

**OMAN FIBER OPTIC COMPANY SAOG  
NOTES TO THE FINANCIAL STATEMENTS  
at 31 December 2008**

**1 LEGAL STATUS AND PRINCIPAL ACTIVITIES**

Oman Fiber Optic Company SAOG (the Company) is registered in the Sultanate of Oman as a public joint stock company and commenced commercial operations from 1 January 1999. The Company is engaged in the design and manufacture of optical fiber and cables; trading of copper cables and cable laying services.

**2 SIGNIFICANT ACCOUNTING POLICIES**

**Basis of preparation**

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and the requirements of the Commercial Companies Law of the Sultanate of Oman, 1974 (as amended) and the rules for disclosure requirements prescribed by the Capital Market Authority. The financial statements have been prepared in Rials Omani.

In the current period, the Company has adopted all applicable new and revised Standards and Interpretations issued by IASB and the IFRIC that are effective for accounting periods beginning on or after 1 January 2008.

In particular, amendments to Standards IAS 39 'Financial Instruments: Recognition and Measurement' and IFRS 7 'Financial Instruments: Disclosures', issued in October 2008, permits an entity to reclassify non-derivative financial assets (other than those that were designated at fair value through profit or loss by the entity upon initial recognition) out of the fair value through profit or loss category in particular circumstances. The amendments also require additional disclosures explaining the facts and circumstances relating to such reclassification. The above amendments have not impacted the presentation and disclosure of items in the Company's financial statements in the current year.

Certain amendments to existing standards have been published that are effective and mandatory for accounting periods commencing 1 January 2009 or 1 July 2009, which the Board of Directors have decided to adopt from the applicable period. The amendments likely to be relevant to the Company are as follows:

- Amendments to IAS 1 'Presentation of Financial Statements' primarily require the following disclosures:
  - 'Balance sheet' and 'Cash flow statement' to be described as 'Statement of Financial Position' and 'Statement of Cash Flows' respectively (optional amendment);
  - All owner changes in equity should be presented in the statement of changes in equity separately from non-owner changes in equity;
  - A statement of financial position as at the beginning of the earliest comparative period must be prepared whenever the entity retrospectively applies an accounting policy or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements.
- Amendments to IAS 23 'Borrowing Costs' primarily eliminate the option of immediate recognition as an expense for accounting for borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset.

## OMAN FIBER OPTIC COMPANY SAOG

NOTES TO THE FINANCIAL STATEMENTS (Continued)  
at 31 December 2008

## 2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

## Basis of preparation (Continued)

- Amendments to IFRS 8 'Operating Segments' primarily sets out requirements for disclosure of information about an entity's operating segments and also about the entity's products and services, the geographical areas in which it operates and its major customers.
- There have been other amendments issued by IASB as part of its annual improvements project in the year 2008 that are applicable for accounting periods commencing 1 January 2009. The amendments have been categorized into two parts by IASB. Part I contains amendments that result in accounting changes for presentation, recognition or measurement purposes. Part II contains amendments that are terminology or editorial changes only, which is expected to have no or minimal effect on accounting.

The Board of Directors believes the adoption of the above amendments is not likely to have any material impact on the presentation and disclosure of items in the financial statements for future periods.

The following accounting policies have been consistently applied in dealing with items considered material to the Company's financial statements:

## a) Accounting convention

These financial statements have been prepared under the historical cost convention as modified by the measurement at fair value of certain financial liabilities.

## b) Property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Where an item of property, plant and equipment comprises major components having different useful lives, they are accounted for as separate items of property, plant and equipment. Following initial recognition at cost, expenditure incurred to replace a component of an item of property, plant and equipment which increases the future economic benefits embodied in the item of property, plant and equipment is capitalised. All other expenditures are recognised in the income statement as an expense as incurred.

Items of property, plant and equipment are derecognised upon disposal or when no future economic benefit is expected to arise from the continued use of the asset. Any gain or loss arising on de-recognition of the asset is included in the income statement in the year the item is derecognized.

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of items of property, plant and equipment. The estimated useful economic lives are as follows:

	Years
Buildings	25
Loose tools	4
Plant and machinery	10
Electrical equipment and installations	10
Motor vehicles	4
Furniture and fixtures	5
Office equipment	5

**OMAN FIBER OPTIC COMPANY SAOG****NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**at 31 December 2008****2 SIGNIFICANT ACCOUNTING POLICIES (Continued)****c) Investments***Investment in an associate*

An entity over which the Company exercises significant influence but not control is classified as an associate and is accounted for using the equity method. The Company's investment in associate includes goodwill identified on acquisition. Goodwill represents the excess of the cost of an acquisition over the fair value of the company's share of the net identifiable assets acquired of the associate at the date of acquisition. Goodwill on acquisition of associates is included in investments in associates and is tested for impairment as part of the overall balance.

The financial statements include the Company's share of the total recognised gains and losses of the associate on an equity accounting basis.

