

**OMAN FIBER OPTIC COMPANY SAOG**

**FINANCIAL STATEMENTS**

**31 DECEMBER 2010**

Registered office and principal place of business

Road No.4, Rusayl Industrial Estate  
PO Box 5, Postal Code 124  
Sultanate of Oman

**OMAN FIBER OPTIC COMPANY SAOG****NOTES TO THE FINANCIAL STATEMENTS  
at 31 December 2010****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**

The 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), 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 1 January 2010. The amendments are as follows:

- Amendments to IFRS 3 'Business Combinations' introduces significant changes on acquisition accounting, including the following:
  - Expensing certain acquisition related costs in the period in which they are incurred;
  - An option to recognize the entire goodwill of an acquired entity and not just the acquiring entity's portion of goodwill; and
  - Guidance on the accounting treatment for step by step acquisition and on partial disposal of subsidiary (with or without losing control).
- Amendments to IFRIC 9 'Reassessment of Embedded Derivatives' and IAS 39 'Financial Instruments: Recognition and Measurement' clarify the measurement criteria for certain embedded derivatives.
- Amendments to IFRS 2 'Share based payments' clarify the scope and the accounting for group cash-settled share-based payment transactions in the separate or individual financial statements of the entity receiving the goods or services when that entity has no obligation to settle the share-based payment transaction.
- Amendments to IFRS 1 'First time adoption of International Financial Reporting Standards' deals with additional exemptions for first time adopters of IFRS.
- IFRIC Interpretation 17 'Distribution of Non-cash Assets to Owners' and IFRIC Interpretation 18 'Transfer of assets from customers'.
- There have been other amendments issued by IASB in April 2009 as part of its annual improvements project that are applicable for accounting periods commencing on or after 1 January 2010.

The Board of Directors believe the adoption of the amendments has not had any material impact on the presentation and disclosure of items in the financial statements for the current year.

**OMAN FIBER OPTIC COMPANY SAOG**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**at 31 December 2010**

**2 SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Basis of preparation (Continued)**

Certain amendments to existing standards have been published that are effective and mandatory for accounting periods commencing after 1 January 2010, which the Board of Directors have decided to adopt from the applicable periods.

- IFRS 9 'Financial Instruments' was issued partially in November 2009 and October 2010 and will eventually replace IAS 39 'Financial Instruments: Recognition and Measurement'. The chapter issued in November 2009 related to the classification and measurement of financial assets. The chapter issued in October 2010 related to the classification and measurement of financial liabilities. An entity shall apply this IFRS for annual periods beginning on or after 1 January 2013, though earlier application is permitted.
- 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.
- Amendment to IAS 32 'Financial Instruments: Presentation' issued in October 2009 deals with classification of rights issue and is applicable for annual periods commencing on or after 1 February 2010.
- IFRIC 19 'Extinguishing Financial Liabilities with Equity Instruments' addresses the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability. The amendment is effective for annual periods commencing on or after 1 July 2010.
- Amendments to IFRIC 14 'IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction' (effective for annual period commencing on or after 1 January 2011).
- Limited exemption from comparative IFRS 7 Disclosures for first time adopters (effective for annual periods beginning on or after 1 July 2010).
- Amendments to IFRS 7 'Financial Instruments' issued in October 2010 helps the users of financial statements evaluate the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position and will promote transparency in the reporting of transfer transactions, particularly those that involve securitization of financial assets. The amendment is effective for annual periods commencing on or after 1 July 2011.
- Amendments to IAS 12 'Deferred Taxes' issued in December 2010 provides a practical approach for measuring deferred tax assets and liabilities when investment property is measured using the fair value model under IAS 40 'Investment Property'. The amendment is effective for annual periods beginning on or after 1 January 2012.
- There have been other amendments issued by IASB as part of its annual improvements project in May 2010 that are applicable for accounting periods commencing on or after 1 July 2010.

The Board of Directors believe 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.

