HIS MAJESTY
SULTAN QABOOS BIN SAID

Our Vision

To ensure that our product offering remain a leader in our industry in quality and performance, meeting the expectations of our customers and stakeholders

Our Mission

To continuously strive for excellence in all aspects of our business through the integration of sustainable business development and innovation, enhancing shareholder value and outstanding customer service

Our Values & Principles

Build Sustainable **Growth** through Innovation

Transparency in all our actions

Promoting an environment of open **Communication** for all

Integrity driven by **Accountability**

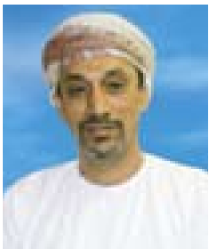
Continued integration of World Class **Quality** Management

Safety is not compromised

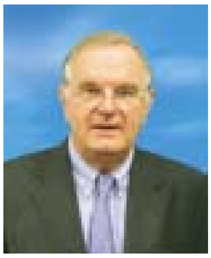
Responsible corporate citizenship in compliance to **Environmental** norms

Contents

Board of Directors



Mr. Hussain Salman Al Lawati
Vice Chairman & Managing Director



Mr. Christian Raskin
Director

Mr. Maqbool Ali Salman
Director

Mr. Mustafa Mukhtar Ali Al Lawati
Chairman

Dr. Mohammed Shihab
Director

Mr. Salim Rabbani
Director

“Oman Cables is consistently and progressively updating its work methods and management systems by improving the levels of transparency at all levels in line with international and Oman’s Capital Market Requirements”

CHAIRMAN'S REPORT

Dear Shareholders,

With the grace and mercy of God, Allah (Suba Nallahu Wattalla), on behalf of the Board of Directors of Oman Cables Industry (SAOG), I welcome you all and express my pleasure in addressing you here at the 20th Annual General Meeting (AGM) of OCI. I also take this opportunity to wish you all a Very Happy and Prosperous New Year.

On behalf of my colleagues and members of the Board, I have great pleasure in addressing you here on this 20th Annual General Meeting (AGM) of Oman Cables Industry (SAOG). OCI has now completed 21 years of operations with incredible growth. OCI's commercial production started in 1987, looking at the history; we started in a very humble way and overcame umpteen challenges with the combined strength of all concerned and their dedicated efforts, with patience and display of consistent faith and trust in each other. This unique combination of team work will continue as we promise to take OCI further on its growth path (Insha Allah).

As informed to you in the previous AGM, the Joint Venture with Oman Oil is progressing well and a subsidiary company Oman Aluminium Processing Industries LLC (OAPIL) has been formed. The factory construction has commenced, orders for plant and equipment has been placed and financial closure has been achieved with the banks. OAPIL will manufacture Aluminium Rod and Overhead Line Conductors and is expected to commence operations by 1st Quarter of 2010. The financial statements of OCI have been consolidated with the Audited Financial statements of OAPIL for the year 2008.

Global Financial Crisis and Impact on OCI

The impact of the Global financial crisis was deeply felt in the fourth quarter of 2008 and it is having a major impact on business establishments regionally and internationally and OCI is no exception. The performance in the first three quarters ended September 2008 reflected growth over that of the same period in the previous year both in Sales and Net Profit after tax.

However, the exceptional adverse circumstances caused by the Global financial crisis affected OCI's business in the local, regional and international arenas and some of our major clients deferred or withheld substantial portions of our prospective order book in the last quarter of 2008. This was further compounded by the international metals market that had a sudden and severe reversing of the price trend which became evident in the fourth quarter of 2008. The combined effect of the market slow down and declining copper price seriously impacted the fourth quarter results negating the good results of the first nine months of the year under review.

Despite this the Company remains on a sound footing and we have a satisfactory order book going forward beyond the first quarter of 2009. The continuous development of new markets and products is expected to negate to some extent the slowdown of the regional markets. The Management has also initiated additional steps to secure payment for orders booked and goods delivered in light of liquidity concerns. I am happy to report that these actions will further safeguard the company going forward.

> "OCI's marketing activities have continued to improve and have expanded year after year. OCI products have been exported to the European continent and other markets including United Kingdom, Middle East, South East Asia, North Africa and the Australian Continent. OCI's products are now firmly established globally and will continue to explore new opportunities."

Review of Operations

During the first nine months ended 30 September 2008, OCI continued to register robust growth over 2007 in the local, regional and international markets by achieving a sales turnover of RO 244.9 million and a Net profit after tax of RO 17.8 million. The performance is laudable when viewed against the then prevailing circumstances. This is a clear testimony of the strength of our business model and execution capabilities. The quality and complexity of orders executed reflects the Company's technical expertise and strong position in the cable industry.

Consistent with OCI's vision and growth strategy an all time high sales of RO 304.4 million has been achieved in 2008 against RO 217.4 million achieved in 2007, an increase of 40% which is a very commendable achievement.

The gross profit for 2008 would have been RO 29.6 million compared to RO 25.0 million in 2007. However, after a one time adjustment of RO 12.9 million towards the impact of declining markets and reversing trend of copper prices, the reported gross profit is RO.16.6 million as per IFRS. The Net Profit after tax is RO 6.1 million for the year 2008 a decrease of 59% over 2007.

The earning per share in 2008 is RO 0.068 bz per share compared to RO 0.169 bz per share in 2007.

The Board and Management took full advantage of the global growth and favorable market conditions that prevailed for the period under review. OCI's marketing activities have continued to improve and have expanded year after year. OCI products have been exported to the European continent and other markets including United Kingdom, Middle East, South East Asia, North Africa and the Australian Continent. OCI's products are now firmly established globally and will continue to explore new opportunities. OCI's product offering has also been expanded in the Oil and Gas industry as well as Mass Transportation.

The expansion of the manufacturing facility in Rusayl has been completed and is now operational. OCI is reaping benefits from these expansions by meeting additional demand and on-time delivery to its customers. OCI also invested in process technology to improve production processes with high focus on quality and material yields as well as improved lead times through manufacturing.

OCI is well equipped to supply the total demand for Cables of Oman with only 30% of OCI manufacturing capacity. The local market demand is closely monitored and OCI will be able at all times to fulfill the future needs of Oman.

Future Outlook

The company is poised for continued growth by reorganizing the business structure and by placing increased emphasis on talent management, state-of-the-art machinery and increased focus on new markets. In order to remain globally competitive every activity of the company will be benchmarked against the best in the World. OCI have taken new initiatives on each of these fronts to accelerate growth and ensuring sustainability.

For the past twenty one years the company has achieved consistent growth which was well planned. The company has built systematically its management systems and operating structures that will ensure continuity of the growth for years ahead. OCI as an organization, sets high targets and standards which have been reflected in our volume growth consistently since inception in 1987. Our aim for the future will be to outperform our previous records despite the macro economic factors that influence global markets.

Challenges Going Forward

The current global economic meltdown and the speed with which it impacted has shaken the business confidence. This slowdown coupled with the credit squeeze, continue to be the biggest challenges industry faces today. The Company has decided to approach its business expansion programs cautiously and will be reviewed in-line with prevailing market conditions and opportunities.

Despite these challenges, the prospects for growth remain promising. The company is geared to take advantage of the opportunities in new markets and in new product sectors.

Human Resources:

At OCI, we believe Human Capital is the driving force for our growth and that creates wealth for all stakeholders. Our Human Resource Development plan now operates under a professional HR General Manager and great emphasis is placed on people development and succession planning in ensuring we have management and specialized knowledge available in the company.

During the year under review; the company engaged the services of a Management Consulting firm, to realign the company's HR practices to international norms and standards. A full evaluation was done on all work categories, job descriptions and grading of employees of all levels. The realignment of the pay structures in-line with the international standards was implemented to ensure that OCI attracts and retains the best talent in the markets we operate.

A strong committed workforce supported by unique work culture and coupled with innovative HR processes and policies continue to be company's greatest strength. OCI invested in continuous development of our employees through training, development of skills and exposure to the latest technologies. A management development programme was also introduced to assist the managers to uplift their skills in managing people and build strong working relationships. This training and development programmes facilitates performance, ensures employee productivity and enhances competence levels that meets the organizational requirements and also provides leadership for taking on larger responsibilities.

As a major company and a significant contributor to Oman's economy we are mind full of our responsibility towards job creation and the development of local talent at all levels. To this extent the senior management structure in OCI has been re-casted, which reflects in current Omanization at 52% against the statutory requirement of 35%. A fast track program for further Omanization is being implemented.

"OCI invested in process technology to improve production processes with highest focus on quality and material yields as well as improved lead times through manufacturing."

To support Omanization programme at managerial level; management ambitiously implemented an Educational Assistance programme for the aspiring Omani employees to pursue higher education at reputed universities and institutions in order to take-up senior and managerial positions in the Company. Several employees are actively pursuing various professional courses through this programme and we wish them to have a long term career with the Company.

The company also actively deputed several Omani employees to developed countries for international exposure on technological advancements, company layouts and modern methods of manufacturing. We believe initiatives on these fronts has benefited Omani employees to a great extent and it will be our constant endeavour to give greater emphasis in developing Omani nationals for management positions in the years ahead.

Corporate Governance:

On behalf of the Board, I am pleased to announce that OCI, as an SAOG Company, is consistently and progressively updating its operating manuals and internal systems that gives transparency to all transactions in compliance to Capital Market Authority regulations and International Financial Reporting Systems (IFRS).