**d) Inventories**

Inventories are stated at 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 inventories is based on first-in-first-out basis and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In case of finished goods and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

**e) Accounts and other receivables**

Accounts and other receivables originated by the Company are measured at cost. An allowance for credit losses of accounts and other receivables is established when there is objective evidence that the Company will not be able to collect the amounts due. When an account or other receivable is uncollectible, it is written off against the allowance account for credit losses. The carrying value of accounts and other receivables approximate their fair values due to the short-term nature of those receivables.

**f) Cash and cash equivalents**

For the purpose of cash flow statements, cash and cash equivalents consist of bank balances and cash and short term deposits with maturity of three months or less from the date of acquisition.

**g) Impairment***Financial assets*

At each balance sheet date, the Company assesses if there is any objective evidence indicating impairment of financial assets carried at cost or non collectability of receivables. An impairment loss, if any, arrived at as a difference between the carrying amount and the recoverable amount, is recognised in the statement of income. The recoverable amount represents the present value of expected future cash flows discounted at the original effective interest rate. Cash flows relating to short term receivables are not discounted.

*Non financial assets*

At each balance sheet date, the Company assesses if there is any indication of impairment of non financial assets. If an indication exists, the Corporation estimates the recoverable amount of the asset and recognizes an impairment loss in the Income statement. The Company also assesses if there is any indication that an impairment loss recognized in prior years no longer exists or has reduced. The resultant impairment loss or reversals are recognised immediately in the income statement.

**OMAN FIBER OPTIC COMPANY SAOG****NOTES TO THE FINANCIAL STATEMENTS (Continued)  
at 31 December 2008****2 SIGNIFICANT ACCOUNTING POLICIES (Continued)****h) Dividends**

Dividends are recognised as a liability in the period in which they are declared.

The Board of Directors recommend to the shareholders the dividend to be paid out of Company's profits. The Directors take into account appropriate parameters including the requirements of the Commercial Companies Law 1974 (as amended), while recommending dividend.

**i) Employees' end of service benefits**

Payment is made to Omani Government's Social Security Scheme under Royal Decree number 72/91 (as amended) for Omani employees. Provision is made for amounts payable under the Sultanate of Oman's labour law under Royal Decree number 35 / 2003 applicable to non Omani employees' accumulated periods of service at the balance sheet date.

**j) Provisions**

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.

**k) Accounts and other payables**

Liabilities are recognised for amounts to be paid for goods and services received, whether or not billed to the Company.

**l) Sales and service income**

Revenue from the sale of goods net of sales commission and trade discount is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer. Revenue is not recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

Revenue from service represents the value of services rendered during the year. Service income is recognised when the associated economic benefits is considered to flow to the Company.

**m) Operating lease payments**

Payments made under operating leases are recognised in the income statement on a straight line basis over the term of the lease.

**n) Net finance income**

Net finance income comprise of interest income earned on short term deposits net of finance costs. All interest costs incurred in connection with borrowings are expensed as incurred as part of finance costs. Interest income is recognised in the income statement as it accrues.

**OMAN FIBER OPTIC COMPANY SAOG****NOTES TO THE FINANCIAL STATEMENTS (Continued)  
at 31 December 2008****2 SIGNIFICANT ACCOUNTING POLICIES (Continued)****o) Foreign currency transactions**

Transactions denominated in foreign currencies are translated to Rial Omani at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Rial Omani at the foreign exchange rates ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement.

**p) Taxation**

Taxation for the year comprises current and deferred tax. Tax is recognised in the income statement.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date.

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

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

**q) Segment reporting**

A segment is a distinguishable component of the Company that is engaged in providing products or services (business segment), or in providing products or services within a particular economic environment (geographic segment), where it is subject to risk and rewards that are different from those of other segments.

**r) Directors' remuneration**

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

**s) Government soft loan***Carrying value*

The carrying value of the subsidised Government term loan (note 11) is determined as the present value of the loans adopting the interest rates that reflect the current cost of similar borrowing on similar loan terms from a commercial bank. The reported balance of the term loans comprise their carrying value plus a component of unamortised deferred income that represents the difference between the carrying value and the present value of the loans adopting the interest rates that the loans attract.

*Finance charge*

The effective interest charge arises as a result of accounting for the fair value of the term loans and therefore represents the actual interest incurred for the year plus an amount arising from movements in the carrying value of the loans in the year. The amount of deferred income relating to the term loans is released to the statement of income in such a way as to spread the income over the effective interest charge to which it relates.

## OMAN FIBER OPTIC COMPANY SAOG

NOTES TO THE FINANCIAL STATEMENTS (Continued)  
at 31 December 2008

## 2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

## t) Estimates and judgements

In preparing the financial statements, the Board of Directors is required to make estimates and assumptions which affect reported income and expenses, assets, liabilities and related disclosures. The use of available information and application of judgements based on historical experience and other factors are inherent in the formation of estimates. Actual results in future could differ from such estimates.

