment	25 October 2010
Commencement of refund and dispatch of the notices regarding allotment	25 October 2010
Listing of the Shares with MSM	27 October 2010

Listing and Trading of the Shares of the Company

The Shares of the Company will be listed with MSM in accordance with the laws and procedures that are in force on the date application is made for the listing and registration. The above listing date is an estimated date and the exact date will be published on the MSM website.

Responsibilities & Obligations

The Sole Issue Manager, the Joint Bookrunners, the Joint Lead Managers and the Subscription Banks receiving the subscription and the MCDC must abide by the responsibilities and obligations set out by the directives and regulations issued by the CMA. The Sole Issue Manager, the Joint Bookrunners, the Joint Lead Managers and the Subscription Banks must also abide by any other responsibilities that are provided for in the agreements entered into among them and the Company and the Selling Shareholders.

The parties concerned will be required to take remedial measures with regard to the damages arising from any negligence committed in the performance of the functions and responsibilities assigned to them. The Sole Issue Manager, the Joint Bookrunners and the Joint Lead Managers will be the bodies responsible before the regulatory authorities in taking suitable steps and measures for repairing such damages.

Chapter XXI

Bookbuilding Process

Background

Bookbuilding is a method used to determine the share price of an offering, based on actual demand. It is an interactive mechanism by which institutional investors relay indications of demand and price preference to the bookrunners. Bookbuilding is used extensively in other international markets; the Nawras Offer represents the first time that it is being used within Oman.

The marketing process for this IPO for Category II Investors will be undertaken as a bookbuild process and will be split into two phases: investor education and the Offer Period. The bookbuilding methodology will be used during the Offer Period to determine the Offer Price at which the Shares being offered are allotted to all investors. The Joint Bookrunners, the Selling Shareholders and the Company will use the information received from Category II Investors during the Offer Period to determine the Offer Price, thus balancing demand and price and taking into account market conditions and the market's assessment of the Company's valuation. Further information on each of these phases is provided below:

Phase I—Investor Education

Unlike "fixed price" offerings where there is only one price for the shares offered, it is important to note that this Offer was launched with a Price Range (i.e. a maximum and minimum price per Share for the Company), which will be used to determine the Offer Price through the bookbuild process.

During the investor education phase the Joint Bookrunners gathered feedback from potential Category II Investors on their views on the positioning of the Company, its strengths and weaknesses and the valuation of the Company. This was done both through the research analyst reports and directly by the sales force of each Joint Bookrunner. The Selling Shareholders and the Company evaluated the information collected during this phase with the Joint Bookrunners to determine the Price Range.

The assessment typically takes into account the desire to balance the price at which the Shares are sold and a stable positive performance of the stock in the immediate aftermarket and longer-term performance of the Company's Shares in the public markets.

The start of investor education is usually accompanied by a press release from the Company. The press release for the preparation for the Nawras IPO was issued on 24 August 2010. The investor education phase for the Offer commenced on 24 August 2010 and ended on 5 September 2010. The Price Range was communicated to the market prior to the launch of the Offer Period and was approved by the CMA.

Phase II—Offer

The Offer has been structured into two parts: a fixed price offering, targeting Category I Investors, and a bookbuild portion, targeting Category II Investors. The Offer Period will commence on 15 September 2010 and end on 14 October 2010.

The Category I Investor Offer will follow the usual subscription process for a fixed price offering, except that:

- Category I Investors will place their Orders with the Subscription Banks based on a fixed price, the fixed price will not be the Offer Price but the maximum Share price provided in the Price Range (i.e. the Cap Price). In the case of the IPO this price is Bzs 902 per Offer Share.
- The allocation to Category I Investors will be at the same price as allocation to Category II Investors. This will be the Offer Price as discovered in the bookbuild offering.
- Any refunds will be calculated on the difference between the subscribed amount and the final allocation based on the Offer Price. The Offer Price will be determined by the outcome of the bookbuild offer. This approach combines simplicity (from a practical perspective) and fairness of pricing relative to the Category II Investor portion.