**OMAN FIBER OPTIC COMPANY SAOG**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
at 31 December 2010

**2 SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

**c) 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.

**d) 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.

**OMAN FIBER OPTIC COMPANY SAOG**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**at 31 December 2010**

**2 SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**e) 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.

**f) Impairment**

*Financial assets*

At the end of each 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 each 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.

**g) 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.

**h) 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.

**i) 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.

**j) Accounts and other payables**

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

**OMAN FIBER OPTIC COMPANY SAOG**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**at 31 December 2010**

**2 SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**k) 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.

**l) 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.

**m) 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.

**n) 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.

**o) 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.

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.

**p) 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.

**OMAN FIBER OPTIC COMPANY SAOG**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**at 31 December 2010**

**2 SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**q) 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.

**r) Government soft loan**

*Carrying value*

The carrying value of the subsidised Government term loan (note 10) 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.

**s) 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.

**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 10.
- c) Buildings are constructed on land leased by the Company from the Public Establishment for Industrial Estates under renewable agreements that expire in the years 2029 and 2031 (note 21).

**4 INVESTMENT IN AN ASSOCIATE**

During the year, the Company disposed its 20% stake held in an associate comprising 300,000 shares at a total consideration of RO 150,000. The investment which was acquired at a cost of RO 450,000 was reduced to a carrying value of RO 89,243 in the previous years on account of share in post acquisition losses and impairment losses. Accordingly, the sale in the current year for RO 150,000 has resulted in a profit of RO 60,757 on disposal (note 19).

**OMAN FIBER OPTIC COMPANY SAOG**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**at 31 December 2010**

**5 INVENTORIES**

	2010 RO	2009 RO
Raw materials	1,598,977	1,033,344
Finished goods	258,804	90,784
Trading inventories	--	151,506
Work in progress	161,437	114,171
Spares and consumables	536,131	560,324
	-----	-----
	2,555,349	1,950,129
Provision for slow moving inventories	(209,740)	(212,504)
	-----	-----
	2,345,609	1,737,625
Goods in transit	--	132,932
	-----	-----
	2,345,609	1,870,557
	=====	=====

The following further notes apply:

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

	2010 RO	2009 RO
At the beginning of the year	212,504	196,847
Provided during the year	46,872	50,700
Written back during the year	(49,636)	(35,043)
	-----	-----
At the end of the year	209,740	212,504
	=====	=====

- b) At the end of the reporting period, finished goods represent 15 days (2009 – 6 days) of annual optic fiber cable sales.

**6 ACCOUNTS AND OTHER RECEIVABLES**

	2010 RO	2009 RO
Accounts receivable	3,336,303	1,852,049
Less: allowance for credit losses	--	(5,288)
	-----	-----
	3,336,303	1,846,761
Advance to sub-contractors and suppliers of raw materials	574,077	231,232
Accrued service income and work in progress	556,009	325,190
Staff advances and deposits	81,873	55,324
Advance to suppliers of capital items	17,812	--
Other receivables and prepayments	37,258	21,752
	-----	-----
	4,603,332	2,480,259
	=====	=====

**OMAN FIBER OPTIC COMPANY SAOG**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**at 31 December 2010**

**6 ACCOUNTS AND OTHER RECEIVABLES (Continued)**

The following further notes apply:

- a) At the end of the reporting period, 3 customers (2009 – 3 customers) accounted for 35% (2009 – 72%) of accounts receivable. 36% (2009 - 14%) of the overall revenue during the year was from 1 (2009 – 1) customer.

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

	2010 RO	2009 RO
At the beginning of the year	5,288	--
Provided during the year	--	5,288
Written off during the year	(5,288)	--
	-----	-----
At the end of the year	--	5,288
	=====	=====

- c) Accounts receivable amounting to RO 1,863,585 (2009 – RO 1,159,323) are neither past due nor impaired and are estimated as collectible based on historical experience.

- d) Accounts receivables amounting to RO 278,926 (2009 – RO 155,488) are secured against letters of credit or other credit risk cover.