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 and in any future periods effected. In particular, estimates that involve uncertainties and judgements which have significant effect on the financial statements include:

i) *Estimated impairment of goodwill and investment in an associate*

During the year 2006, the Company acquired 20% of the share capital of Omania E-Commerce LLC as investment in an associate. Included in the investment was an amount of RO 225,757 (2007 - RO 225,757) of goodwill representing a payment made by the Company in anticipation of future economic benefits. The Board of Directors have assessed the net asset values, financial position and future outlook of the investment in the associate and consider that there has been an impairment in its carrying value and they believe it is appropriate to provide for an impairment of RO 150,000 (2007 - RO 75,757) towards investment in the associate [note 4 a) iv)].

ii) *Revenue recognition*

At times the Company is requested by its customers to hold the fiber optic cable stock manufactured on their behalf. Actual delivery is made to customers upon instructions received from the customers. However revenue is recognised on the date of invoicing as it is considered that risks are passed on to the customers at that time as these stocks are kept in the Company's custody upon the customer's request and at the customers' risk.

## 3 PROPERTY, PLANT AND EQUIPMENT

- a) The details of property, plant and equipment are set out on pages 25 and 26.
- b) Property, plant and equipment have been mortgaged to secure the Government soft loan referred to in note 11.
- c) Buildings are constructed on land leased by the Company from the Public Establishment for Industrial Estates under an agreement that expires in the year 2029 and is renewable for a further period of 25 years (see note 22).

## 4 INVESTMENTS

## a) Investment in an associate

i) Name of the associate	% Holding	Carrying value RO	2008		Carrying value RO	2007	
			Cost RO	% Holding		Cost RO	Cost RO
Omania E-Commerce LLC	20	129,243	450,000	20	310,243	450,000	
		=====	=====		=====	=====	

## OMAN FIBER OPTIC COMPANY SAOG

NOTES TO THE FINANCIAL STATEMENTS (Continued)  
at 31 December 2008

## 4 INVESTMENTS (Continued)

## a) Investment in an associate (Continued)

- ii) During the year 2006, the Company acquired 300,000 shares at a cost of RO 1.500 per share in Omania E-Commerce LLC, which is registered as a limited liability company under the Commercial Companies Law of Oman 1974. The associate's principal activity is to facilitate customers to trade through the internet using e-commerce facilities. The movement in the carrying value of investment in associate is given below:

	2008 RO	2007 RO
At the beginning of the year	310,243	432,500
Share of results of associate	(31,000)	(46,500)
Impairment of investment in an associate [see note iv) below]	(150,000)	(75,757)
	-----	-----
At the end of the year	129,243 =====	310,243 =====

- iii) The share of results of the associate for the year ended 31 December 2008 is based on unaudited management accounts. The reporting date of the financial statements of the associate is the same as the Company.
- iv) During the year, the Board of Directors have assessed the net asset values, financial position and future outlook of the investment in the associate and considers that there has been an impairment in its carrying value. Accordingly they believe it is appropriate to provide for an impairment amounting to RO 150,000 (2007 – RO 75,757) [note 2 t) i)]. At the balance sheet date, the value of goodwill included in the investment in the associate is nil (2007 – RO 150,000).
- v) At the balance sheet date, the summarised financial position of the associate is as follows:

	2008 RO (un-audited)	2007 RO (audited)
Total assets	787,982	908,565
Total liabilities	123,133	86,019
Revenue	299,740	163,797
Loss	(157,789)	(203,308)

## b) Investment available for sale

	2008		2007	
	Market value RO	Cost RO	Market value RO	Cost RO
<i>Service sector</i>				
Oman Telecommunications Company SAOG	--	--	856,000	586,531
	=====	=====	=====	=====

The above investment available for sale was disposed during the year at a net gain of RO 386,386 (2007 – nil) [note 20].

## OMAN FIBER OPTIC COMPANY SAOG

NOTES TO THE FINANCIAL STATEMENTS (Continued)  
at 31 December 2008

## 5 INVENTORIES

	2008 RO	2007 RO
Raw materials	945,043	731,122
Finished goods	131,393	122,916
Trading inventories	1,325,990	--
Work in progress	67,651	177,956
Spares and consumables	316,042	106,720
	-----	-----
	2,786,119	1,138,714
Provision for slow moving inventories	(196,847)	(137,206)
	-----	-----
	2,589,272	1,001,508
Goods in transit	--	138,890
	-----	-----
	2,589,272	1,140,398
	=====	=====

The following further notes apply:

- a) The changes in the provision for slow moving inventories are as follows:

	2008 RO	2007 RO
At the beginning of the year	137,206	126,931
Provisions created during the year	90,241	10,275
Written back during the year	(30,600)	--
	-----	-----
At the end of the year	196,847	137,206
	=====	=====

- b) At the balance sheet date, finished goods represent 8 days (2007 – 9 days) of annual optical fiber cable sales.

