

OMAN FIBER OPTIC COMPANY SAOG**NOTES TO THE FINANCIAL STATEMENTS
at 31 December 2009****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 year, 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 2009. The following Standards, in particular, have resulted in revised disclosure requirements for the current year:

- Amendments to IAS 1 'Presentation of Financial Statements' primarily requires the following disclosures:
 - 'Balance sheet' and 'Cash flow statement' have been described as 'Statement of Financial Position' and 'Statement of Cash Flows' respectively;
 - All owner changes in equity are presented in the statement of changes in equity separately from non-owner changes in equity, which are now presented in a single statement of comprehensive income;
 - A statement of financial position as at the beginning of the earliest comparative period will 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.
- IFRS 8 'Operating Segments', which replaces IAS 14 'Segment reporting' primarily sets out requirements for disclosure of information about an entity's operating segments on the basis of internal reports that are regularly reviewed by the entity's chief operating decision maker.
- 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.

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

- Amendments to IAS 24 'Related party disclosures' has simplified the definition of a related party, clarifying its intended meaning and eliminated inconsistencies from the definition. The amendments have also provided a partial exemption from the disclosure requirements for government-related entities. An entity shall apply this IFRS for annual periods beginning on or after 1 January 2011, though earlier application is permitted.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)
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2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of preparation (Continued)

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 statement of comprehensive income 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 statement of comprehensive income in the year the item is derecognized.

Depreciation is charged to the statement of comprehensive income 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

Capital work in progress is not depreciated.

c) 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.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)
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2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 statement of cash flows, 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 placement.

g) Impairment

Financial assets

At the end of the reporting period, the management 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 comprehensive 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 the end of the reporting period, the management assesses if there is any indication of impairment of non financial assets. If an indication exists, the management estimates the recoverable amount of the asset and recognizes an impairment loss in the statement of comprehensive income. The management 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 statement of comprehensive income.

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.

OMAN FIBER OPTIC COMPANY SAOG
NOTES TO THE FINANCIAL STATEMENTS (Continued)
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2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 end of the reporting period.

j) Provisions

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.

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 statement of comprehensive income 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 statement of comprehensive income on a straight line basis over the term of the lease.

n) Net finance cost

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

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 end of the reporting period are translated to Rial Omani at the foreign exchange rates ruling at that date. Foreign exchange differences arising on translation are recognised in the statement of comprehensive income.

p) Taxation

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

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the end of the reporting period.

OMAN FIBER OPTIC COMPANY SAOG
NOTES TO THE FINANCIAL STATEMENTS (Continued)
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2 SIGNIFICANT ACCOUNTING POLICIES (Continued)

p) Taxation (Continued)

Deferred tax is calculated using the 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 end of the reporting period.

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) Operating segments

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses and whose operating results are regularly reviewed by the Board of Directors to make decisions about resources to be allocated to the segment and assess its performance. The Company has two reportable segments that of optical fiber cables and copper cables; and cable laying services.

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 comprehensive 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 loan 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 loan 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 loan adopting the interest rates that similar loans attract.

Finance charge

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

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.

The significant judgement involved in the preparation of these financial statements is in apportioning the borrowing, trial run and other costs attributable towards the various components of the plant and machinery for which those costs were incurred. The management believes that these costs would be apportioned on transfer of capital work in progress to plant and machinery in the year 2010.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)
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3 PROPERTY, PLANT AND EQUIPMENT

- a) The details of property, plant and equipment are set out on pages 24 and 25.
- 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 (note 22).
- d) Capital work in progress amounting to RO 1,623,037 (2008 – nil) represents amounts incurred towards purchase, installation and related costs of machinery for new line which is under commissioning at the end of the reporting period.