The Category II Investor Offer will follow a Bookbuild subscription process as described below.

1. Soliciting Orders from Category II Investors

Once the Offer Period commences, the Joint Bookrunners will contact the Category II Investors to solicit orders. Such orders are an indication of the investor's demand and will be quantified in terms of either the total amount ordered denominated in Omani Rials, or in terms of total number of Shares ordered. The investors have the ability to place an order of up to 10% of the Offer, and at any price within the Price Range.

2. Joint Bookrunners keep the Books and Category II Investors place Orders

All Orders received from Category II Investors will be recorded in an "order book". For each Category II Investor the order book will show the number of Shares ordered at each price of demand. The order book also records details of the Category II Investors.

3. Company and Joint Bookrunners determine the Offer Price

On the last day of the Offer Period, the Joint Bookrunners will finalise all Orders and close the order book. The Joint Bookrunners and the Company will meet to examine the order book and agree in consultation with the CMA on the Offer Price. The Joint Bookrunners present the Company with the order book, highlighting the aggregate demand and the number of Shares demanded at each price within the Price Range. Based on its qualitative evaluation of the Orders, its experience in dealing with the investors and the expectations of the Company, the Joint Bookrunners will make a recommendation to the Company on the Offer Price.

4. Allocation Process

All Investors will receive pro-rata allocations calculated as a proportion of the final Category size based on the proportion of their subscriptions against the total demand in that Category.

Illustration

For illustrative purposes only, the table below shows proposed price ranges for a share offering. In the example the issuer has set an indicative price range of OMR 0.600–0.900 indicating a valuation of the shares which is a multiple of 6-9x the nominal share price. As with international offerings, the shares are set above their nominal value to reflect the fact that the share price values the potential earnings of the company for some years ahead.

Example of Share Price Range

	Example 1
Valuation Range (OMR millions)	60–90
No. of Shares (millions)	100
Share Price Range (OMR)	0.600–0.900

*assuming the nominal value is OMR 0.100

The table below shows the orders received from five Category II Investors at different prices during the bookbuild period.

Total Category II Offering 30,000,000

	Orders			Effective Demand Analysis		
Investor Name	**Strike Bid**	**Limit Bid**	**Step Bid**	**@0.600**	**@0.750**	**@0.900**
Investor A	10,000,000			10,000,000	10,000,000	10,000,000
Investor B		10,000,000 at OMR 0.750		10,000,000	10,000,000	—
Investor C			10,000,000 at OMR 0.600 5,000,000 at OMR 0.900	10,000,000	5,000,000	5,000,000
Investor D			15,000,000 at OMR 0.600 10,000,000 at OMR 0.750	15,000,000	10,000,000	—
Investor E		15,000,000 at OMR 0.750		15,000,000	15,000,000	—
Total Demand				60,000,000	50,000,000	15,000,000
Final Price					0.750	

In the table above, five orders have been received, in addition to the subscriptions in Category I. Each investor has placed different orders. Investor A is willing to purchase shares at any price within the price range, while Investors B and E do not wish to purchase shares at a price above OMR 0.750. Investors C and D have provided step bids indicating that they will purchase less shares as the share price goes higher. Based on the orders received, the Bookrunners will analyse the effective demand at each price within the offer range. For example while Investor B has placed his order at OMR 0.750 he would be willing to buy the same number of shares for less and his demand will be included in the demand at the share price OMR 0.600. The bookrunners and the Company will review the order book to determine the offer price. As can be seen from the analysis above, the Company has received sufficient demand at the middle of the price range and is able to price the offering at OMR 0.750. This will mean that all Category I Investors will receive a refund of OMR 0.150 (OMR 0.900 less OMR 0.750) for each share they subscribed for and were allocated.

Chapter XXII

Undertakings

1. Company: Omani Qatari Telecommunications Company SAOG (under transformation)

The Board of Directors of Omani Qatari Telecommunications Company SAOG (Under Transformation) jointly and severally hereby confirm that:

I. The information provided in this Prospectus is true and complete.

II. Due diligence has been taken to ensure that no material information has been omitted, the omission of which would render this Prospectus misleading.