## 6 ACCOUNTS AND OTHER RECEIVABLES

	2008 RO	2007 RO
Accounts receivable	939,662	1,503,997
Less: allowance for credit losses	--	(4,209)
	-----	-----
	939,662	1,499,788
Advance to suppliers of capital goods	542,368	--
Accrued service income	391,825	--
Advance to sub-contractors and suppliers of raw materials	102,915	--
Staff advances and deposits	25,837	22,926
Other receivables and prepayments	41,593	5,768
	-----	-----
	2,044,200	1,528,482
	=====	=====

The following further notes apply:

- a) At the balance sheet date, 3 customers (2007 – 3 customers) accounted for 51% (2007 – 80%) of accounts receivable.

## OMAN FIBER OPTIC COMPANY SAOG

NOTES TO THE FINANCIAL STATEMENTS (Continued)  
at 31 December 2008**6 ACCOUNTS AND OTHER RECEIVABLES (Continued)**

b) The movement in allowance for credit losses is given below:

	2008 RO	2007 RO
At the beginning of the year	4,209	8,920
Written off during the year	(4,209)	--
Reversed during the year	--	(4,711)
	-----	-----
At the end of the year	--	4,209
	=====	=====

c) Accounts receivable amounting to RO 625,840 (2007 – RO 1,033,467) are neither past due nor impaired and are estimated as collectible based on historical experience.

d) Accounts receivables amounting to RO 2,160 (2007 – RO 54,745) are secured against letters of credit or other credit risk cover.

e) At the balance sheet date, accounts receivable amounting to RO 313,822 (2007 – RO 466,321) are past due but not impaired. The ageing analysis of these accounts receivable is as follows:

	2008 RO	2007 RO
Debts due up to 6 months	275,095	462,113
Debts due between 6 months – 1 year	38,727	1,502
Debts due more than 1 year	--	2,706
	-----	-----
	313,822	466,321
	=====	=====

**7 SHORT TERM DEPOSITS**

a) Short term deposits are placed with commercial banks at interest rates ranging between 0.7% and 4.05% (2007 – between 1.75% and 4.5%) per annum and have maturities of between one to six months from the date of placement.

b) For the purpose of the cash flow statement, deposits amounting to RO 51,000 (2007 – RO 2,301,000) with maturities of less than three months from the date of placement have been classified as cash and cash equivalents.

**8 SHARE CAPITAL**

a) At the balance sheet date, the Company's authorised share capital is RO 5 million comprising 5 million shares of RO 1 each (2007 – RO 5 million comprising 5 million shares of RO 1 each).

b) At the balance sheet date, the Company's issued and fully paid up share capital is RO 3,649,275 comprising 3,649,275 shares of RO 1 each (2007 – RO 3,649,275 comprising 3,649,275 shares of RO 1 each).

## OMAN FIBER OPTIC COMPANY SAOG

NOTES TO THE FINANCIAL STATEMENTS (Continued)  
at 31 December 2008

## 8 SHARE CAPITAL (Continued)

- c) At the balance sheet date, shareholders who own 10% or more of the Company's share capital and the number of shares they hold are as follows:

	2008		2007	
	No of shares held	%	No of shares held	%
Oman Telecommunications Company SAOG	947,433	25.96	947,433	25.96
Gulf Investment Corporation, Kuwait	912,319	25.00	912,319	25.00
H.E Dr. Omar Abdulmunim Yousif Al Zawawi	783,412	21.47	783,412	21.47
Oman and Emirates Investment Holding Company SAOG	580,457	15.90	569,820	15.62

## 9 LEGAL RESERVE

Article 106 of the Commercial Companies Law of 1974 (as amended), requires that 10% of a Company's net profit for the year should be transferred to a non-distributable legal reserve until the amount of the legal reserve equals at least one-third of the Company's issued share capital.

## 10 DIVIDEND

- a) During the year, a cash dividend of 210 baisas per share for the year 2007 amounting to RO 766,348 was declared and paid (2007 – 140 baisas per share for the year 2006 amounting to RO 510,899).
- b) The Board of Directors have proposed a cash dividend of 210 baisas per share for the year 2008 (2007 – 210 baisas) amounting to RO 766,348 (2007 – RO 766,348), subject to approval of the shareholders at the forthcoming Annual General Meeting.
- c) During the year, an amount of RO 6,356 representing unclaimed dividends for the year 2007 (2007 – RO 137,568 for the year 2006), has been transferred to the Investor's Trust Fund of the Capital Market Authority.

## 11 GOVERNMENT SOFT LOAN

	2008	2007
	RO	RO
Total outstanding liability	1,500,000	1,875,000
Current portion	(375,000)	(375,000)
Deferred Government grant	(206,448)	(295,193)
	-----	-----
Non - current portion	918,552	1,204,807
	=====	=====

The following further notes apply:

- a) Government soft loan bears interest at the rate of 3% (2007 – 3%) per annum and represents the balance of four equal annual instalments of RO 375,000 due from June 2009 to June 2012. The loan is secured by registered mortgage over the Company's assets.
- b) The loan from the Government of Sultanate of Oman is carried at the fair value of the consideration received. The fair value of the consideration received is a sum total of all future cash payments discounted using the borrowing rate of 9% applicable to similar loans. The Government soft loans are recognized initially at their fair values, which have been determined by the management using the effective interest rate method. The Government subsidy on loans to which the subsidy relates is amortised on a systematic basis in the same periods in which the loans are repaid and amounted to RO 88,745 (2007 – RO 101,200) for the Company (note 19).