- e) At the end of the reporting period, accounts receivable amounting to RO 1,472,718 (2009 – RO 687,438) are past due but not impaired. The ageing analysis of these accounts receivable is as follows:

	2010 RO	2009 RO
Debts due up to 6 months	741,837	554,602
Debts due between 6 months – 1 year	635,095	130,392
Debts due more than 1 year	95,786	2,444
	-----	-----
	1,472,718	687,438
	=====	=====

**7 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 (2009 – 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 (2009 – 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 2010

**7 SHARE CAPITAL (Continued)**

- 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:

	2010		2009	
	No of shares held	%	No of shares held	%
Oman Telecommunications Company SAOG	1,494,824	40.96	947,433	25.96
H.E Dr. Omar Abdulmunim Yousif Al Zawawi	783,412	21.47	783,412	21.47
Oman and Emirates Investment Holding Company SAOG	762,931	20.91	580,467	15.91
Gulf Investment Corporation, Kuwait	--	--	912,319	25.00

**8 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.

**9 DIVIDEND**

- a) During the year, a cash dividend of 250 baisas per share for the year 2009 amounting to RO 912,319 was declared and paid (2009 – 210 baisas per share for the year 2008 amounting to RO 766,348).
- b) The Board of Directors have proposed a cash dividend of 300 baisas per share for the year 2010 (2009 – 250 baisas) amounting to RO 1,094,783 (2009 – RO 912,319), subject to approval of the shareholders at the forthcoming Annual General Meeting.
- c) During the year, an amount of RO 7,966 representing unclaimed dividends for the year 2009 (2009 – RO 12,829 for the year 2008), has been transferred to the Investor's Trust Fund of the Capital Market Authority.

**10 GOVERNMENT SOFT LOAN**

	2010 RO	2009 RO
Total outstanding liability	750,000	1,125,000
Current portion	(375,000)	(375,000)
Deferred Government grant	(26,663)	(70,906)
	-----	-----
Non-current portion	348,337	679,094
	=====	=====

The following further notes apply:

- a) Government soft loan bears interest at the rate of 3% (2009 – 3%) per annum and represents the balance of two equal annual instalments of RO 375,000 due in June 2011 and 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 subsidy on loans to which the subsidy relates is amortised on a systematic basis in the same period in which the loans are repaid and amounted to RO 44,243 (2009 – RO 60,372) for the Company (note 18).

**OMAN FIBER OPTIC COMPANY SAOG**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**at 31 December 2010**

**10 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 end of the reporting period is as follows:

	2010 RO	2009 RO
Between 1 and 2 years	375,000	375,000
Between 2 and 4 years	--	375,000
	-----	-----
	375,000	750,000
	=====	=====

**11 BANK BORROWINGS**

Bank borrowings represent overdraft facility availed from a local commercial bank at commercial rate of interest. The interest rate on bank borrowings is subject to re-negotiation with the banks upon renewal of the facilities, which takes place generally on an annual basis. Bank borrowings are secured by way of a pari-passu charge on current assets.

**12 TAXATION**

	2010 RO	2009 RO
<i>Statement of comprehensive income</i>		
Current taxation	233,022	270,818
Deferred taxation charge / (credit)	3,034	(31,011)
	-----	-----
Taxation charge	236,056	239,807
	=====	=====
<i>Statement of financial position</i>		
Current taxation	233,022	270,818
Prior year	7	--
	-----	-----
	233,029	270,818
	=====	=====
Deferred tax asset	11,851	14,885
	=====	=====

The following further notes apply:

- a) The Company is subject to income tax at the rate of 12% (2009 – 12%) of taxable profits in excess of RO 30,000 per annum.
- b) The Company's taxation assessments for the years 2005 to 2009 have not been 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.