4 INVESTMENT IN AN ASSOCIATE

Name of the associate	% Holding	2009		% Holding	2008	
		Carrying value RO	Cost RO		Carrying value RO	Cost RO
Omania E-Commerce LLC	20	89,243	450,000	20	129,243	450,000
		=====	=====		=====	=====

The following further notes apply:

- a) 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 during the year is given below:

	2009 RO	2008 RO
At the beginning of the year	129,243	310,243
Share of results of associate	(40,000)	(31,000)
Impairment of investment in an associate [see note c) below]	--	(150,000)
At the end of the year	89,243	129,243
	=====	=====

- b) The share of results of the associate for the year ended 31 December 2009 is based on unaudited management accounts (2008 – same basis). The reporting date of the financial statements of the associate is the same as that of the Company.
- c) In the previous years, the Board of Directors assessed the net asset values, financial position and future outlook of the investment in the associate and considered that there has been impairment in its carrying value. Accordingly they have provided for impairment provision of RO 150,000 and RO 75,757 towards investment in the associate during the years 2008 and 2007 respectively. At the end of the reporting period, the value of goodwill included in the investment in the associate is nil (2008 – nil).

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NOTES TO THE FINANCIAL STATEMENTS (Continued)
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4 INVESTMENT IN AN ASSOCIATE (Continued)

d) At the end of the reporting period, the summarised financial position of the associate is as follows:

	2009 RO (un-audited)	2008 RO (audited)
Total assets	666,228	806,635
Total liabilities	183,315	144,981
Revenue	312,110	295,574
Loss	(185,636)	(160,892)

5 INVENTORIES

	2009 RO	2008 RO
Raw materials	1,033,344	945,043
Finished goods	90,784	131,393
Trading inventories	151,506	1,325,990
Work in progress	114,171	67,651
Spares and consumables	560,324	316,042
	-----	-----
Provision for slow moving inventories	1,950,129 (212,504)	2,786,119 (196,847)
	-----	-----
Goods in transit	1,737,625 132,932	2,589,272 --
	-----	-----
	1,870,557	2,589,272
	=====	=====

The following further notes apply:

a) The movement in the provision for slow moving inventories during the year is as follows:

	2009 RO	2008 RO
At the beginning of the year	196,847	137,206
Provided during the year	50,700	90,241
Written back during the year	(35,043)	(30,600)
	-----	-----
At the end of the year	212,504	196,847
	=====	=====

b) At the end of the reporting period, finished goods represent 6 days (2008 – 8 days) of annual optic fiber cable sales.

OMAN FIBER OPTIC COMPANY SAOG
NOTES TO THE FINANCIAL STATEMENTS (Continued)
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6 ACCOUNTS AND OTHER RECEIVABLES

	2009 RO	2008 RO
Accounts receivable	1,852,049	939,662
Less: allowance for credit losses	(5,288)	--
	-----	-----
	1,846,761	939,662
Advance to suppliers of capital goods	--	542,368
Accrued service income	325,190	391,825
Advance to sub-contractors and suppliers of raw materials	231,232	102,915
Staff advances and deposits	55,324	25,837
Other receivables and prepayments	21,752	41,593
	-----	-----
	2,480,259	2,044,200
	=====	=====

The following further notes apply:

- a) At the end of the reporting period, 3 customers (2008 – 3 customers) accounted for 72% (2008 – 51%) of accounts receivable. 14% (2008 - 12%) of the overall revenue during the year was from 1 customer.

- b) The movement in allowance for credit losses during the year is given below:

	2009 RO	2008 RO
At the beginning of the year	--	4,209
Provided during the year [see note f) below and note 18]	5,288	--
Written off during the year	--	(4,209)
	-----	-----
At the end of the year	5,288	--
	=====	=====

- c) Accounts receivable amounting to RO 1,159,323 (2008 – RO 625,840) are neither past due nor impaired and are estimated as collectible based on historical experience.

- d) Accounts receivables amounting to RO 155,488 (2008 – RO 2,160) are secured against letters of credit or other credit risk cover.

- e) At the end of the reporting period, accounts receivable amounting to RO 687,438 (2008 – RO 313,822) are past due but not impaired. The ageing analysis of these accounts receivable is as follows:

	2009 RO	2008 RO
Debts due up to 6 months	554,602	275,095
Debts due between 6 months – 1 year	130,392	38,727
Debts due more than 1 year	2,444	--
	-----	-----
	687,438	313,822
	=====	=====

- f) At the end of the reporting period, accounts receivable amounting to RO 5,288 (2008 – nil) were assessed as impaired by the management, for which allowance for credit losses has been established.