III. All the provisions set out in the Capital Market Law, the CCL, and the rules and regulations issued pursuant to them have been complied with.

On behalf of the Board of Directors (Authorised Signatories):

Sr	Name	Signature
1	H.E. Sh. Salim bin Mustahil Al Ma'ashani	Sd/-
2	Dr. Hammed S Al-Rawahi	Sd/-
3	Dr. Nasser Marafih	Sd/-
4	Mr. Khalid Abdulla H Al-Mansouri	Sd/-
5	Sh. Saud Bin Nasser Faleh Al-Thani	Sd/-
6	Mr. Abdulla Zaid Rashid Al-Talib	Sd/-
7	Sh. Saif bin Hashil Al-Maskery	Sd/-
8	Mr. Saleh Nasser Al-Riyami	Sd/-
9	Mr. Jens Hauge	Sd/-

2. Sole Issue Manager

Pursuant to our responsibilities under Article 3 of the Capital Market Law, Article 13 of the Executive Regulations of the Capital Market Law, issued under Ministerial Decision No. 1/2009, and the directives issued by the CMA, we have reviewed all the relevant documents and other material required for the preparation of the Prospectus pertaining to the issue of the Shares of Omani Qatari Telecommunications Company SAOG (Under Transformation).

The Board of Directors of Omani Qatari Telecommunications Company SAOG (under transformation) will bear the responsibility with regard to the correctness of the information provide for in the Prospectus, and they have confirmed not to have omitted any material information from it, the omission of which would have made the Prospectus misleading.

We confirm that we have taken the due diligence required by our profession with regards to the Prospectus which was prepared under our supervision and, based on the reviews and discussions with the Company, its directors, officers and other related parties, we confirm the following:

We have taken reasonable due diligence to ensure the information given to us by the Company and included in the Prospectus is conformant with the facts in the documents and other material of the Offer.

To the best of our knowledge and from the information available from the Company, the Company has not omitted any material information, the omission of which would render the Prospectus misleading.

The Prospectus and the Offer to which it relates, is conformant with all the rules and terms of disclosure stipulated for in the Capital Market Law, the Executive Regulation of the Capital Market Law issued under Ministerial Decision No. 1/2009, the prospectus models applied by the CMA, the CCL and the directives and decisions issued in this regard.

The information contained in this Prospectus in Arabic (and the unofficial translation into English) is true, sound and adequate to assist the investor to take the decision as to whether or not to invest in the securities offered.

Sole Issue Manager
Sd/-
Bank Muscat SAOG

3. Legal Advisor

The legal advisor whose name appears below, hereby confirms that all the procedures taken for the offering of the securities the subject matter of the Prospectus are in line with the laws and legislations related to the Company's business and the CCL, the Capital Market Law and the regulations and directives issued pursuant to them, the Articles of the Company, and the resolutions of the general meeting and Board of Directors of the Company. Nawras has obtained all the consents and approvals of the official authorities required to carry out the activities the subject matter of the Prospectus.

Legal Advisor
Sd/-
Al Busaidy, Mansoor Jamal & Co.

Nawras is a leading provider of telecommunications services in Oman. Nawras' vision is to enrich the lives of the people of Oman through better communication services, and its mission is to be the communications provider, and employer, of choice in Oman.