The Company has its own internal systems and manuals to assist the management in day-to-day operations. These systems and manuals are regularly reviewed and updated in-line with statutory requirements while meeting the organizations goals.

We have put in place a well qualified Internal Audit team reporting directly to the Audit Committee of the Board to audit and advise on financial and operating systems, to ensure that all financial reporting is a true reflection of the business of the company.

OCI shares the information with all stakeholders and public in general at all times. This is evident as OCI regularly publishes its quarterly financial results expeditiously. The Board assures that it will continue to monitor the operations with inputs from the Audit Committee.

Mr. Salim Rabbani has been appointed as non-executive director on the Board of OCI and we look forward to his contribution as a Board Member.

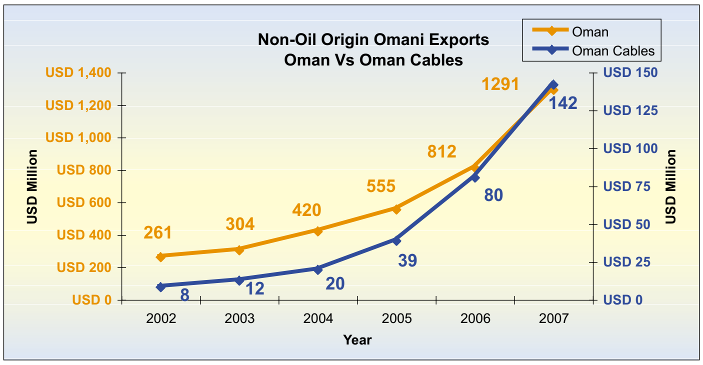
H.E Mohammed Jawad Hassan after his appointment as Advisor to the Ministry of Finance, Sultanate of Oman, vacated his directorship from the Board of OCI. On behalf of my colleagues and as member of the Board, I convey our sincere thanks to him for his efforts and contribution made during his association with the Company.

Community Support:

OCI believes in giving back to the society through its Corporate Social Responsibility (CSR) programme. Oman Cables CSR has a strong base, that provides assistance to the organizations that are dedicated to improve the quality of life for the less privileged people in the society.

The Company has donated to local community organizations. Specific organizations that were supported are the Nizwa Social Center for Handicap, Association for Early Intervention for

"Nizwa Social Center for Handicap"



Children with special needs and various other social upliftment programmes.

Oman Cables recognizes that it is no longer a company located and operated in Oman alone, and that it has to sustain itself in the Global arena as well. Its long term goal would be to continue to play a meaningful role in the economic development of Oman and in the overseas markets it serves. While the company may grow and spread its geographical footprint, it will not loose sight of its social and community responsibility locally.

Recognition - 2008

- Honorary certificate for the best industry in Oman
- Flame of Excellence Award for 2007 - second year in succession
- Exporter of the year Award for 2007 - second year in succession
- No.1 vis-à-vis revenue and profit growth for the period 2005 to 2007 (Source: Oman Economic Review, OER December 2008 issue)
- World No.1 in the Global Cable Industry of listed companies, on Return on Capital Employed for 2007 (Source : M/s Integer Research, UK)
- No.1 in Wealth Creation for shareholders (Source: OER August 2008 issue)
- Recognized as major contributor to the national non-oil Omani Origin exports with 11% in 2007 (Source:Times of Oman dated 02-Apr-2008)

Dividend:

The Board of Directors, during the board meting **No.101 (1 of 2009)** held on 22-January-2009 reviewed the company's annual accounts.Considering the guidelines issued by the Capital Market Authority, the liquidity requirements for OCI's operational needs and OCI's uninterrupted record of declaration of dividend, the Board members propose distributing cash dividend to OCIs shareholders.

Taking into account the financial performance for 2008, the Board recommends to distribute 20% dividend on paid-up capital, ie RO 0.20 baiza for each share value of RO 100 baiza, to the shareholders registered as on the date of AGM.

The Board of Directors also recommends to the shareholders at the AGM to approve the total Director's remuneration of RO 200,000/- (including meeting attendance fees) to be paid to the Board of Directors, in recognition and appreciation of their efforts towards their responsibilities and for their continuous inputs, guidance and support to the management.

Conclusion:

OCI acknowledges the great support extended by the Government of His Majesty Sultan Qaboos Bin Said, the Authorities in the Ministry of Commerce & Industry as well as all other Ministries.

We also acknowledge the role played by all of our stakeholders, business associates, the finance fraternity, local and global customers for their loyal support in OCI's growth. We pray to the Almighty to help our beloved Oman to develop even more under the wise leadership of His Majesty Sultan Qaboos Bin Said.

Mustafa Bin Mukhtar Bin Ali Al Lawati
Chairman

MANAGEMENT DISCUSSIONS
AND ANALYSIS REPORT

1.0 Industry Structure and Development

OCI manufactures a variety of specialized power cables and conductors for diversified application and markets. It is the only Omani Cable Company to offer a comprehensive range of Power Cables and Overhead Line Conductors used by various sectors of the economy for Power Generation, Electricity Distribution, Mass Transportation, Oil and Gas exploration, Petrochemicals and various other industries.

The demand for energy including electricity is increasing World wide and more so in the region in which OCI is operating.

2.0 Opportunities and Threats

OCI is strongly positioned in Oman and well established in the GCC and MENA markets as well as in selected international markets. During the year under review, OCI successfully entered the South East Asian market to capitalize on emerging economies in this region.

The demand for electricity in the GCC is expected to grow albeit at a slower pace due to the current situation. OCI will focus on all the opportunities that this market offers to stimulate the demand for all OCI's products. OCI will further focus on the opportunities for cable related products, both in land and sea transportation systems to build on its success that was achieved in the GCC region.

The market however, continues to be extremely competitive with new entrants in the domestic sector and with additional capacities coming on stream in the GCC region. Despite this we firmly believe that as a reputed supplier of quality cables, we will retain and enhance our position in the markets we operate in.

The Global financial crisis and consequent economic slowdown as reflected in the reduced off take in the last quarter of 2008 continue to pose a challenge to various aspects of OCI's operations. OCI is geared to meet these challenges and appropriate steps are being taken.

3.0 Segment Performance

OCI continue to have good sales growth in both segments ie domestic and export markets over the years. OCI has been focusing on strengthening the local base and is maintaining its share of the increased market. OCI also has added focus on GCC, MENA, South East Asia, and selected international markets and consequently has increased its exports substantially.

4.0 Outlook

The demand for cables in the local, regional and international markets will continue be an important component in infrastructure, replacement and development which will drive OCI's growth and to this end Oman Cables is uniquely positioned and well established.

OCI is expanding its footprint in the GCC region as well new global markets. The export turnover is growing at a faster pace than the domestic turnover as OCI entered into various selected international markets and also entered new market segments such as Oil & Gas and Mass Transportation.

OCI can supply 100% of the local power cable demand and will still have 70% of its capacity available for export markets, despite the growing demand for cables in Oman for the supply of infrastructure development.

OCI's backward integration strategies have helped to contain costs as well as sourcing local raw materials is expected to make OCI be more cost effective. OCI also entered into a Joint Venture with Oman Oil Company LLC to set-up an Aluminum Rod & Conductor Plant at Sohar, Sultanate of Oman, which is progressing well. These strategic initiatives and strong synergies will strengthen our growth prospects going forward.

5.0 Risks and Concerns

OCI's major raw material is copper and the prices of which are highly volatile especially in the recent past due to the declining economic conditions. The reversing trend of copper prices in the last quarter of 2008 posed severe challenges to the company especially to balance supply and demand of our products while major customers deferred the finalization of contracts and slowdown the off take of the ordered materials.

Due to the decline in sales during the last quarter of 2008, stocks of both raw materials and finished goods increased in the same proportion that sales declined.

Management has adopted a conservative view regarding the macro economic developments in local, regional and international markets with lower sales levels, to this management will ensure that no sales are effected without guarantees of payment or legally binding take off commitments.

The balancing of execution of existing orders while generating new business is a concern and great emphasis is placed to manage this.

6.0 Internal Control Systems and their Adequacy

OCI has sound internal control systems and operating manuals in place. Its operations are audited by a profeesional internal audit team, external statutory financial auditors and ISO auditors. This ensures that the systems and procedures laid down are being adhered to and helps Management in monitoring the same. Continuous refinements are being made to operating procedures and policies to ensure that OCI builds in sustainability on its fast track growth path.

7.0 Continuous Improvement

During the year OCI established a continuous improvement department in the Manufacturing department with the objective to enhance the overall process capability and product development that will contribute to further reduce material cost, scrap reduction and focus on new product development as we enter new markets.

OCI technical prowess and advanced manufacturing capabilities will enable us to differentiate us in a competitive market place having a low cost base which will be one of the cornerstones for OCI's growth plans.

8.0 Expansion Project

OCI believes in continuous and balance expansion in response to market conditions. OCI has two fully operating plants with the state-of-the-art machinery, equipment and technology and introduced new technologies and equipment which is the leading edge in the Global cable industry.