## OMAN FIBER OPTIC COMPANY SAOG

NOTES TO THE FINANCIAL STATEMENTS (Continued)  
at 31 December 2008

## 11 GOVERNMENT SOFT LOAN (Continued)

- c) The maturity profile of the non-current portion of the Government soft loan based on the remaining period to maturity from the balance sheet date is as follows:

	2008 RO	2007 RO
Between 1 and 2 years	375,000	375,000
Between 2 and 5 years	750,000	1,125,000
	-----	-----
	1,125,000	1,500,000
	=====	=====

## 12 BANK BORROWINGS

The Company has facilities available but unutilized, from a commercial bank that are secured by way of a pari-passu charge over inventories and accounts receivable, assignment of insurance of inventories and assignment over specific receivables being discounted.

## 13 TAXATION

	2008 RO	2007 RO
<i>Statement of income</i>		
Current taxation	12,340	--
Deferred taxation credit	(33,106)	--
	-----	-----
Taxation credit (net)	(20,766)	--
	=====	=====
<i>Balance sheet</i>		
Current taxation	12,340	--
	=====	=====
Deferred taxation liability	16,126	49,232
	=====	=====

The following further notes apply:

- a) The Company's tax exemption expired on 13 December 2008 and the tax liability has been provided proportionately for the balance period of the year.
- b) The Company's taxation assessments for the years 2003 to 2007 are pending to be finalized by the Secretariat General for Taxation. The Board of Directors believe that the finalization of the assessments for the above tax years is not likely to have a material impact on the Company's financial position at the balance sheet date.

## OMAN FIBER OPTIC COMPANY SAOG

NOTES TO THE FINANCIAL STATEMENTS (Continued)  
at 31 December 2008

## 13 TAXATION (Continued)

- c) The reconciliation of income tax calculated based on accounting profit before tax at the applicable tax rate with the income tax expense is as follows:

	2008 RO	2007 RO
Income tax on accounting profits	223,247	--
Add / (less) tax effect of:		
Income exempt [refer note a) above]	(214,330)	--
Depreciation	2,519	--
Expenses disallowed	533	--
Others	371	--
	-----	-----
Income tax expense	12,340	--
	=====	=====

- d) The net deferred tax liability in the balance sheet and deferred tax credit in the income statement account, are attributable to the following items:

	2007 RO	(Credited) / charged to income statement RO	2008 RO
Accelerated tax depreciation	66,442	(26,694)	39,748
Provision for inventories	(16,465)	(7,157)	(23,622)
Provision for debtors	(745)	745	--
	-----	-----	-----
Net deferred tax liability	49,232	(33,106)	16,126
	=====	=====	=====

- e) The management has not recognized the deferred tax asset amounting to RO 38,491 (2007 – RO 16,771) in respect of deductible temporary differences on investment in the associate, unless it is probable that the temporary differences would reverse in the foreseeable future.

## 14 ACCOUNTS AND OTHER PAYABLES

	2008 RO	2007 RO
Accounts payable	425,797	613,937
Liability for capital purchases	11,150	7,169
Accruals and other payables	702,569	346,273
	-----	-----
	1,139,516	967,379
	=====	=====

## 15 RELATED PARTY TRANSACTIONS

The Company has entered into transactions with entities and shareholders who have significant influence over the Company. These entities and shareholders also have holdings of 10% or more in the Company ("significant shareholders"). The Company also entered into transactions with entities related to these significant shareholders or directors ("other related parties"). In the ordinary course of business, such related parties provide goods and render services to the Company. The Company also sells goods to such related parties. A commercial bank, which is a related party, provides significant working capital facilities to the Company.

## OMAN FIBER OPTIC COMPANY SAOG

NOTES TO THE FINANCIAL STATEMENTS (Continued)  
at 31 December 2008

## 15 RELATED PARTY TRANSACTIONS (Continued)

During the year, the following transactions were carried out with related parties and the prices and terms of these transactions are approved by the management and the Board of Directors:

	2008 RO	2007 RO
a) Sale of goods to:		
- Entity with significant influence over the Company	3,728,728	922,036
- Other related parties	--	35,478
	-----	-----
	3,728,728	957,514
	=====	=====
b) Purchase of :		
Goods from:		
- Other related parties	23,908	20,329
Services from:		
- Entities with significant influence over the Company	--	1,074
- Other related parties (bank charges)	26,002	15,999
	-----	-----
	49,910	37,402
	=====	=====
c) The key management personnel compensation for the year comprises:		
	2008 RO	2007 RO
Short term employment benefits	302,942	155,713
End of service benefits and social security costs	6,806	5,532
Directors' remuneration (see note below)	56,886	27,588
Directors' meeting attendance fees (see note below)	23,600	13,400
Directors' travel expenses	2,065	--
	-----	-----
	392,299	202,233
	=====	=====

The Directors' remuneration and meeting attendance fees are subject to shareholders' approval at the Annual General Meeting.

