

BOARD OF DIRECTORS' REPORT

Introduction

On behalf of the Board of Directors, I welcome you to the fourteenth 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 2009.

In 2009, OFO received His Majesty's Certificate for achievement of good result in Quality.

Financial Performance

Your company's turnover for the year showed an increase of 15% at Rials 9,780,322 compared to previous year's turnover at Rials 8,533,788. The operating profit for the year is Rials 2,073,632 as compared to the previous year's operating profit of Rials 1,632,946, which indicates a growth of 27%. The net profit for the year is Rials 1,748,530 as compared to the previous year's figure of Rials 1,911,157.

Earnings per share in 2009 stood at 479 baizas as compared to 524 baizas in 2008.

The tax exemption period expired in December 2008 and your company provided for Rials 270,818 towards income tax for the year 2009, as per the applicable rules. In 2008, the company had a one-time income of Rials 386,386 towards profit on sale of investments and a dividend income of Rials 50,000.

Oman Telecommunications Company SAOG and Omani Qatari Telecommunications SAOC are the major customers contributing to more than 10% of the revenue of OFO.

Dividend

As approved in the 13th Annual General Meeting, a cash dividend 21% for the year 2008 amounting to Rials 766,348.750 was disbursed.

Dividends paid during past 5 years:

Year	Dividend
2008	21%
2007	21%
2006	14%
2005	12%
2004	12%

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 a cash dividend of 25% for the year 2009.

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 50%.

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 these controls. During the year, no major internal control weakness has come to the notice of the Board.

Opportunities, Challenges and Future Outlook

Using the average seasonal trend of the previous years, worldwide demand for optical fiber for 2009 would come to 148 million fiber km, as compared to the previous year figure of 139 million fiber km, which indicates a growth of 6%.

In the first three quarters of 2009, the entire Asia region has already consumed 75 million km of cabled fiber, which is 63% of worldwide total. The quarterly pattern from the last few years shows no seasonal fall in Q4, and hence the consumption could be estimated to be at least 100 million Fiber km from the Asia region.

OFO will have their new machinery line by end of 1st quarter of 2010 to add micro dia cable for new fiber applications.

The worldwide telecom market appears to be encouraging. Most of the telecom operators in the region are structuring their backbone network with fiber. Some of the operators are even deploying fiber for the new fiber applications.

It would be worth mentioning that most of the utility companies are using optical fiber to support their transmission and distribution network.

Severe competition from South Asian and Middle East countries is one of the major challenges for the company.

Telecom Installation Services

The Telecom Installation Services Division has contributed handsomely to the financials of the company during 2009. As on 31st December 2009, the Division has good amount of contracts on hand from reputed clients in the Sultanate.

Apart from the installation of fiber optic cables, Telecom Services Division of OFO has also enhanced its capabilities in executing fiber projects.

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 dedication and improved productivity.

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,

Dr. Amer Al Rawas
Chairman