**OMAN FIBER OPTIC COMPANY SAOG**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
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**12 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:

	2010 RO	2009 RO
Income tax on accounting profits	279,312	235,000
Add / (less) tax effect of:		
Tax loss on disposal of investment in an associate	(43,291)	--
Depreciation	(2,063)	30,125
Expenses disallowed	(296)	7,313
Others	(640)	(1,620)
	-----	-----
Income tax expense	233,022	270,818
	=====	=====

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

	2009 RO	Charged to the statement of comprehensive income RO	2010 RO
Accelerated tax depreciation	(11,250)	(2,068)	(13,318)
Provision for inventories	25,500	(331)	25,169
Provision for accounts receivables	635	(635)	--
	-----	-----	-----
Net deferred tax asset	14,885	(3,034)	11,851
	=====	=====	=====

**13 ACCOUNTS AND OTHER PAYABLES**

	2010 RO	2009 RO
Accounts payable	620,157	552,243
Liability for capital purchases	208,092	163,256
Accruals and other payables	908,747	609,691
	-----	-----
	1,736,996	1,325,190
	=====	=====

**14 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)**  
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**14 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 Board of Directors:

	2010 RO	2009 RO
a) Sale of goods to:		
- Entity with significant influence over the Company	2,283,210	5,379,444
- Other related parties	53,052	9,104
	-----	-----
	2,336,262	5,388,548
	=====	=====
b) Purchase of :		
Goods from:		
- Other related parties	149,992	22,029
Services from:		
- Other related parties (bank charges)	15,177	20,141
	-----	-----
	165,169	42,170
	=====	=====
c) The key management personnel compensation for the year comprises:		
	2010 RO	2009 RO
Short term employment benefits	347,571	237,506
End of service benefits and social security costs	10,497	12,087
Directors' remuneration [see note d) below]	71,713	53,638
Directors' meeting attendance fees [see note d) below]	18,100	18,900
Directors' travel expenses	655	1,714
	-----	-----
	448,536	323,845
	=====	=====
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:		
	2010 RO	2009 RO
Amounts due from related parties:		
- Entity with significant influence over the Company	2,212,308	2,510,905
- Other related parties	31,296	--
	-----	-----
	2,243,604	2,510,905
	=====	=====
Amounts due to related parties:		
- Other related parties	19,877	13,867
	=====	=====

**OMAN FIBER OPTIC COMPANY SAOG**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
**at 31 December 2010**

**14 RELATED PARTY TRANSACTIONS (Continued)**

- f) An amount due from a related party comprises nearly 40% (2009 - 59%) of the overall accounts receivables (including the above dues). The revenue from that related party constitutes 21% of the overall revenue for the year (2009 - 55%).
- g) At the end of the reporting period, amounts due from related parties of RO 100,845 (2009 – RO 747,507) are neither past due nor impaired.
- h) At the end of the reporting period, amounts due from related parties of RO 2,142,759 (2009 – RO 1,763,398) are past due but not impaired. The ageing analysis of these dues are as follows:

	2010 RO	2009 RO
Debts due up to 6 months	1,232,603	392,451
Debts due between 6 months – 1 year	326,920	1,277,071
Debts due more than 1 year	583,236	93,876
	-----	-----
	2,142,759	1,763,398
	=====	=====

**15 COST OF MATERIALS CONSUMED**

	2010 RO	2009 RO
Cost of raw material consumed	3,729,339	2,488,866
Cost of consumables	471,953	520,690
(Increase) / decrease in work in progress and finished goods	(215,286)	943,867
	-----	-----
	3,986,006	3,953,423
	=====	=====

**16 EMPLOYEE COSTS**

	2010 RO	2009 RO
Basic salaries and allowances	871,976	667,396
Expatriate employees' end of service benefits	32,512	27,416
Social security costs for Omani employees	15,860	13,979
Other benefits and expenses	368,865	285,369
	-----	-----
	1,289,213	994,160
	=====	=====

The following further note applies:

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

	2010 RO	2009 RO
At the beginning of the year	85,268	64,689
Expense for the year	32,512	27,416
End of service benefits paid during the year	(5,835)	(6,837)
	-----	-----
At the end of the year	111,945	85,268
	=====	=====