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Omani Qatari Telecommunications Company SAOG
(Under Transformation)

Prospectus

Initial Public Offering of 260,377,690 Shares

Price Range: Bzs 702 to Bzs 902 per Share
(Comprising Nominal Value of Bzs 100 per Share, Premium of Bzs 600 to Bzs 800 per Share and Issue Expenses of Bzs 2 per Share)

Offer Opens: 15 September 2010
Offer Closes: 14 October 2010

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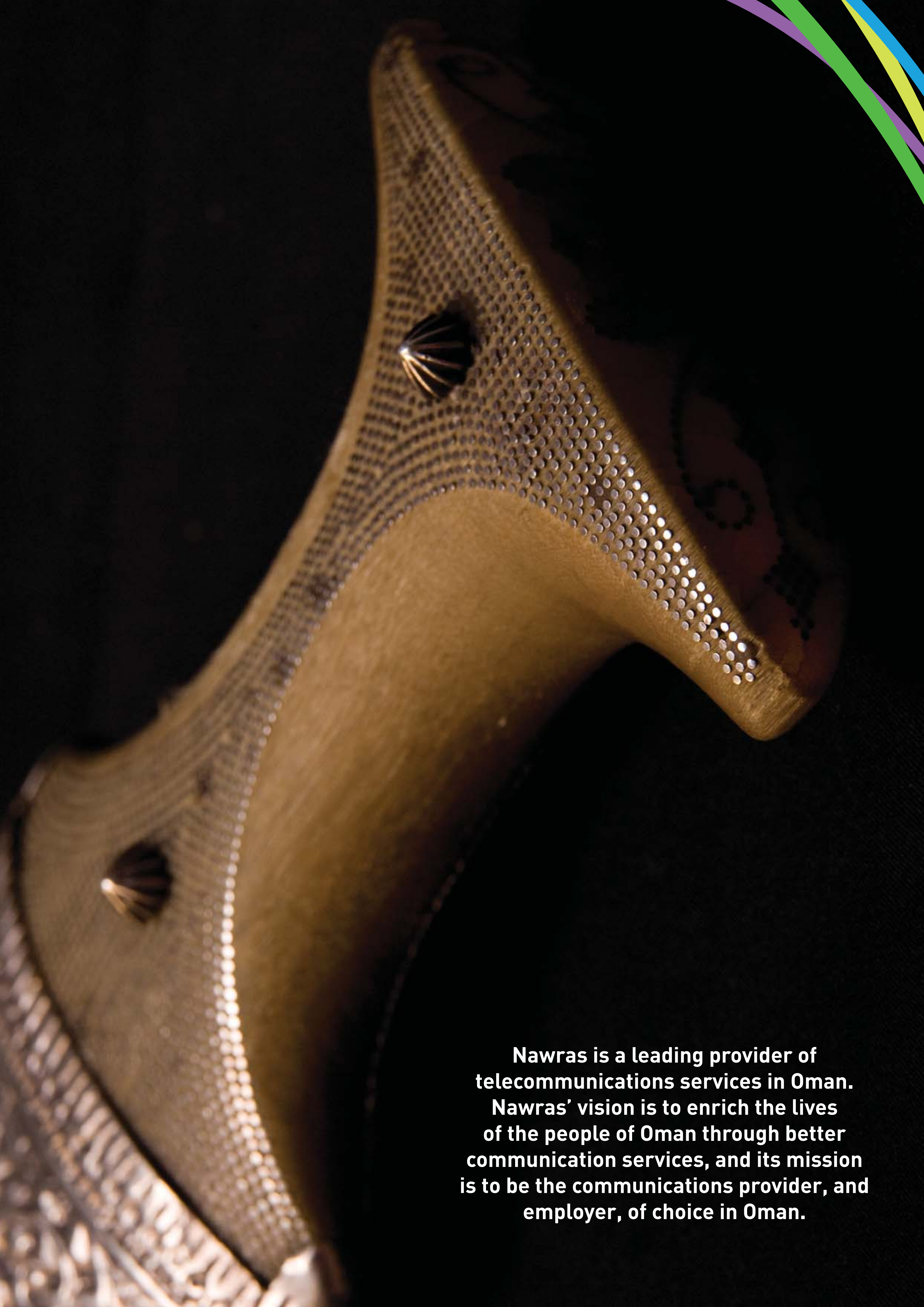

Nawras is a leading provider of telecommunications services in Oman. Nawras' vision is to enrich the lives of the people of Oman through better communication services, and its mission is to be the communications provider, and employer, of choice in Oman.