

BOARD OF DIRECTORS' REPORT

Introduction

On behalf of the Board of Directors, I welcome you to the thirteenth General Assembly of Oman Fiber Optic Co. (OFO). It is my pleasure to present to you the annual report along with the audited financial statements of the company for the year ended 31st December 2008.

OFO won His Majesty's Cup for being one of the best factories for the year 2008. This is the 3rd time that OFO has bagged the prestigious award.

Financial Performance

Turnover for the year showed an increase of 61% at RO 8,533,788 compared to previous year's turnover at RO 5,287,179. The net profit for the year is RO 1,911,157 as against previous year's RO 1,068,044 registering a growth of 79%. Earning per share in 2008 was 524 baizas as compared to 293 baizas in 2007.

Net profit includes RO.386,386 of profit on sale of investments, which was acquired during 2007 and dividend income of RO.50,000.

Oman Telecommunications Company SAOG is one of the major customers contributing to more than 10% of the revenue of OFO.

Internal Control

The Board is aware of the significance of having in place an effective internal control system in all areas of operations of the company. The Board is pleased to have reviewed the internal control system and finds it effective. It has used the services of a reputed firm of Chartered Accountants in conducting the Internal Audit and reviewing the controls. During the year, no major internal control weakness has come to the notice of the Board.

Dividend

As approved in the 12th Annual General Meeting, 21% cash dividend for the year 2007 amounting to RO 766,348.750 was disbursed.

Dividends paid during past 5 years:

Year	Dividend
2007	21%
2006	14%
2005	12%
2004	12%
2003	5%

The Board is of the view that dividend should be paid as and when reasonable profits and/or free reserves are available.

The Board is pleased to recommend 21% cash dividend for the year 2008.

Change in the top management

During June 2008, Mr. Mohammed Harith Al Barashdy joined as General Manager in place of Mr. Ali Ahmed Al Mujaini.

The Board of Directors would like to thank Mr. Ali Ahmed Al Mujaini for his services during his tenure.

Omanisation

The Board believes that employees are assets of the company. The Company trains Omani employees in various departmental skills and elevate them to the higher levels, according to their capabilities. Currently, the Omanisation stands at 51%.

Opportunities, Challenges and Future Outlook

During July 2008, the Company placed order for additional buffering line, stranding line, sheathing line and ring marking upgradation amounting to Euro 2.90 million. This will increase the plant capacity by almost 150%. The machinery is scheduled to arrive in Oman in April 2009 and commercial production is expected to commence in October 2009.

Optical cable demand in the first three quarters of 2008 has grown by 17% relative to the same period of 2007. Using the average seasonal trend of the last four years, worldwide optical fiber demand for 2008 would come to 134 million fiber km representing a 13% growth over the 118 million Fiber km in total in 2007.

The global market for telecommunication services remains promising. The telecom demand for long haul / backbone and for access will maintain the tempo. The telecom service providers will continue expanding their network. With triple play i.e. voice, video and data coming into force, the requirement of the fiber will go up as this is the only media which can support such bandwidth, paving the way for Fiber To The Home (FTTH) applications.

Apart from telecom, the oil and gas producing companies have started deploying Fiber Optic Cables alongwith their pipelines primarily to support their captive SCADA network. Under the current circumstances where the oil prices have fallen significantly, the decision makers are likely to re-look at the economics before they approve any project.

Telecom Installation Services

The Telecom Installation Services Division started during June 2007, has contributed handsomely to the financials of the company during 2008. As on 31st December 2008, the Division has contracts worth RO.2.9 million on hand from reputed clients in the Sultanate. Year 2009 looks more promising for the Division.

The Company was also awarded a contract for supply of copper cable during 2008.

Conclusion

The Board wishes to thank all the customers, suppliers, bankers and Government authorities for their support. Also, the Board wishes to thank all the employees for their commitment, dedication and hardwork.

We remain in gratitude to His Majesty Sultan Qaboos Bin Said for his wise leadership and express our thanks to his government for the continued support and encouragement.

Thank you,

Sd/-

Mohsin Hassan Al-Raisi
Chairman