9.0 Sales and Profitability

The operational performance of the Company for the last 5 years is as under:

	2004	2005	2006	2007	2008
Sales (RO'000)	36,002	60,577	125,718	217,445	304,377
Profit after Tax (RO'000)	1,368	2,605	9,537	15,134	6,132
Equity (RO'000)	8,405	10,708	13,789	27,914	32,232
Dividend (%)	20%	20%	210%	40%	20%*

*recommended

Oman Cables will continue to display the same vigor and the spirit as it has in the past, to face these challenges, and will excel and lead by example in the years ahead. OCI has able leadership, wise guidance of its Board Members and with support of its dedicated workforce; management has full confidence that it will steer the company to greater heights during the turbulent year ahead.

(Arabic version prevails over English)

MOORE STEPHENS
CHARTERED ACCOUNTANTS

P.O. Box 933, Ruwi
Postal Code 112
Sultanate of Oman
Tel : 24812041
Fax : 24812043
E-mail : stephens@omantel.net.om

Report of Factual Findings in connection with Corporate Governance report of the Company and application of the Corporate Governance practices in accordance with CMA Code of Corporate Governance (Code).

TO THE SHAREHOLDERS OF OMAN CABLES INDUSTRY SAOG

We have performed the procedures prescribed in Capital Market Authority (CMA) circular no 16/2003, dated 29 December 2003 with respect to the accompanying Corporate Governance report of the Company and its application of the Corporate Governance practices in accordance with the CMA's code of corporate governance issued under circular no. 11/2002 dated 3 June 2002 and its amendments as detailed under Rules and Guidelines on Disclosure by Issuer of Securities and Insider Trading approved by Administrative Decision No. 5/2007 dated 27 June 2007. Our engagement was undertaken in accordance with the International Standards on Auditing applicable to agreed-upon procedures engagements. These procedures were performed solely to assist you in evaluating the Company's compliance with the Code as issued by the CMA.

We report our findings below:

We found that the Company's Corporate Governance report fairly reflects the Company's application of the provisions of the Code and is free from any material misrepresentation.

Because the above procedures do not constitute either an audit or a review made in accordance with International Standards on Auditing, we do not express any assurance on the Corporate Governance report.

Had we performed additional procedures or had we performed an audit or review in accordance with International Standards on Auditing, other matters might have come to our attention that would have been reported to you.

Our report is solely for the purpose set forth in the first paragraph of this report and for your information and is not to be used for any other purpose. This report relates only to the Board of Directors' Corporate Governance report included in its annual report for the year ended 31 December 2008 and does not extend to any financial statements of Oman Cables Industry SAOG, taken as a whole.

25 January 2009

مور ستيفنز وشركاه
ص.ب : ٩٣٣ ، الرمز ١١٢
روي ، سلطنة عمان
P.O. Box : 933, P.Code 112
Ruwi,Sultanate of Oman
MOORE STEPHENS

Moore Stephens

Report on Corporate Governance

Company's philosophy on Code of Corporate Governance

The Board of Directors of Oman Cables Industry (SAOG) is firmly committed to high standards of Corporate Governance. The provisions of the Code of Corporate Governance for MSM listed Companies, issued by Capital Market Authority (CMA) have been followed by the Company as detailed below.

The Company's ensures good Corporate Governance through a combination of factors like;

- Establishment of Internal Regulations, Operating procedures, Human resource & Administration Manual, Accounts Manual to ensure effective Internal Control.
- Monitoring adherence to these by the Operating Management, through frequent checks including checks by ISO Audits, Internal Auditors reporting to Audit Committee comprising of Board members.
- Regular management reviews and structured written reports by Management to the Board.
- Periodical communication with shareholders
- Adherence to the process of election of Directors as per applicable regulations thus ensuring that the Board has appropriately skilled Directors to oversee company operations.
- Ensuring the compliance with relevant laws and regulations.

Board of Directors

The Board currently comprises of six Directors after Mr. Mohammed Jawad Hassan vacated his position. The Board of Directors were elected on 20 March 2003 in the 14th Annual General Meeting except for Dr. Mohammed Shihab who was elected to the Board during the 16th AGM held on 28 March 2005, Mr. Christian Raskin who was elected to the Board during the 17th AGM held on 16 March 2006 and Mr. Salim Rabbani who was elected to the Board during the 19th AGM held on 11 March 2008. Following are the relevant details of the Directors.

No.	Name	Designation in OCI	Category	Other directorships held
1.	Mustafa Mukhtar Ali Al Lawati	Chairman	Non-executive Non-independent	Chairman: Al Saleh Enterprises Chairman: Jenfel LLC Member : Shubaila LLC
2.	Hussain Salman Al Lawati	Vice Chairman & Managing Director	Executive Non-independent	Member : Al-Saleh Enterprises. Member : Jenfel LLC Member : Shubaila LLC Chairman: Oman Aluminium Processing Industries LLC
3.	Maqbool Ali Salman	Director	Non-executive & Independent	Vice Chairman & Managing. Director: Al Hassan Engg Co. SAOG Member: Al Hassan Electrical LLC
4.	Dr. Mohammed Shihab	Director	Non-executive & Independent	NA
5.	Christian Raskin	Director	Non-executive & Independent	NA
6.	Salim Rabbani (Part of the year)	Director	Non-executive & Independent	NA
7.	Mohammed Jawad Hassan (Part of the year)	Director	Non-executive & Independent	Vice Chairman: Sohar Refinery (Representing Govt. of Oman) Chairman: Port Services Corporation (Representing Govt. of Oman) Director: Oman Polypropylene Director: Oman Housing Bank (Representing Govt. of Oman)

Mr. Mohammed Jawad Hassan vacated his directorship on being appointed as Advisor to Ministry of Finance during the year, and this vacancy will be filled in the forthcoming Annual General meeting as the Articles of Association state that the Company should have at least 7 Directors.

Jimmy Gandhi is the Advisor to Board of Directors. He has over 50 years of total experience. He was the first General Manager of OCI in 1985 and was working with foreign multinationals prior to joining OCI.

Company Management

The names, designations, description of responsibilities in OCI and brief profile of the Company Management personnel is as follows:

- Hussain Salman Al Lawati - Vice Chairman & Managing Director

  Co founder of the Company with 41 years experience, of which 34 years in electrical and cable industry. Responsible for the overall strategic management of the Company, reporting to the Board of Directors.

- Cornelis Johannes (Hans) Meiring - Chief Operating Officer

  Experience of 35 years in Cable industry, of which 28 years at executive management levels. He was CEO of a reputable cable company for 10 years.

  Responsible for total operations of the Company including manufacturing, finance, marketing, etc. reporting to Vice Chairman & Managing Director.

- Mohammed Mustafa Mukhtar Al Lawati – General Manager – Corporate Projects

  Experience of 8 years in senior levels. Responsible for Projects and Health, Safety & Environment related issues of the Company.

- M. M. Vaidya - General Manager – Corporate Finance

  Experience of 26 years, of which 21 years at executive management levels. Responsible for Finance and Risk Management functions.

- P. R. Ramkrishnan - General Manager – Sales and Marketing

  Experience of 28 years in industry, of which 21 years at executive management levels. Was responsible for Sales, Marketing and Customer Service. He has been appointed as the Chief Operating Officer of Oman Alimunium Processing Industries (LLC)

- V. Duggal - General Manager – Works

  Experience of 36 years in manufacturing in Cable industry, of which 16 years at executive management levels. Responsible for Manufacturing and Quality Assurance

- Fawzi Mubarak Al Kiyumi – General Manager – Human Resources and Administration

  Experience of 22 years, of which 13 years at executive levels.

- Ahmed Farooqui – General Manager – Procurement and Supply Chain

  Experience of 26 years in industry, of which 14 years at executive levels.

Board Meetings held during the year:

During the year 2008 the company held four Board Meetings on the following dates:

9 January 2008, 10 April 2008, 10 July 2008 and 16 October 2008

Number of Board meetings attended by Directors are:

Name of Director	Number of Board meetings attended
Mustafa Mukhtar Ali Al Lawati	4
Hussain Salman Al Lawati	3
Maqbool Ali Salman	4
Dr. Mohammed Shihab	4
Christian Raskin	4
Salim Rabbani (Part of the year)	3
Mohammed Jawad Hassan (Part of the year)	4

The meetings were coordinated by The Board secretary, under the guidance of Vice Chairman and Managing Director. The meetings were conducted with exhaustive agenda and proceedings were minuted. Chief Operating Officer's reports were reviewed during the meeting. All related issues were also discussed regarding the growth and progress of the company.

All the Directors attended the Annual General Meeting of the company held on 11 March 2008.

Audit Committee

In line with the regulations issued by the Capital Market Authorities, the company has formed an Audit Committee. The Audit Committee comprising of Board Members approves the audit plan for the year, reviews the report of Auditors, issues guidance to management and oversees that operating management is adhering to company policies.

Following are the members of the Audit Committee.

S.No	Name	Designation	No. of meetings attended
1.	Maqbool Ali Salman	Chairman - Audit Committee, Non executive Independent Director	4
2.	Mohammed Jawad Hassan (Part of the year)	Dy. Chairman - Audit Committee, Independent Director	4
3.	Dr. Mohammed Shihab	Member - Audit Committee, Independent Director	4

During the year 2008, Audit Committee met and conducted four meetings on the following dates, 8 January 2008, 8 April 2008, 8 July 2008 and 15 October 2008.