**OMAN FIBER OPTIC COMPANY SAOG**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
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<b>17 OTHER OPERATING EXPENSES</b>	2010 RO	2009 RO
Freight outward	91,976	45,920
Travelling expenses	90,120	47,314
Repairs and maintenance	50,584	35,125
Electricity	41,959	32,595
Consultancy fees	33,878	2,093
Vehicle fuel and maintenance	33,360	34,042
Rent	33,268	40,091
Exchange loss	33,149	7,942
Advertising and sales promotion	30,568	14,271
Telephone	27,678	20,531
Bank charges	25,965	22,216
Insurance	23,950	24,748
Professional fees	17,134	15,132
Listing and depository fee	3,749	3,749
Directors' remuneration [note 14 c)]	71,713	53,638
Directors' meeting attendance fees [note 14 c)]	18,100	18,900
Allowance for credit losses	--	5,288
Other expenses	84,722	57,852
	-----	-----
	711,873	481,447
	=====	=====
 <b>18 NET FINANCE COSTS</b>	 2010 RO	 2009 RO
Effective interest expense on loan and borrowings	101,439	112,502
Amortisation of deferred government grant [note 10 b)]	(44,243)	(60,372)
	-----	-----
Interest expense on loan and borrowings (actual)	57,196	52,130
Interest income on deposits	(594)	(6,835)
	-----	-----
	56,602	45,295
	=====	=====
 <b>19 INCOME / (LOSS) FROM INVESTMENTS</b>	 2010 RO	 2009 RO
Share of results of an associate	--	(40,000)
Profit on disposal of investment in an associate (note 4)	60,757	--
	-----	-----
	60,757	(40,000)
	=====	=====

**OMAN FIBER OPTIC COMPANY SAOG**  
**NOTES TO THE FINANCIAL STATEMENTS (Continued)**  
at 31 December 2010

**20 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.

	2010 RO	2009 RO
<b><i>Sale of optical fiber cables and copper cables</i></b>		
GCC countries including the Sultanate of Oman	6,182,211	6,418,605
Africa	285,760	57,539
Middle East and Asia	71,939	20,277
	-----	-----
	6,539,910	6,496,421
<b><i>Cable laying services</i></b>		
Sultanate of Oman	4,501,896	3,283,901
	-----	-----
Total sales	11,041,806	9,780,322
Less: common costs (net)	(8,920,264)	(8,031,792)
	-----	-----
Net profit	2,121,542	1,748,530
	=====	=====

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

	Accounts receivable (net) (including amounts due from a related party)	
	2010 RO	2009 RO
<b><i>Sale of optical fiber cables and copper cables</i></b>		
GCC countries including the Sultanate of Oman	4,711,171	3,745,466
Africa	121,936	10,138
Middle East and Asia	59,444	14,282
	-----	-----
	4,892,551	3,769,886
<b><i>Cable laying services</i></b>		
Sultanate of Oman	656,060	587,780
	-----	-----
Total	5,548,611	4,357,666
	=====	=====

## OMAN FIBER OPTIC COMPANY SAOG

NOTES TO THE FINANCIAL STATEMENTS (Continued)  
at 31 December 2010**21 LEASES**

The Company has leased land for factory premises, at Rusayl, from the Public Establishment for Industrial Estates (PEIE), under lease agreements that expire on 19 July 2029 and 9 July 2031. At the end of the reporting period, future commitments under the non-cancellable operating leases were as follows:

	2010 RO	2009 RO
Less than one year	13,788	13,788
Between one and five years	61,324	60,554
More than five years	213,141	227,699
	----- 288,253 =====	----- 302,041 =====

**22 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:

	2010	2009
Net assets (in Rials Omani)	9,174,733 =====	7,965,510 =====
Number of shares	3,649,275 =====	3,649,275 =====
Net assets per share (in Rials Omani)	2.514 =====	2.183 =====