OMAN FIBER OPTIC COMPANY SAOG
NOTES TO THE FINANCIAL STATEMENTS (Continued)
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7 SHORT TERM DEPOSITS

Short term deposits are placed with commercial banks at interest rates ranging between 1% and 2.60% (2007 – between 0.7% and 4.05%) per annum. For the purpose of the statement of cash flows, the short term deposits (2008– RO 51,000) 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 end of the reporting period, the Company's authorised share capital is RO 5 million comprising 5 million shares of RO 1 each (2008 – RO 5 million comprising 5 million shares of RO 1 each).
- b) At the end of the reporting period, the Company's issued and fully paid up share capital is RO 3,649,275 comprising 3,649,275 shares of RO 1 each (2008 – RO 3,649,275 comprising 3,649,275 shares of RO 1 each).
- c) At the end of the reporting period, shareholders who own 10% or more of the Company's share capital and the number of shares they hold are as follows:

	2009		2008	
	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	580,467	15.91	580,457	15.90

9 LEGAL RESERVE

As required by the Commercial Companies Law of the Sultanate of Oman, 1974 (as amended), 10% of the profit for the year has been transferred to the legal reserve. The Company may resolve to discontinue such annual transfers when the reserve equals one third of the Company's paid up capital. The reserve is not available for distribution.

10 DIVIDEND

- a) During the year, a cash dividend of 210 baisas per share for the year 2008 amounting to RO 766,348 was declared and paid (2008 – 210 baisas per share for the year 2007 amounting to RO 766,348).
- b) The Board of Directors have proposed a cash dividend of 250 baisas per share for the year 2009 (2008 – 210 baisas) amounting to RO 912,319 (2008 – RO 766,348), subject to approval of the shareholders at the forthcoming Annual General Meeting.
- c) During the year, an amount of RO 12,829 representing unclaimed dividends for the year 2008 (2008 – RO 6,356 for the year 2007), has been transferred to the Investor's Trust Fund of the Capital Market Authority.

11 GOVERNMENT SOFT LOAN

	2009	2008
	RO	RO
Total outstanding liability	1,125,000	1,500,000
Current portion	(375,000)	(375,000)
Deferred Government grant	(70,906)	(131,278)
	-----	-----
Non - current portion	679,094	993,722
	=====	=====

OMAN FIBER OPTIC COMPANY SAOG
NOTES TO THE FINANCIAL STATEMENTS (Continued)
at 31 December 2009

11 GOVERNMENT SOFT LOAN (Continued)

The following further notes apply:

- a) Government soft loan bears interest at the rate of 3% (2008 – 3%) per annum and represents the balance of three equal annual instalments of RO 375,000 due from June 2010 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 60,372 (2008 – RO 75,170) for the Company (note 19).
- c) The maturity profile of the non-current portion of the Government soft loan based on the remaining period to maturity from the end of the reporting period is as follows:

	2009 RO	2008 RO
Between 1 and 2 years	375,000	375,000
Between 2 and 4 years	375,000	750,000
	-----	-----
	750,000	1,125,000
	=====	=====

12 BANK BORROWINGS

At the end of the reporting period, the Company has borrowing facilities available 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. The facilities carry interest at commercial rates.

13 TAXATION

	2009 RO	2008 RO
<i>Statement of comprehensive income</i>		
Current taxation	270,818	12,340
Deferred taxation credit	(31,011)	(33,106)
	-----	-----
Taxation charge / (credit)	239,807	(20,766)
	=====	=====
<i>Statement of financial position</i>		
Current taxation	270,818	12,340
	=====	=====
Deferred tax asset / (liability)	14,885	(16,126)
	=====	=====

The following further notes apply:

- a) The Company's tax exemption expired on 13 December 2008 and accordingly the tax liability for the current year has been provided at the rate of 12% of taxable profits in excess of RO 30,000 (2008 – provided proportionately for the balance period of the year).