The committee has reviewed the Audit Reports issued during the period. Such reports have also been reviewed by the executive management and necessary guidance was issued by the Audit Committee. The quarterly accounts were reviewed by the audit committee before the same were put up to the Board of Directors for approval.

Process of nomination of the Directors

The Company follows the guidelines issued by the Commercial Law and CMA in this regard. The Company has made efforts to have a Board with appropriate skills, experience and vision.

Remuneration matters

Directors remuneration : Apart from remuneration derived as "Sitting Fees" of RO 8,700 for (arrived at, in line with the Articles of Association of the company and as approved in the previous Annual General Meeting) Board Meetings and Audit Committee Meetings attended and the proposed Director's remuneration of RO 191,300, the Directors have no other pecuniary relationship or transaction with the company – except for the Chairman and Vice Chairman & Managing Director.

Operating Management Remuneration:

Salary and perquisites (including traveling expenses) of the five top senior officers (including Vice Chairman and Managing Director) paid during the year 2008 is RO 809,998 (2007: RO 478,174), which includes RO 546,253 (2007: RO 335,701) as fixed component and RO 263,745 (2007: RO 142,473) linked to performance of 2007.

The severance notice period of these executives is one month, with end of service benefits payable as per Omani Labour Law.

Over and above periodic salary reviews; OCI also operates an incentive scheme for its employees. The scheme is based on group productivity.

Employment Contract

OCI enters into a formal Contract of Employment with each employee and such contracts are in line with the regulation of Ministry of Manpower and Omani Labour Law.

Details of non-compliance by the Company

No penalties or strictures were imposed by Muscat Securities Market / Capital Market Authority or any other authority; on the company regarding any matter related to capital market during last three years.

Means of Communication with Share Holders & Investors

As required by Capital Market Authority, OCI publishes its quarterly, half yearly, three quarterly and yearly financial results in two local newspapers. The financial results are also posted on the website of Muscat Securities Market and company's website www.omancables.com. Further details are made available to any shareholder who requests for it. Besides this the company, at the end of each year, sends to all the shareholders, financiers and others who are associated with OCI, the Annual Financial Statements by post.

The company has appropriate disclosure policy and adequate procedures are in place to ensure implementation and monitoring of compliance of the policy with laws and regulations in place.

In regard to the Annual audited accounts, after the Annual General Meeting's approval, such financial statements are published in two local newspapers and submitted to Capital Market Authorities. This information is also posted on the Company's website.

All relevant major events impacting the company are conveyed to the Capital Market Authority.

The Annual Report contains a separate Management Discussion and Analysis report.

Market price data

During the period 2008 the share price of RO 0.100 face value moved in the range of high of RO 4.450 to a low of RO. 0.785. The share price as on 31 December 2008 was RO 0.896.

The distribution of Major Shareholding is as follows:

Shareholder	% of Shares Held of total
Draka Holding (NV)	34.78%
Mustafa Mukhtar Ali Al Lawati	12.49%
Hussain Salman Al Lawati	12.08%

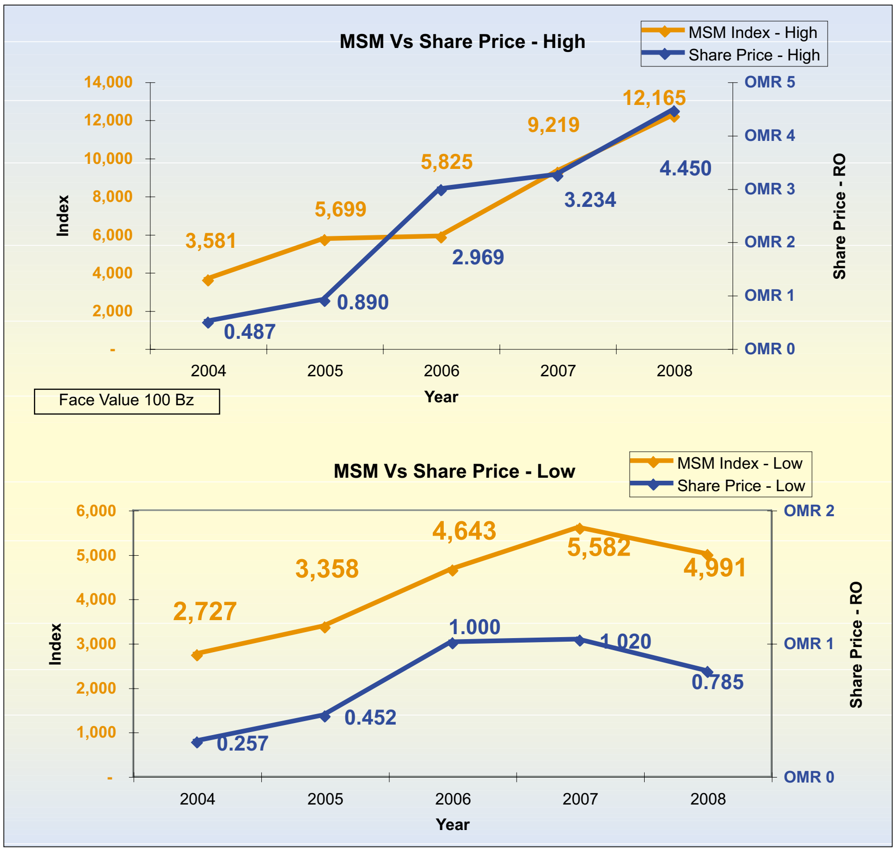
Company does not have any ADR/GDR/Warrants or any other Convertible Instruments as on 31 December 2008 and hence likely impact on equity is Nil.

Areas of non-compliance of the provisions of Corporate Governance

In the company's opinion, there is no non- compliance with the provisions of Code of Corporate Governance.

Profile of Statutory Auditors

Moore Stephens are the statutory auditor's of the Company. They are a member firm of Moore Stephens International network, one of the world's major accounting and consulting network's consisting of 335 independent firms with 593 offices and over 17,000 people across 93 countries. The Oman branch comprises of staff of more than 30, most of whom are qualified Chartered Accountants, Internal auditors and Information systems auditors. The Audit fees for the year 2008 is RO 9,000.



Any other Aspects

Internal Auditor

In order to ensure the compliance with statutory regulations and internal controls, the company has a full time internal audit unit, to carry on an independent assessment and reports to Audit Committee.

Board of Directors Acknowledge that:

The company has all its systems and procedures formally documented and in place. The company has "Internal Regulations" separately compiled as per regulatory requirements. The Board of Directors have reviewed this manual and approved it. The "Internal Regulations" has all the necessary and prescribed procedures. The Board has reviewed these regulations.

The Board of Directors are responsible to ensure that 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) 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.

There are no material events affecting the continuation of OCI and its ability to continue its operations during the next financial year.

Countries & Projects of Oman Cables Industry installations





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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF OMAN CABLES INDUSTRY SAOG AND ITS SUBSIDIARY

Report on the financial statements

We have audited the accompanying financial statements of Oman Cables Industry SAOG ("the Parent ") and the consolidated financial statements of Oman Cables Industry SAOG and its subsidiary ("the Group"), set out on pages 2 to 32, which comprise the balance sheets as at 31 December 2008, the income statements, statements of changes in equity and cash flow statements for the year then ended and a summary of significant accounting policies and other explanatory notes.

Board of Directors' responsibility for the financial statements

The Board of Directors of the Parent Company is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the disclosure requirements of the Capital Market Authority. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the Parent Company's and the Group's financial statements present fairly, in all material respects, the financial position as at 31 December 2008 and the results of the operations and their cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on regulatory requirements

The Parent Company's and the Group's financial statements also comply, in all material respects, with the relevant requirements of the Commercial Companies Law of the Sultanate of Oman, 1974 (as amended) and the relevant disclosure requirements for public joint stock companies issued by the Capital Market Authority.

25 January 2009

مور ستيفنز وشركاه
ص.ب : ٩٣٣ - الرمز ١١٢
روي - سلطنة عمان
P.O. Box : 933, P.Code 112
Ruwi,Sultanate of Oman
MOORE STEPHENS