	2008 RO	2007 RO
d) Amounts due from a related party:		
- Entity with significant influence over the Company	2,035,375	695,059
	=====	=====
Amounts due to related parties:		
- Other related parties	--	808
	=====	=====
e) Amount due from a related party is outstanding on sale of goods and services in the normal course of business and consideration to be settled in cash. The amount due from the related party comprises 67% (2007 - 32%) of the overall trade receivables (including the above dues).		

## OMAN FIBER OPTIC COMPANY SAOG

NOTES TO THE FINANCIAL STATEMENTS (Continued)  
at 31 December 2008

## 15 RELATED PARTY TRANSACTIONS (Continued)

- f) At the balance sheet date, amounts due from a related party of RO 838,855 (2007 – RO 669,438) are neither past due nor impaired.
- g) At the balance sheet date, amounts due from a related party of RO 1,196,520 (2007 – RO 25,621) are past due but not impaired and are estimated as collectible based on historical experience and accordingly no allowance for credit losses is considered necessary against these dues. The ageing analysis of these dues are as follows:

	2008 RO	2007 RO
Debts due up to 6 months	966,280	25,621
Debts due between 6 months – 1 year	161,882	--
Debts due more than 1 year	68,358	--
	-----	-----
	1,196,520	25,621
	=====	=====
<b>16 COST OF MATERIALS CONSUMED</b>	<b>2008 RO</b>	<b>2007 RO</b>
Cost of raw material consumed	4,967,499	2,511,232
Cost of consumables	298,283	79,162
Increase in work in progress and finished goods	(1,129,772)	(171,087)
	-----	-----
	4,136,010	2,419,307
	=====	=====
<b>17 EMPLOYEE COSTS</b>	<b>2008 RO</b>	<b>2007 RO</b>
Basic salaries and allowances	537,471	421,028
Expatriate employees' end of service benefits	19,559	13,540
Social security costs for Omani employees	11,941	10,509
Other benefits and expenses	273,505	160,188
	-----	-----
	842,476	605,265
	=====	=====

The following further note applies:

Movements in expatriate employees' end of service benefits liability recognised in the balance sheet are as follows:

	2008 RO	2007 RO
At the beginning of the year	47,000	50,053
Expenses recognised in the statement of income	19,559	13,540
End of service benefits paid during the year	(1,870)	(16,593)
	-----	-----
At the end of the year	64,689	47,000
	=====	=====

## OMAN FIBER OPTIC COMPANY SAOG

NOTES TO THE FINANCIAL STATEMENTS (Continued)  
at 31 December 2008

<b>18 OTHER OPERATING EXPENSES</b>	2008 RO	2007 RO
Sub contract costs	847,839	170,847
Freight outward	61,185	52,695
Electricity	44,588	40,987
Repairs and maintenance	39,084	30,741
Travelling expenses	48,714	29,967
Bank charges	27,383	18,245
Rent	31,403	15,303
Vehicle fuel and maintenance	29,859	16,801
Telephone	22,812	17,487
Insurance	18,550	11,210
Professional fees	11,464	9,135
Sales incentives and commission	--	27,313
Advertising and sales promotion	6,821	4,512
Consultancy fees	4,295	9,945
Listing and depository fee	3,749	3,749
Exchange loss	7,556	--
Loss on disposal of plant and equipment	3,557	--
Directors' remuneration [note 15 c)]	56,886	27,588
Directors' meeting attendance fees [note 15 c)]	23,600	13,400
Other expenses	40,945	31,193
	----- 1,330,290 =====	----- 531,118 =====
<b>19 NET FINANCE (COSTS) / INCOME</b>	2008 RO	2007 RO
Effective interest expense on borrowings	(141,146)	(163,460)
Amortisation of deferred government grant [note 11 b)]	88,745	101,200
	-----	-----
Interest expense on borrowings (actual)	(52,401)	(62,260)
Interest income on deposits	54,460	74,613
	-----	-----
	2,059	12,353
	----- =====	----- =====
<b>20 INCOME / (LOSS) FROM INVESTMENTS</b>	2008 RO	2007 RO
Share of results of an associate [note 4 a) ii)]	(31,000)	(46,500)
Impairment of investment in an associate [note 4 a) iv)]	(150,000)	(75,757)
Profit on disposal of investment available for sale [note 4 b)]	386,386	--
Dividend income	50,000	--
	-----	-----
	255,386	(122,257)
	----- =====	----- =====