OMAN FIBER OPTIC COMPANY SAOG
NOTES TO THE FINANCIAL STATEMENTS (Continued)
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13 TAXATION (Continued)

- b) The Company's taxation assessments for the years 2003 and 2004 have been completed by the Secretariat General for Taxation during the year, with no additional demand for tax. The taxation assessments for the years 2005 to 2008 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 end of the reporting period.
- 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:

	2009 RO	2008 RO
Income tax on accounting profits	235,000	223,247
Add / (less) tax effect of:		
Income exempt	--	(214,330)
Depreciation	30,125	2,519
Expenses disallowed	7,313	533
Others	(1,620)	371
	-----	-----
Income tax expense	270,818	12,340
	=====	=====

- d) The net deferred tax asset in the statement of financial position and deferred tax credit in the statement of comprehensive income account, are attributable to the following items:

	2008 RO	Credited to the statement of comprehensive income	2009 RO
		RO	
Accelerated tax depreciation	(39,748)	28,497	(11,251)
Provision for inventories	23,622	1,878	25,500
Provision for accounts receivables	--	635	635
	-----	-----	-----
Net deferred tax (liability) / asset	(16,126)	31,010	14,885
	=====	=====	=====

- e) The management has not recognized the deferred tax asset amounting to RO 43,291 (2008 – RO 38,491) 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

	2009 RO	2008 RO
Accounts payable	552,243	425,797
Liability for capital purchases	163,256	11,150
Accruals and other payables	609,691	702,569
	-----	-----
	1,325,190	1,139,516
	=====	=====

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").

OMAN FIBER OPTIC COMPANY SAOG
NOTES TO THE FINANCIAL STATEMENTS (Continued)
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15 RELATED PARTY TRANSACTIONS (Continued)

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.

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:

	2009 RO	2008 RO
a) Sale of goods to:		
- Entity with significant influence over the Company	5,379,444	3,728,728
- Other related parties	9,104	--
	-----	-----
	5,388,548	3,728,728
	=====	=====
b) Purchase of :		
Goods from:		
- Other related parties	22,029	23,908
Services from:		
- Other related parties (bank charges)	20,141	26,002
	-----	-----
	42,170	49,910
	=====	=====
c) The key management personnel compensation for the year comprises:		
	2009 RO	2008 RO
Short term employment benefits	237,506	302,942
End of service benefits and social security costs	12,087	6,806
Directors' remuneration [see note d) below]	53,638	56,886
Directors' meeting attendance fees [see note d) below]	18,900	23,600
Directors' travel expenses	1,714	2,065
	-----	-----
	323,845	392,299
	=====	=====
d) The Directors' remuneration and meeting attendance fees are subject to shareholders' approval at the Annual General Meeting.		
e) The details of related party balances at the end of the reporting period is as follows:		
	2009 RO	2008 RO
Amounts due from a related party:		
- Entity with significant influence over the Company	2,510,905	2,035,375
	=====	=====
Amounts due to related parties:		
- Other related parties	13,867	--
	=====	=====

OMAN FIBER OPTIC COMPANY SAOG
NOTES TO THE FINANCIAL STATEMENTS (Continued)
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15 RELATED PARTY TRANSACTIONS (Continued)

- f) 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 59% (2008 - 67%) of the overall trade receivables (including the above dues). The revenue from the related party constitutes 55% of the overall revenue for the year (2008 - 44%).
- g) At the end of the reporting period, amounts due from a related party of RO 747,507 (2008 – RO 838,855) are neither past due nor impaired.
- h) At the end of the reporting period, amounts due from a related party of RO 1,763,398 (2008 – RO 1,196,520) are past due but not impaired. The ageing analysis of these dues are as follows:

	2009 RO	2008 RO
Debts due up to 6 months	392,451	966,280
Debts due between 6 months – 1 year	1,277,071	161,882
Debts due more than 1 year	93,876	68,358
	-----	-----
	1,763,398	1,196,520
	=====	=====

16 COST OF MATERIALS CONSUMED

	2009 RO	2008 RO
Cost of raw material consumed	2,488,866	4,967,499
Cost of consumables	520,690	298,283
Decrease / (increase) in work in progress, trading inventories and finished goods	943,867	(1,129,772)
	-----	-----
	3,953,423	4,136,010
	=====	=====

17 EMPLOYEE COSTS

	2009 RO	2008 RO
Basic salaries and allowances	667,396	537,471
Expatriate employees' end of service benefits	27,416	19,559
Social security costs for Omani employees	13,979	11,941
Other benefits and expenses	285,369	273,505
	-----	-----
	994,160	842,476
	=====	=====

The following further note applies:

Movements in expatriate employees' end of service benefits liability recognised in the statement of financial position are as follows:

	2009 RO	2008 RO
At the beginning of the year	64,689	47,000
Expense for the year	27,416	19,559
End of service benefits paid during the year	(6,837)	(1,870)
	-----	-----
At the end of the year	85,268	64,689
	=====	=====

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NOTES TO THE FINANCIAL STATEMENTS (Continued)
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18 OTHER OPERATING EXPENSES	2009 RO	2008 RO
Freight outward	45,920	61,185
Electricity	32,595	44,588
Repairs and maintenance	35,125	39,084
Travelling expenses	47,314	48,714
Bank charges	22,216	27,383
Rent	40,091	31,403
Vehicle fuel and maintenance	34,042	29,859
Telephone	20,531	22,812
Insurance	24,748	18,550
Professional fees	15,132	11,464
Advertising and sales promotion	14,271	6,821
Consultancy fees	2,093	4,295
Listing and depository fee	3,749	3,749
Exchange loss	7,942	7,556
Loss on disposal of plant and equipment	--	3,557
Directors' remuneration [note 15 c)]	53,638	56,886
Directors' meeting attendance fees [note 15 c)]	18,900	23,600
Allowance for credit losses [note 6 b)]	5,288	--
Other expenses	57,852	40,945
	-----	-----
	481,447	482,451
	=====	=====
 19 NET FINANCE (COST) / INCOME	 2009 RO	 2008 RO
Effective interest expense on loan	(112,502)	(127,571)
Amortisation of deferred government grant [note 11 b)]	60,372	75,170
	-----	-----
Interest expense on loan (actual)	(52,130)	(52,401)
Interest income on deposits	6,835	54,460
	-----	-----
	(45,295)	2,059
	=====	=====
 20 (LOSS) / INCOME FROM INVESTMENTS	 2009 RO	 2008 RO
Share of results of an associate [note 4 a)]	(40,000)	(31,000)
Impairment of investment in an associate [note 4 a)]	--	(150,000)
Profit on disposal of investment available for sale	--	386,386
Dividend income	--	50,000
	-----	-----
	(40,000)	255,386
	=====	=====

OMAN FIBER OPTIC COMPANY SAOG
NOTES TO THE FINANCIAL STATEMENTS (Continued)
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21 OPERATING SEGMENTS

The Company has two reportable segments that of optical fiber cables and copper cables; and cable laying services. The information set out below analyses the revenues over the two segments. However it is not easily possible to accurately analyse certain costs over the two segments. Hence the management do not consider it appropriate to provide segment cost information.

	2009 RO	2008 RO
<i>Sale of optical fiber cables and copper cables</i>		
GCC countries including the Sultanate of Oman	6,418,605	6,259,792
Africa	57,539	185,514
Middle East and Asia	20,277	381,272
	-----	-----
	6,496,421	6,826,578
	-----	-----
<i>Cable laying services</i>		
Sultanate of Oman	3,283,901	1,707,210
	-----	-----
Total sales	9,780,322	8,533,788
Less: Common costs	(8,031,792)	(6,622,631)
	-----	-----
Net profit	1,748,530	1,911,157
	=====	=====

The geographical distribution of the accounts receivables is analysed as follows:

	Accounts receivable (net) (including amounts due from a related party)	
	2009 RO	2008 RO
<i>Sale of optical fiber cables and copper cables</i>		
GCC countries including the Sultanate of Oman	3,745,466	2,032,367
Africa	10,138	25,750
Middle East and Asia	14,282	236,500
	-----	-----
	3,769,886	2,294,617
	-----	-----
<i>Cable laying services</i>		
Sultanate of Oman	587,780	680,420
	-----	-----
Total	4,357,666	2,975,037
	=====	=====

OMAN FIBER OPTIC COMPANY SAOG

NOTES TO THE FINANCIAL STATEMENTS (Continued)
at 31 December 2009**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 end of the reporting period, future commitments under this non-cancellable operating lease were as follows:

	2009 RO	2008 RO
Less than one year	13,788	13,788
Between one and five years	60,554	59,011
More than five years	222,355	237,686
	-----	-----
	296,697	310,485
	=====	=====

23 NET ASSETS PER SHARE

Net assets per share is calculated by dividing the net assets at the end of the reporting period by the number of shares outstanding at the end of the reporting period as follows:

	2009	2008
Net assets (in Rials Omani)	7,965,510	6,983,328
	=====	=====
Number of shares	3,649,275	3,649,275
	=====	=====
Net assets per share (in Rials Omani)	2.183	1.914
	=====	=====

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:

	2009	2008
Net profit for the year (in Rials Omani)	1,748,530	1,911,157
	=====	=====
Weighted average number of shares	3,649,275	3,649,275
	=====	=====
Basic earnings per share (in Rials Omani)	0.479	0.524
	=====	=====

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.