Moore Stephens

Consolidated and Parent Company Balance Sheet at 31 December 2008

	Note	2008 Group RO	2008 Parent Company RO	2007 RO
ASSETS				
Non-current assets				
Property, plant and equipment	3	**22,050,898**	**21,838,345**	20,884,745
Investment in a subsidiary	4 a)	**--**	**765,000**	--
Investment in an associate	4 b)	**650,336**	**650,336**	477,890
Investments available for sale	4 c)	**125,426**	**125,426**	165,035
Capital advances		**293,808**	**--**	--
Total non-current assets		**23,120,468**	**23,379,107**	21,527,670
Current assets				
Inventories	5	**56,219,203**	**56,219,203**	35,993,609
Trade and other receivables	6	**50,000,215**	**49,997,051**	50,791,500
Due from related parties	12 b)	**1,086,398**	**1,086,398**	1,689,992
Cash and bank balances	7	**7,095,705**	**6,120,213**	3,454,789
Total current assets		**114,401,521**	**113,422,865**	91,929,890
Total assets		**137,521,989**	**136,801,972**	113,457,560
EQUITY AND LIABILITIES				
Equity attributable to shareholders of the Parent Company				
Share capital	8 a)	**8,970,000**	**8,970,000**	8,970,000
Share premium	8 b)	**977,500**	**977,500**	977,500
Legal reserve	8 c)	**2,990,000**	**2,990,000**	2,990,000
General reserve	8 d)	**1,121,760**	**1,121,760**	504,476
Retained earnings		**21,520,186**	**21,540,855**	19,573,302
Cumulative changes in fair values	25	**(4,063,014)**	**(4,063,014)**	(5,101,602)
		31,516,432	**31,537,101**	27,913,676
Minority interest		**715,141**	**--**	--
Total equity		**32,231,573**	**31,537,101**	27,913,676
Liabilities				
Non-current liabilities				
Term loans	9	**2,956,081**	**2,956,081**	4,477,571
Deferred government grant	9	**42,848**	**42,848**	70,725
Deferred tax	19	**669,359**	**669,359**	583,306
Total non-current liabilities		**3,668,288**	**3,668,288**	5,131,602
Current liabilities				
Bank borrowings	10	**78,401,320**	**78,401,320**	50,231,487
Current maturities of term loans	9	**1,549,622**	**1,549,622**	2,049,780
Trade and other payables	11	**19,959,058**	**19,933,513**	25,799,868
Due to related parties	12 c)	**939,372**	**939,372**	350,792
Taxation	19	**772,756**	**772,756**	1,980,355
Total current liabilities		**101,622,128**	**101,596,583**	80,412,282
Total liabilities		**105,290,416**	**105,264,871**	85,543,884
Total equity and liabilities		**137,521,989**	**136,801,972**	113,457,560
Net assets per share	23	**0.351**	**0.352**	0.311

These financial statements on pages 24 to 55 were authorised for issue and approved by the Board of Directors on 22 January 2009 and were signed on their behalf by:

Chairman

Chief Operating Officer

The attached notes 1 to 28 form part of these financial statements.

Consolidated and Parent Company Income Statement for the year ended 31 December 2008

	Note	2008 Group RO	2008 Parent Company RO	2007 RO
Sales	2 o)	**304,376,516**	**304,376,516**	217,445,385
Cost of sales	13	**(287,734,861)**	**(287,734,861)**	(192,456,706)
Gross profit		**16,641,655**	**16,641,655**	24,988,679
Other income	14	**269,788**	**269,788**	445,252
Administrative expenses	15	**(3,543,555)**	**(3,491,960)**	(3,150,529)
Selling and distribution expenses	16	**(3,364,475)**	**(3,364,475)**	(2,064,006)
Depreciation	3	**(158,872)**	**(158,300)**	(136,109)
Profit from operations		**9,844,541**	**9,896,708**	20,083,287
Net financing costs	18	**(3,037,151)**	**(3,048,790)**	(2,926,196)
Share of excess fair value over purchase consideration of additional investment in associate	4 b) ii)	**16,724**	**--**	--
Share of results / fair value changes of an associate	4 b) iii)	**126,345**	**143,069**	42,926
Profit before income tax		**6,950,459**	**6,990,987**	17,200,017
Income tax expense	19	**(818,150)**	**(818,150)**	(2,066,047)
Net profit for the year		**6,132,309**	**6,172,837**	15,133,970
Attributable to:				
Shareholders of the Parent Company		**6,152,168**	**6,172,837**	15,133,970
Minority interest		**(19,859)**	**--**	--
		6,132,309	**6,172,837**	15,133,970
Earnings per share	24	**0.068**	**0.069**	0.169
Gross profit margin		**5.47%**	**5.47%**	11.49%
Net profit margin		**2.01%**	**2.03%**	6.96%

The attached notes 1 to 28 form part of these financial statements.

Consolidated and Parent Company Statement Of Changes In Equity for the year ended 31 December 2008

Group	Share capital [note 8 a)]	Share premium [note 8 b)]	Legal reserve [note 8 c)]	General reserve [note 8 d)]	Retained earnings	Cumulative changes in fair values (note 25)	Total	Minority interest	Total
	RO	RO	RO	RO	RO	RO	RO	RO	RO
At 31 December 2007	**8,970,000**	**977,500**	**2,990,000**	**504,476**	**19,573,302**	**(5,101,602)**	**27,913,676**	--	**27,913,676**
Minority share of subsidiary's equity	--	--	--	--	--	--	--	**735,000**	**735,000**
Dividend for the year 2007 [note 8 e)]	--	--	--	--	**(3,588,000)**	--	**(3,588,000)**	--	**(3,588,000)**
Net profit for the year	--	--	--	--	**6,152,168**	--	**6,152,168**	**(19,859)**	**6,132,309**
Transfer	--	--	--	**617,284**	**(617,284)**	--	--	--	--
Net effect of cash flow hedge removed from statement of changes in equity to income statement	--	--	--	--	--	**5,148,503**	**5,148,503**	--	**5,148,503**
Net unrealized loss (note 25)	--	--	--	--	--	**(4,109,915)**	**(4,109,915)**	--	**(4,109,915)**
At 31 December 2008	**8,970,000**	**977,500**	**2,990,000**	**1,121,760**	**21,520,186**	**(4,063,014)**	**31,516,432**	**715,141**	**32,231,573**

The attached notes 1 to 28 form part of these financial statements.

Consolidated and Parent Company Statement Of Changes In Equity for the year ended 31 December 2008 *(Continued)*

Parent Company	Share Capital [note 8 a)]	Share premium [note 8 b)]	Legal reserve [note 8 c)]	General reserve [note 8 d)]	Retained earnings	Cumulative changes in fair values (note 25)	Total
	RO	RO	RO	RO	RO	RO	RO
At 31 December 2006	8,970,000	977,500	1,863,407	117,672	6,849,729	(4,989,274)	13,789,034
Dividend for the year 2006 [note 8 e)]	--	--	--	--	(897,000)	--	(897,000)
Net profit for the year	--	--	--	--	15,133,970	--	15,133,970
Transfer	--	--	1,126,593	386,804	(1,513,397)	--	--
Net effect of cash flow hedge removed from statement of changes in equity to income statement	--	--	--	--	--	5,047,997	5,047,997
Net unrealized loss (note 25)	--	--	--	--	--	(5,160,325)	(5,160,325)
At 31 December 2007	8,970,000	977,500	2,990,000	504,476	19,573,302	(5,101,602)	27,913,676
At 31 December 2007	**8,970,000**	**977,500**	**2,990,000**	**504,476**	**19,573,302**	**(5,101,602)**	**27,913,676**
Dividend for the year 2007 [note 8 e)]	--	--	--	--	**(3,588,000)**	--	**(3,588,000)**
Net profit for the year	--	--	--	--	**6,172,837**	--	**6,172,837**
Transfer	--	--	--	**617,284**	**(617,284)**	--	--
Net effect of cash flow hedge removed from statement of changes in equity to income statement	--	--	--	--	--	**5,148,503**	**5,148,503**
Net unrealized loss (note 25)	--	--	--	--	--	**(4,109,915)**	**(4,109,915)**
At 31 December 2008	**8,970,000**	**977,500**	**2,990,000**	**1,121,760**	**21,540,855**	**(4,063,014)**	**31,537,101**

The attached notes 1 to 28 form part of these financial statements.

Consolidated and Parent Company Cash Flow Statement for the year ended 31 December 2008

	2008 Group RO	2008 Parent Company RO	2007 RO
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipt from sales	**308,899,999**	**308,899,999**	201,759,449
Cash paid towards cost of sales and expenses	**(320,486,595)**	**(320,163,573)**	(200,218,750)
Cash (used in) / generated from operations	**(11,586,596)**	**(11,263,574)**	1,540,699
Net financing costs	**(3,037,151)**	**(3,048,790)**	(3,002,597)
Income tax	**(1,939,696)**	**(1,939,696)**	(1,162,426)
Directors' remuneration and meeting attendance fees paid	**(179,400)**	**(179,400)**	(179,300)
Net cash used in operating activities	**(16,742,843)**	**(16,431,460)**	(2,803,624)
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment in a subsidiary	**--**	**(765,000)**	--
Proceeds from disposal of plant and equipment	**--**	**--**	2,900
Movement in short term deposits	**(750,000)**	**--**	--
Purchase of property, plant and equipment	**(2,883,549)**	**(2,670,424)**	(5,195,198)
Net cash used in investing activities	**(3,633,549)**	**(3,435,424)**	(5,192,298)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of term loans	**(2,049,525)**	**(2,049,525)**	(3,304,132)
Dividend	**(3,588,000)**	**(3,588,000)**	(897,000)
Short term loans	**10,179,510**	**10,179,510**	17,642,140
Loans against trust receipts	**17,884,732**	**17,884,732**	(7,042,475)
Receipt of term loans	**--**	**--**	1,487,918
Capital contribution in the subsidiary from minority shareholders	**735,000**	**--**	--
Net cash from financing activities	**23,161,717**	**22,426,717**	7,886,451

Consolidated and Parent Company Cash Flow Statement for the year ended 31 December 2008 *(Continued)*

	2008 Group RO	2008 Parent Company RO	2007 RO
Net increase / (decrease) in cash and cash equivalents during the year	**2,785,325**	**2,559,833**	(109,471)
Cash and cash equivalents at the beginning of the year	**831,182**	**831,182**	940,653
Cash and cash equivalents at the end of the year	**3,616,507**	**3,391,015**	831,182
Cash and cash equivalents [note 2 h)] at the end of the year comprise:			
Current accounts (note 7)	**4,332,228**	**4,106,970**	1,441,042
Overdrafts (note 10)	**(729,198)**	**(729,198)**	(623,607)
Cash in hand (note 7)	**13,477**	**13,243**	13,747
	3,616,507	**3,391,015**	831,182

The attached notes 1 to 28 form part of these financial statements.