## OMAN FIBER OPTIC COMPANY SAOG

NOTES TO THE FINANCIAL STATEMENTS (Continued)  
at 31 December 2008

## 21 SEGMENTAL REPORTING

The Company operates in two business segments, that of sale of optical fiber cables and trading of copper cables; and cable laying services. The Company reports segmental information based on business segments. All relevant information relating to the primary segment is disclosed in the income statement, balance sheet and notes to the financial statements. The Board of Directors have classified the geographical segments as below:

	2008 RO	Income 2007 RO	Accounts receivable (net) (including amounts due from a related party)	
			2008 RO	2007 RO
<b><i>Sale of optical fiber cables</i></b>				
GCC countries including the Sultanate of Oman	5,152,237	4,438,241	1,313,965	1,690,774
Africa	185,514	53,971	25,750	36,586
Middle East and Asia	381,272	426,591	236,500	279,210
	-----	-----	-----	-----
	5,719,023	4,918,803	1,576,215	2,006,570
	-----	-----	-----	-----
<b><i>Trading of copper cables</i></b>				
Sultanate of Oman	1,107,555	--	718,402	--
	-----	-----	-----	-----
<b><i>Cable laying services</i></b>				
Sultanate of Oman	1,707,210	368,376	680,420	188,277
	-----	-----	-----	-----
Total	8,533,788	5,287,179	2,975,037	2,194,847
	=====	=====	=====	=====

## 22 LEASES

The Company has leased land for factory premises, at Rusayl, from the Public Establishment for Industrial Estates (PEIE), under a lease agreement that expires on 19 July 2029. At the balance sheet date, future commitments under this non-cancellable operating lease were as follows:

	2008 RO	2007 RO
Less than one year	13,788	13,788
Between one and five years	59,011	57,468
More than five years	237,686	253,017
	-----	-----
	310,485	324,273
	=====	=====

## OMAN FIBER OPTIC COMPANY SAOG

NOTES TO THE FINANCIAL STATEMENTS (Continued)  
at 31 December 2008**23 NET ASSETS PER SHARE**

Net assets per share is calculated by dividing the net assets at the balance sheet date by the number of shares outstanding at the balance sheet date as follows:

	2008	2007
Net assets (in Rials Omani)	6,983,328 =====	6,107,988 =====
Number of shares	3,649,275 =====	3,649,275 =====
Net assets per share (in Rials Omani)	1.914 =====	1.674 =====

**24 BASIC EARNINGS PER SHARE**

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

	2008	2007
Net profit for the year (in Rials Omani)	1,911,157 =====	1,068,044 =====
Weighted average number of shares	3,649,275 =====	3,649,275 =====
Basic earnings per share (in Rials Omani)	0.524 =====	0.293 =====

As the Company does not have any dilutive potential shares, the diluted earnings per share is the same as the basic earnings per share.

**25 FINANCIAL RISK AND CAPITAL MANAGEMENT**

The Company's financial assets include accounts and other receivables, due from a related party, short term deposits, bank balances and cash. The Company's financial liabilities include accounts and other payables, Government soft loan, taxation and employees' end of service benefits.

The Company's activities expose it to various financial risks, primarily being, market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk. The Company's risk management is carried out internally in accordance with the policies approved by the Board of Directors.

**a) Market risk***Currency risk*

The Company deals in foreign currency transactions that are in Japanese Yen, Euros, US Dollars and in other GCC currencies linked to the US Dollar. As majority of the Company's financial assets and liabilities are either denominated in Rial Omani or currencies fixed against Rial Omani, the management believes that there is no significant risk on profitability.

*Interest rate risk*

The Company has short term deposits, which are interest bearing and subject to changes in market interest rates. The interest rates on short term deposits are disclosed in note 7 a) to the financial statements. The management believes there would not be a material impact on the profitability on account of a fluctuation in interest rates.

## OMAN FIBER OPTIC COMPANY SAOG

NOTES TO THE FINANCIAL STATEMENTS (Continued)  
at 31 December 2008

## 25 FINANCIAL RISK AND CAPITAL MANAGEMENT

## a) Market risk (Continued)

*Interest rate risk*

The interest rates on Government soft loan are at fixed subsidized rates as disclosed in note 11 a) to the financial statements; accordingly the management believes there is no significant interest rate risk.

## b) Credit risk

The Company has a credit policy in place and exposure to credit risk is monitored on an ongoing basis. The Company does not require collateral in respect of financial assets. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet. The Company has significant concentrations of credit risk, details of which are provided in note 6 a) and 15 e) to the financial statements. The Company manages concentration of its credit risk by monitoring collections within the credit period. Credit risk on amounts due from a related party is considered minimal as it is a large public joint stock company with positive net worth.

## c) Liquidity risk

The Company maintains sufficient facilities and bank balances and cash to meet the Company's obligations as they fall due for payment.

The maturity analysis of the Government soft loan has been disclosed in note 11 to the financial statements. The table below analyses the expected contractual maturities of the other financial liabilities at the balance sheet date.