OMAN FIBER OPTIC COMPANY SAOG

NOTES TO THE FINANCIAL STATEMENTS (Continued)
at 31 December 2009

25 FINANCIAL RISK AND CAPITAL MANAGEMENT

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. Where it is considered appropriate, the Company uses forward contracts to minimise the impact of foreign currency fluctuations. These contracts are not however designated as hedges under IAS 39 and are consequently initially recognised at cost and subsequently re-measured to their fair value at each reporting date. Material changes in the fair value of foreign currency forward contracts are recorded in the statement of comprehensive income as they arise.

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 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. 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 statement of financial position. The Company has significant concentrations of credit risk, details of which are provided in note 6 a) and 15 f) 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 end of the reporting period.

At 31 December 2009	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	--	--	--	85,268	85,268
Accounts and other Payables	1,183,870	33,516	107,804	--	1,325,190
Due to related parties	13,867	--	--	--	13,867
Taxation	270,818	--	--	--	270,818
	-----	-----	-----	-----	-----
	1,468,555	33,516	107,804	85,268	1,695,143
	=====	=====	=====	=====	=====

OMAN FIBER OPTIC COMPANY SAOG

NOTES TO THE FINANCIAL STATEMENTS (Continued)
at 31 December 2009

25 FINANCIAL RISK AND CAPITAL MANAGEMENT

c) Liquidity risk (Continued)

At 31 December 2008	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
	=====	=====	=====	=====	=====

d) Capital management

The Company's objectives when managing capital are:

- o 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
- o 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 end of the reporting period, the Company had capital expenditure committed but not yet incurred amounting to RO 12,168 (2008 – RO 1,166,290).

b) Purchase commitments

At the end of the reporting period, the value of outstanding purchase commitments amounted to RO 255,782 (2008 - RO 478,020).

c) Other commitments

The Company has entered into a forward currency contract equivalent to RO 165,384 (2008 – Nil). The fair value of the forward currency contract at the end of the reporting period is not materially different from the value of the forward currency contract.

27 CONTINGENT LIABILITIES

At the end of the reporting period, there were contingent liabilities in respect of guarantees and bonds amounting to RO 2,122,160 (2008 - RO 1,288,560) given in the normal course of business from which it is anticipated that no material liabilities will arise.

OMAN FIBER OPTIC COMPANY SAOG

NOTES TO THE FINANCIAL STATEMENTS (Continued)
at 31 December 2009

3 PROPERTY, PLANT AND EQUIPMENT (Continued)

Year 2009	Buildings	Loose tools	Plant and machinery	Motor vehicles	Furniture and fixtures	Office equipment	Capital work in progress [note 3 d]	Total
	RO	RO	RO	RO	RO	RO	RO	RO
Cost								
At 31 December 2008	1,701,963	118,527	4,471,809	149,430	93,740	114,776	--	6,650,245
Additions during the year	--	47,828	9,826	41,750	103,595	20,864	1,623,037	1,846,900
Disposals during the year	--	--	--	(21,800)	--	--	--	(21,800)
At 31 December 2009	1,701,963	166,355	4,481,635	169,380	197,335	135,640	1,623,037	8,475,345
Depreciation								
At 31 December 2008	680,858	85,847	3,951,299	43,974	60,965	99,465	--	4,922,408
Charge for the year	68,079	16,035	281,692	51,695	29,575	19,396	--	466,472
Relating to disposals	--	--	--	(21,800)	--	--	--	(21,800)
At 31 December 2009	748,937	101,882	4,232,991	73,869	90,540	118,861	--	5,367,080
Net book value								
At 31 December 2009	953,026	64,473	248,644	95,511	106,795	16,779	1,623,037	3,108,265
At 31 December 2008	1,021,105	32,680	520,510	105,456	32,775	15,311	--	1,727,837