Notes forming part of the Financial Statements at 31 December 2008

1 LEGAL STATUS AND PRINCIPAL ACTIVITIES

Oman Cables Industry SAOG ("the Parent") is registered in the Sultanate of Oman as a public joint stock company. The Parent Company's principal activity is the manufacture and sale of electrical cables and conductors.
The Parent holds 51% shareholding in Oman Aluminium Processing Industries LLC ("the subsidiary") which was incorporated in the Sultanate of Oman during the year [see note 4 a)].

2 PRINCIPAL 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 Group 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 Group'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 of the Parent Company have decided to adopt from the applicable period. The amendments likely to be relevant to the Group 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.
- 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.
- Amendments to IAS 27 'Consolidated and Separate Financial Statements' primarily relates to accounting for non-controlling interests and loss of control in a subsidiary.

Notes forming part of the Financial Statements at 31 December 2008 *(Contd.)*

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

Basis of preparation (Continued)

- Amendments to IAS 32 'Financial Instruments: Presentation' addresses the classification of some puttable financial instruments and instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation.

- Amendments to IFRS 3 'Business Combinations' introduces significant changes on acquisition accounting, including the following:

  - Expensing certain acquisition related costs in the year 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 IFRS 1 'First time Adoption of International Financial Reporting' and IAS 27 'Consolidated and Separate Financial Statements' provides guidelines for a first time adopter for measurement of a subsidiary in its separate financial statements.

- 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 of the Parent Company 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.

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

a) Accounting convention

These financial statements have been prepared under the historical cost convention modified to include the measurement at fair value of derivative financial instruments, investments available for sale and the Government soft loan.

b) Basis of consolidation

The consolidated balance sheet incorporates the assets and liabilities of the Parent and it's subsidiary. All significant inter company balances, transactions, income and expenses have been eliminated on consolidation.

Intra-group balances and transactions, and any unrealised gains arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains or losses arising from transactions with associates are eliminated to the extent of the Group's interest in the enterprise.

c) 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.

Notes forming part of the Financial Statements at 31 December 2008 *(Contd.)*

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

c) Property, plant and equipment (Continued)

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 derecognition of the asset is included in the income statement in the period 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. Capital work-in-progress is not depreciated. The estimated useful economic lives are as follows:

	Years
Buildings	20
Plant and machinery	20
Electrical equipment and installations	10
Motor vehicles	4
Furniture, fixtures and fittings	4
Office equipment	4
Material handling equipment	10
Loose tools	10
Laboratory equipment	10

d) Derivative financial instruments

The Parent Company uses futures commodity contracts to hedge its risk associated with metal prices relating to future sales to customers.

These derivative financial instruments, which qualify for hedge accounting and meet the criteria for cash flow hedge are initially recognized at cost and are subsequently stated at fair market value and recognized in the statement of changes in equity at the balance sheet date and subsequently transferred to the cost of inventories or to the income statement.

e) Investments

Subsidiary
A subsidiary is a company in which the Group owns more than one half of the voting power or exercises control. The financial statements of the subsidiary is included in the consolidated financial statements. In the Parent Company's separate financial statements, the investment in the subsidiary is carried at cost.

Investment in an associate
An entity over which the Group exercises significant influence but not control is classified as an associate and is accounted for using the equity method.

The consolidated financial statements include the Group's share of the total recognised gains or losses of associate on an equity accounted basis. The same treatment is adopted in Parent Company's separate financial statements, since the management's view is that this represents an acceptable and conservative method of measuring the fair value as per IAS 39.

Notes forming part of the Financial Statements at 31 December 2008 *(Contd.)*

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

e) Investments (Continued)

Investments available-for-sale

Available for sale investments are intended to be held for an indefinite period of time, but may be sold in response to the need for liquidity or changes in interest rates, exchange rates or equity prices. They are initially recognised at cost (which includes transaction costs) and subsequently re-measured at fair value based on quoted traded prices at the balance sheet date.

Gains or losses arising from the changes in the fair value of these investments are recognised in the statement of changes in equity. When these investments are sold or impaired, the accumulated fair value changes recognised in the statement of changes in equity are included in the income statement as realised gains or losses.

Fair value measurement

The fair values of quoted investments actively traded in organized financial markets are based on the bid prices at the close of business on the balance sheet date. For unquoted equity investments representing investments with fund managers, fair value is determined based on the net asset value ascertained by the fund managers.

Dividend income

Dividend income from investments is accounted when the right to receive payment is established.

f) Inventories

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

The liability for goods in transit is recorded on the transfer of risks and rewards to the ownership of goods in favour of the Group.

g) Trade and other receivables

Trade and other receivables originated by the Group are measured at cost. An allowance for credit losses of trade and other receivables are established when there is objective evidence that the Group will not be able to collect the amounts due.

When a trade or other receivable is uncollectible, it is written off against the allowance account for credit losses. The carrying value of trade and other receivables approximate their fair values due to the short-term nature of those receivables.

h) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and bank deposits with maturity of 3 months or less. Bank borrowings that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Notes forming part of the Financial Statements at 31 December 2008 *(Contd.)*

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

i) Impairment

The carrying amounts of the Group's assets, other than inventories [refer policy f) above], and deferred tax asset [refer policy s) below] are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised in the income statement whenever the carrying amount of an asset exceeds its recoverable amount.

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the assets recoverable amount does not exceed the carrying amount that would have been determined net of depreciation or amortisation, if no impairment loss had been recognised.

j) 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 Parent Company's profits. The Directors take into account appropriate parameters including the requirements of the Commercial Companies Law 1974 (as amended), while recommending dividend.

k) Employees' end of service benefits

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

l) Provisions

A provision is recognised in the balance sheet when the Group 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.

m) Trade and other payables

Trade and other payables are recognized for amounts payable for goods and services received, whether or not billed to the Group. All the financial liabilities are initially measured at fair value and are subsequently measured at amortized cost.

n) Deferred Government grant

Interest subsidy is recognised in the balance sheet initially as a deferred Government grant when there is reasonable assurance that it will be received and that the Group will comply with the conditions attached to it. This deferred Government grant is amortised over the life of the loans to which it relates on a systematic basis in the same periods in which the interest expense is incurred. Amortisation of the deferred Government grant is recognised within net financing costs.

o) Sales

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.

Notes forming part of the Financial Statements at 31 December 2008 *(Contd.)*

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

p) 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.

q) Net financing costs

Net financing costs comprise interest payable on borrowings, interest payable on suppliers' credit, interest subsidy and interest receivable on deposits. Interest income is recognised in the income statement as it accrues. All interest costs incurred in connection with borrowings are expensed as incurred as part of net financing costs.

r) Foreign currency transactions

Transactions denominated in foreign currencies are translated to Rials 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 Rials Omani at the foreign exchange rates ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement under net financing costs.

s) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

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, and any adjustment to tax payable in respect of previous years.

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.

t) Segment reporting

A segment is a distinguishable component of the Group 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.

u) Directors' remuneration

The Parent 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 income statement in the year to which they relate.

Notes forming part of the Financial Statements at 31 December 2008 *(Contd.)*

2 PRINCIPAL ACCOUNTING POLICIES (Continued)

v) Estimates and judgements

In preparing the financial statements, the Board of Directors of the Parent Company 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 judgement 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 involves uncertainties and judgements which have significant effect on the financial statements include:

- allowances for credit losses; and
- provision for slow moving inventories.

3 PROPERTY, PLANT AND EQUIPMENT

The details of property, plant and equipment are set out on pages 53, 54 and 55.

The following further notes apply:

a) Depreciation of RO 1,767,994 (2007 – RO 1,313,136) is included under cost of sales (note 13).

b) Capital work in progress at the balance sheet date includes expenditure incurred on plant and machinery and electrical equipment and installations.

4 INVESTMENTS

a) In a subsidiary	% Holding	Activity	Year of incorporation	**2008 Parent Company RO**	2007 RO
Oman Aluminium Processing Industries LLC (OAPIL)	51%	Manufacture of aluminium rods and overhead conductors	2008	**765,000**	--

The Parent Company also has a 100% interest in Oman Power Conductors LLC ("subsidiary"), a company registered in the Sultanate of Oman. The subsidiary formed during 2001, is yet to commence commercial operations, and its shareholders have not contributed towards its capital as at the balance sheet date. Consequently, there are no assets and liabilities or results of the subsidiary to be consolidated into the Company's financial statements. During the year 2006 the subsidiary's registration had expired; there is no intention to renew the registration and the Company will be deregistered at the Ministry of Commerce and Industry.

The following further notes apply:

i) Investment in OAPIL has been set off against the capital and reserves of the subsidiary in the consolidated financial statements.

ii) The Board of Directors of the Parent Company believe that no impairment has arisen in the investment in OAPIL although the subsidiary is yet to commence commercial operations.