<b>At 31 December 2008</b>	Less than 3 months RO	3 to 6 months RO	6 months to 1 year RO	More than 1 year RO	Total RO
Employees' end of service benefits	--	--	--	64,689	64,689
Accounts and other payables	1,025,435	20,500	93,581	--	1,139,516
Taxation	12,340	--	--	--	12,340
	-----	-----	-----	-----	-----
	1,037,775	20,500	93,581	64,689	1,216,545
	=====	=====	=====	=====	=====
<b>At 31 December 2007</b>					
Employees' end of service benefits	--	--	--	47,000	47,000
Accounts and other payables	471,233	76,836	419,310	--	967,379
Due to related parties	808	--	--	--	808
	-----	-----	-----	-----	-----
	472,041	76,836	419,310	47,000	1,015,187
	=====	=====	=====	=====	=====

**OMAN FIBER OPTIC COMPANY SAOG****NOTES TO THE FINANCIAL STATEMENTS (Continued)  
at 31 December 2008****25 FINANCIAL RISK AND CAPITAL MANAGEMENT (Continued)****d) Capital management**

The Company's objectives when managing capital are:

- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and
- to provide an adequate return to shareholders by pricing products commensurate with the level of risk.

The Company has complied with externally imposed capital requirements.

**26 COMMITMENTS****a) Capital commitments**

At the balance sheet date, the Company had capital expenditure committed but not yet incurred amounting to RO 1,166,290 (2007 - Nil).

**b) Purchase commitments**

At the balance sheet date, the value of outstanding purchase commitments amounted to RO 478,020 (2007 - RO 195,740).

**27 CONTINGENT LIABILITIES**

At the balance sheet date, there were contingent liabilities in respect of guarantees amounting to RO 1,288,560 (2007 - RO 1,028,116) given in the normal course of business from which it is anticipated that no material liabilities will arise.

**28 COMPARATIVES**

Certain comparative figures have been reclassified to conform to the presentation adopted in these financial statements.

## OMAN FIBER OPTIC COMPANY SAOG

NOTES TO THE FINANCIAL STATEMENTS (Continued)  
at 31 December 2008

## 3 PROPERTY, PLANT AND EQUIPMENT (Continued)

Year 2008	Buildings RO	Loose tools RO	Plant and machinery RO	Motor vehicles RO	Furniture and fixtures RO	Office equipment RO	Total RO
<b>Cost</b>							
At 31 December 2007	1,701,963	89,288	4,468,915	62,680	63,681	88,922	6,475,449
Additions during the year	--	29,257	2,894	104,750	33,533	28,339	198,773
Disposals during the year	--	(18)	--	(18,000)	(3,474)	(2,485)	(23,977)
At 31 December 2008	1,701,963	118,527	4,471,809	149,430	93,740	114,776	6,650,245
<b>Depreciation</b>							
At 31 December 2007	612,779	69,327	3,502,844	37,508	46,841	73,057	4,342,356
Charge for the year	68,079	16,538	448,455	20,716	17,598	27,987	599,373
Relating to disposals	--	(18)	--	(14,250)	(3,474)	(1,579)	(19,321)
At 31 December 2008	680,858	85,847	3,951,299	43,974	60,965	99,465	4,922,408
<b>Net book value</b>							
At 31 December 2008	1,021,105	32,680	520,510	105,456	32,775	15,311	1,727,837
At 31 December 2007	1,089,184	19,961	966,071	25,172	16,840	15,865	2,133,093

## OMAN FIBER OPTIC COMPANY SAOG

NOTES TO THE FINANCIAL STATEMENTS (Continued)  
at 31 December 2008

## 3 PROPERTY, PLANT AND EQUIPMENT (Continued)

Year 2007	Buildings RO	Loose tools RO	Plant and machinery RO	Motor vehicles RO	Furniture and fixtures RO	Office equipment RO	Total RO
<b>Cost</b>							
At 31 December 2006	1,701,963	62,522	4,393,986	47,705	47,944	76,059	6,330,179
Additions during the year	--	26,766	74,929	14,975	23,426	14,226	154,322
Disposals during the year	--	--	--	--	(7,689)	(1,363)	(9,052)
At 31 December 2007	1,701,963	89,288	4,468,915	62,680	63,681	88,922	6,475,449
<b>Depreciation</b>							
At 31 December 2006	544,700	61,255	3,053,640	28,119	44,194	58,052	3,789,960
Charge for the year	68,079	8,072	449,204	9,389	10,336	16,368	561,448
Relating to disposals	--	--	--	--	(7,689)	(1,363)	(9,052)
At 31 December 2007	612,779	69,327	3,502,844	37,508	46,841	73,057	4,342,356
<b>Net book value</b>							
At 31 December 2007	1,089,184	19,961	966,071	25,172	16,840	15,865	2,133,093
At 31 December 2006	1,157,263	1,267	1,340,346	19,586	3,750	18,007	2,540,219