**23 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:

	2010	2009
Net profit for the year (in Rials Omani)	2,121,542 =====	1,748,530 =====
Weighted average number of shares	3,649,275 =====	3,649,275 =====
Basic earnings per share (in Rials Omani)	0.581 =====	0.479 =====

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

## OMAN FIBER OPTIC COMPANY SAOG

NOTES TO THE FINANCIAL STATEMENTS (Continued)  
at 31 December 2010

## 24 FINANCIAL RISK AND CAPITAL MANAGEMENT

The Company's financial assets include accounts and other receivables, due from related parties, bank balances and cash. The Company's financial liabilities include accounts and other payables, bank borrowings, 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. Where it is considered appropriate, the Company uses forward contracts to minimise the impact of foreign currency fluctuations.

*Interest rate risk*

The interest rate on Government soft loan is at fixed subsidized rates as disclosed in note 10 a) to the financial statements. Bank borrowings are at commercial rates and unlikely to fluctuate significantly in the short term. 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 notes 6 a) and 14 f) to the financial statements. The Company manages concentration of its credit risk by monitoring collections within the credit period. Credit risk on amount 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 bank 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 10 to the financial statements. The table below analyses the expected contractual maturities of the other financial liabilities at the end of the reporting period.

<b>At 31 December 2010</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	--	--	--	111,945	111,945
Accounts and other payables	1,127,294	382,516	227,186	--	1,736,996
Bank borrowings	440,596	--	--	--	440,596
Due to related parties	19,877	--	--	--	19,877
Taxation	233,029	--	--	--	233,029
	-----	-----	-----	-----	-----
	1,820,796	382,516	227,186	111,945	2,542,443
	=====	=====	=====	=====	=====

## OMAN FIBER OPTIC COMPANY SAOG

NOTES TO THE FINANCIAL STATEMENTS (Continued)  
at 31 December 2010

## 24 FINANCIAL RISK AND CAPITAL MANAGEMENT (Continued)

## c) Liquidity risk (Continued)

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 =====

## 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.

## 25 COMMITMENTS

## a) Capital commitments

At the end of the reporting period, the Company had capital expenditure committed but not yet incurred amounting to RO 87,357 (2009 – RO 12,168).

## b) Purchase commitments

At the end of the reporting period, the value of outstanding purchase commitments amounted to RO 509,502 (2009 - RO 255,782).

## 26 CONTINGENT LIABILITIES

At the end of the reporting period, there were contingent liabilities in respect of letter of credit, guarantees and bonds amounting to RO 2,965,751 (2009 - RO 2,122,160) provided 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 2010

## 3 PROPERTY, PLANT AND EQUIPMENT (Continued)

Year 2010	Buildings RO	Loose tools RO	Plant and machinery RO	Motor vehicles RO	Furniture and fixtures RO	Office equipment RO	Capital work in progress RO	Total RO
<b>Cost</b>								
At 31 December 2009	1,701,963	166,355	4,481,635	169,380	197,335	135,640	1,623,037	8,475,345
Additions during the year	--	22,280	21,921	53,350	58,935	41,241	--	197,727
Disposals during the year	--	--	--	--	(14,473)	(20,382)	--	(34,855)
Transfers during the year	--	--	1,623,037	--	--	--	(1,623,037)	--
At 31 December 2010	1,701,963	188,635	6,126,593	222,730	241,797	156,499	--	8,638,217
<b>Depreciation</b>								
At 31 December 2009	748,937	101,882	4,232,991	73,869	90,540	118,861	--	5,367,080
Charge for the year	68,079	32,044	236,080	40,140	42,630	34,526	--	453,499
Relating to disposals	--	--	--	--	(14,473)	(20,382)	--	(34,855)
At 31 December 2010	817,016	133,926	4,469,071	114,009	118,697	133,005	--	5,785,724
<b>Net book value</b>								
At 31 December 2010	884,947	54,709	1,657,522	108,721	123,100	23,494	--	2,852,493
At 31 December 2009	953,026	64,473	248,644	95,511	106,795	16,779	1,623,037	3,108,265