Notes forming part of the Financial Statements at 31 December 2008 *(Contd.)*

4 INVESTMENTS (Continued)

b) In an associate

i) Name of the associate	2008 Group and Parent Company % Holding	Carrying value RO	Cost RO	2007 % Holding	Carrying value RO	Cost RO
Associated Cables Pvt Ltd, India (ACPL)	**40%**	**650,336**	**--**	35%	477,890	--

The associate registered in India is engaged in the manufacture and sale of electrical cables.

ii) During the year 2006, the Parent Company had acquired 35% stake in the associate at nil consideration. This acquisition was in accordance with the terms of the commercial understanding agreement with Draka Holding NV, the Associate Company's major shareholder [refer 8 a) iii)]. During the current year the Parent Company has received an additional 5% shareholding at nil consideration in accordance with the terms of the above agreement [refer note iii) below].

The share of excess fair value over the purchase consideration of additional investment in the associate is taken to the income statement in the Group's financial statements.

iii) The carrying value of the investment in an associate is as follows:

	2008 Group RO	2008 Parent Company RO	2007 RO
At the beginning of the year	**477,890**	**477,890**	358,563
Share of results / fair value changes of associate	**126,345**	**143,069**	42,926
Share of excess fair value over purchase consideration of additional investment in associate	**16,724**	**--**	--
Effect of foreign currency translation	**29,377**	**29,377**	76,401
At the end of the year	**650,336**	**650,336**	477,890

The share of results is based on the unaudited financial statements of the associate as at 31 December 2008; the associate prepares audited financial statements at 31 March each year.

iv) The summarised unaudited financial position of the associate at the balance sheet date was as follows:

	2008 RO	2007 RO
Total assets	**3,134,640**	3,910,198
Total liabilities	**1,508,800**	2,242,376
Revenue for the period	**6,091,810**	6,158,515
Profit for the period	**315,862**	105,050

c) Available for sale

	2008 Group and Parent Company Market value RO	Cost RO	2007 Market value RO	Cost RO
Foreign funds	**119,381**	**115,590**	153,398	115,590
Marketable securities listed on the Muscat Securities Market	**6,045**	**2,544**	11,637	2,544
	125,426	**118,134**	165,035	118,134

Notes forming part of the Financial Statements at 31 December 2008 *(Contd.)*

5 INVENTORIES

	2008 Group and Parent Company RO	2007 RO
Raw materials	**35,826,222**	8,401,516
Spares, consumables and scrap	**1,360,729**	865,432
Finished goods	**13,605,975**	8,867,934
	50,792,926	18,134,882
Provision for slow moving inventories	**(721,171)**	(721,171)
	50,071,755	17,413,711
Work in progress	**3,207,869**	3,687,917
	53,279,624	21,101,628
Goods in transit	**2,939,579**	14,891,981
	56,219,203	35,993,609

The following further notes apply:

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

	2008 Group and Parent Company RO	2007 RO
At the beginning of the year	**721,171**	652,474
Provision created during the year (note 13)	**--**	68,697
At the end of the year	**721,171**	721,171

b) At the balance sheet date, finished goods represent 16 days (2007 – 15 days) of average annual sales.

c) The carrying amount of inventories of finished goods carried at fair value less costs to sell is RO 903,909 (2007 - nil).

6 TRADE AND OTHER RECEIVABLES

	2008 Group RO	2008 Parent Company RO	2007 RO
Trade receivables	**43,529,298**	**43,529,298**	47,582,993
Less: allowance for credit losses	**(678,111)**	**(678,111)**	(478,111)
	42,851,187	**42,851,187**	47,104,882
Advances	**625,316**	**625,316**	2,850,505
Other receivables and prepayments [see note c) below]	**6,523,712**	**6,520,548**	836,113
	50,000,215	**49,997,051**	50,791,500

Notes forming part of the Financial Statements at 31 December 2008 *(Contd.)*

6 TRADE AND OTHER RECEIVABLES (Continued)

The following further notes apply:

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

	2008 Group and Parent Company RO	2007 RO
At the beginning of the year	**478,111**	478,111
Provision created during the year (note 15)	**200,000**	43,531
Written off during the year	**--**	(43,531)
At the end of the year	**678,111**	478,111

b) At the balance sheet date, 42% of Company's trade receivables are due from 8 customers (2007 – 57% from 8 customers). Trade receivables amounting to RO 41,880,521 (2007 – RO 45,828,819) are neither past due nor impaired and are estimated as collectible based on historical experience. 66% (2007 – 60%) of the trade receivables are secured against letters of credit, bank guarantees or other credit risk cover. The balance amounts are mainly due from Government authorities.

At the balance sheet date, gross trade receivables amounting to RO 180,923 (2007 – RO 116,784) were assessed as impaired by the management, for which allowance for credit losses has been established. In addition an amount of RO 497,188 (2007 – RO 361,327) has also been established as a general allowance for credit losses against unsecured trade receivables. At the balance sheet date, trade receivables amounting to RO 1,467,854 (2007 – RO 1,637,390) are past due but not impaired and are estimated as collectible based on historical experience. The ageing analysis of these trade receivables are as follows:

	2008 Group and Parent Company RO	2007 RO
Debts due between 3 – 6 months	**835,819**	1,396,134
Debts due between 6 months – 1 year	**595,283**	146,489
Debts due more than 1 year	**36,752**	94,767
	1,467,854	1,637,390

c) Other receivables include amounts totaling RO 6,260,408 (2007 – RO 658,785) that relates to derivative financial assets in relation to raw materials required to meet confirmed sales orders in the year 2009.

7 CASH AND BANK BALANCES

	2008 Group RO	2008 Parent Company RO	2007 RO
Cash in hand	**13,477**	**13,243**	13,747
Cash at bank – current accounts	**4,332,228**	**4,106,970**	1,441,042
Short term deposits (see note below)	**2,750,000**	**2,000,000**	2,000,000
	7,095,705	**6,120,213**	3,454,789

Notes forming part of the Financial Statements at 31 December 2008 *(Contd.)*

7 CASH AND BANK BALANCES (Continued)

Short term deposits represent deposits with commercial banks in the Sultanate of Oman, denominated in Rials Omani and carry interest at commercial rates. The deposits are due for maturity in the year 2009 and have accordingly been included in cash and bank balances under current assets.

8 CAPITAL AND RESERVES

a) Share capital

i) The Parent Company's authorised share capital comprises 120,000,000 shares of 100 baisas (2007 – 120,000,000 shares of 100 baisas each).

ii) The Parent Company's issued and fully paid up share capital comprises 89,700,000 shares of 100 baisas each (2007 – 89,700,000 shares of 100 baisas each).

iii) Shareholders who own 10% or more of the Parent Company's share capital at the balance sheet date and the number of shares they hold are as follows:

		2008		2007
	No of shares held	**%**	No of shares held	%
Draka Holding NV	**31,200,000**	**34.78**	31,200,000	34.78
Mustafa Mukhtar Ali Al Lawati	**11,207,040**	**12.49**	11,177,040	12.46
Hussain Salman Al Lawati	**10,838,130**	**12.08**	10,805,130	12.05
	53,245,170	**59.35**	53,182,170	59.29

b) Share premium

Share premium represents the excess of amounts received over the nominal value of shares issued to shareholders during 1998.

c) Legal reserve

As required by Article 106 of the Commercial Companies Law of 1974 of Sultanate of Oman, 10% of the net profit of the Parent Company is to be transferred to a non-distributable legal reserve until the amount of the legal reserve becomes equal to one-third of the Parent Company's issued share capital. The Company has discontinued such transfers during the previous year as the reserve has reached the statutory minimum of one third of the capital.

As the subsidiary has incurred a loss during the year, no transfer has been made to the legal reserve.

The balance at the end of the year in the Group's legal reserve represents the amounts relating to the Parent Company.

d) General reserve

This reserve represents a distributable reserve initially created at 31 December 2001, to address any impact of unforeseen events in view of the Parent Company's growing operations. 10% of the net profit of the Parent Company has been transferred to this reserve during the year.

Notes forming part of the Financial Statements at 31 December 2008 *(Contd.)*

8 CAPITAL AND RESERVES (Continued)

e) Dividend per share

i) During the year, dividends of 40 baisas per share totaling RO 3,588,000 relating to the year 2007 were declared and paid (2007 – 10 baisas per share totalling RO 897,000 relating to the year 2006).

ii) The Board of Directors have recommended a dividend of 20 baisas per share for the year 2008 (2007 – 40 baisas) amounting to RO 1,794,000 (2007 – RO 3,588,000), subject to the approval of the shareholders at the forthcoming Annual General Meeting.

9 TERM LOANS

	2008 Group and Parent Company RO	2007 RO
Non-current liabilities		
Loans from commercial banks	**2,498,929**	3,798,296
Government soft loan	**500,000**	750,000
	2,998,929	4,548,296
Deferred government grant	**(42,848)**	(70,725)
	2,956,081	4,477,571
Current liabilities		
Loans from commercial banks	**1,299,622**	1,799,780
Government soft loan	**250,000**	250,000
	1,549,622	2,049,780
Total term loans	**4,505,703**	6,527,351

Loans are stated at amortised cost subsequent to initial recognition.

Loans availed by the Parent Company from commercial banks include a loan of RO 300,051 denominated in US Dollars (2007 – RO 898,786) repayable in a semi annual installment of RO 300,051 in March 2009 and a second loan denominated in US Dollars of RO 3,498,500 (2007 – RO 4,499,500) repayable in seven half yearly instalments of RO 499,786 each up to August 2012. The first and second loans are secured by a registered mortgage over the Parent Company's property, plant and equipment acquired with the loan proceeds. The loan agreements contain restrictive covenants that relate to the disposal of the Parent Company's property, plant and equipment. The loans carry interest at commercial rates.

The Government soft loan is secured by a registered mortgage of the Parent Company's property, plant and equipment and endorsement of the insurance policy in respect of the property, plant and equipment of the Parent Company in favour of the bank and the Government of the Sultanate of Oman. The loan agreements contain restrictive covenants that relate amongst others to the disposal of the Parent Company's property, plant and equipment and the compliance to certain stipulated ratios.

The Government soft loan include an amount of RO 750,000 (2007 – RO 1,000,000), availed in 2005, disbursed by a commercial bank in Oman and repayable in 3 annual installment of RO 250,000 which commenced from August 2006 and secured by a registered mortgage over the Company's property, plant and equipment acquired with the loan proceeds in favour of the local commercial bank. The loans carry interest at subsidized rates.

Notes forming part of the Financial Statements at 31 December 2008 *(Contd.)*

9 TERM LOANS (Continued)

The amortised cost of the Government soft loan has been determined by the management using the effective interest rate method. The effective interest rate adopted was 6% per annum. The Government subsidy on loans is recognised in the balance sheet as 'deferred Government grant' and amortised over the life of the loans to which the subsidy relates on a systematic basis in the same periods in which the loan is repaid. The amortisation of the deferred Government grant for the year 2008 amounted to RO 27,877 (2007 - RO 35,103).

The following further note applies:

The maturity profile of the non-current portion of term loans based on the remaining period to maturity from the balance sheet date is as follows:

	2008 Group and Parent Company RO	2007 RO
Between 1 and 2 years	**1,249,571**	1,548,574
Between 2 and 5 years	**1,749,358**	2,999,722
	2,998,929	4,548,296

10 BANK BORROWINGS

	2008 Group and Parent Company RO	2007 RO
Overdrafts	**729,198**	623,607
Loans against trust receipts	**40,842,122**	22,957,390
Short term loans	**36,830,000**	26,650,490
	78,401,320	50,231,487

Loans against trust receipts (LTRs) are sanctioned against inventories. The Parent Company avails short-term loans from commercial banks for a period ranging from 30 to 180 days (2007 – same period). Bank borrowings carry interest at commercial rates.

11 TRADE AND OTHER PAYABLES

	2008		
	Group RO	**Parent Company RO**	2007 RO
Trade payables	**11,460,133**	**11,460,133**	16,134,749
Other payables	**4,988,588**	**4,963,043**	6,140,897
Accruals	**2,879,525**	**2,879,525**	3,111,091
Employees' end of service benefits [note 17 b)]	**630,812**	**630,812**	413,131
	19,959,058	**19,933,513**	25,799,868

Other payables, includes an amount of RO 4,176,084 (2007 – RO 5,150,676) that relates to commodity future contracts that is more fully explained in note 25 to the financial statements.

Notes forming part of the Financial Statements at 31 December 2008 *(Contd.)*

12 RELATED PARTY TRANSACTIONS

a) The Group has entered into transactions with Directors and entities in which certain Directors of the Parent Company and the subsidiary have an interest. In the ordinary course of business, the Group sells goods to related parties and procures goods and services from related parties. These transactions are entered into on terms and conditions, which the Directors believe could be obtained on an arms' length basis from independent third parties.

During the year the related party transactions, which are subject to shareholders' approval at the forthcoming Annual General Meeting, are as follows:

		2008 Group and Parent Company RO	2007 RO
i)	Sales to entities related to:		
-	Associate	**1,705,161**	2,582,588
-	Other related parties	**5,028,449**	4,010,537
ii)	Purchases of goods and services from entities related to:		
-	Shareholders holding 10% or more shareholding	**14,514**	104,360
-	Associate	**3,917,935**	4,041,098
iii)	Other income from:		
	Shareholders holding 10% or more shareholding	**137,750**	211,482
iv)	Administrative expenses:		
	Shareholders' holding 10% or more shareholding	**57,761**	37,874

v) The key management personnel compensation for the year comprises:

	2008 Group RO	**2008 Parent Company RO**	2007 RO
Short term employment benefits	**954,264**	**939,036**	478,174
End of service benefits	**100,431**	**100,431**	158,278
Directors' meeting attendance fees	**8,700**	**8,700**	9,300
Directors' remuneration [see note below]	**191,300**	**191,300**	190,700
	1,254,695	**1,239,467**	836,452

Apart from specific bonus provisions to certain top management, the Company makes an overall provision for employees' bonus each year. Of the amounts so provided in the previous year, amounts paid to key management personnel are included in short term employment benefits.

The Directors' remuneration and employees' end of service benefits are included under other payables (note 11).

Notes forming part of the Financial Statements at 31 December 2008 *(Contd.)*

12 RELATED PARTY TRANSACTIONS (Continued)

b) Amounts due from related parties at the balance sheet date are as follows:

	2008 Group and Parent Company RO	2007 RO
Associate	**463,811**	848,114
Other related parties	**622,587**	841,878
	1,086,398	1,689,992

c) Amounts due to related parties:

	2008 Group and Parent Company RO	2007 RO
Shareholders holding 10% or more shareholding	**9,502**	9,741
Associate	**929,870**	341,051
	939,372	350,792

d) The amounts due from and due to related parties are on normal terms of credit and consideration to be settled in cash. There have been no guarantees given in respect of amounts due from or due to related parties. An amount of RO 412,099 (2007 – RO 180,780) due from a related party is secured by a credit instrument and the balance amounts are unsecured.

At the balance sheet date, the entire due from related parties are due from two related parties (2007 - two related parties). Amounts due from related parties and from associate (2007 – RO 707,960 due from an associate) are neither past due nor impaired and are estimated as collectible based on historical experience. There are no amounts which are past due at the balance sheet date (2007 – amount of RO 140,154 due from an associate was past due). There has been no impairment assessed on dues from related parties and the associate and accordingly no allowance for credit losses against these dues have been considered necessary.

13 COST OF SALES

	2008 Group and Parent Company RO	2007 RO
Cost of materials consumed (see note below)	**280,928,943**	187,226,348
Employee costs	**2,262,019**	1,665,245
Electricity and water	**616,370**	637,195
Stores, consumables, repair and maintenance	**1,660,938**	1,056,008
Land lease rent	**30,917**	30,917
Depreciation	**1,767,994**	1,313,136
Provision for slow moving inventories [note 5 a)]	**--**	68,697
Other direct costs	**467,680**	459,160
	287,734,861	192,456,706

Notes forming part of the Financial Statements at 31 December 2008 *(Contd.)*

13 COST OF SALES (Continued)

The following further notes apply:

a) The sudden reversing trend in the last quarter of 2008 in metal prices and the market slowdown resulted in certain surplus hedge positions. The impact of this is RO 12,959,936 (2007 – nil) which forms part of cost of materials consumed above.

b) The amount of write down of inventories of finished goods to fair value less costs to sell is RO 943,313 (2007 – nil).

14 OTHER INCOME

	2008 Group and Parent Company RO	2007 RO
Insurance claim received	**36,670**	164,762
Gain on sale of property, plant and equipment	**--**	2,827
Management fee	**--**	77,057
Commercial understanding fee (see note below)	**137,750**	134,425
Miscellaneous income	**95,368**	66,181
	269,788	445,252

The Parent Company had entered into a commercial understanding agreement with Draka Holding NV, relating to future co-operation, for which an equivalent amount will be received by the Parent Company from Draka Holding NV annually for 5 years which commenced in 2005.

15 ADMINISTRATIVE EXPENSES

	2008 Group RO	2008 Parent Company RO	2007 RO
Employee Cost	**1,831,219**	**1,822,215**	2,029,100
Insurance	**373,804**	**373,804**	168,750
Communication	**67,200**	**67,185**	51,605
Travelling	**78,221**	**78,221**	42,005
Repairs and maintenance	**4,595**	**4,595**	11,200
Vehicle running, repairs and maintenance	**14,926**	**14,926**	13,803
Allowance for credit losses [note 6 a)]	**200,000**	**200,000**	43,531
Legal and professional charges	**127,085**	**89,110**	37,732
Printing and stationery	**25,726**	**25,147**	26,393
Service charges	**17,300**	**17,300**	8,400
Directors' remuneration [note 12 a) v)]	**191,300**	**191,300**	190,700
Directors' meeting attendance fees [note 12 a) v)]	**8,700**	**8,700**	9,300
Contributions to local organizations	**348,968**	**348,968**	437,764
Other sundry expenses	**254,511**	**250,489**	80,246
	3,543,555	**3,491,960**	3,150,529

Notes forming part of the Financial Statements at 31 December 2008 *(Contd.)*

16 SELLING AND DISTRIBUTION EXPENSES

	2008 Group and Parent Company RO	2007 RO
Marketing and freight	**2,725,018**	1,565,667
Employee costs	**385,603**	313,470
Advertisement and sales promotion	**198,467**	146,464
Travelling	**55,387**	38,405
	3,364,475	2,064,006

17 EMPLOYEE COSTS

a) Employee costs included under notes 13, 15 and 16 comprise:

	2008 Group RO	2008 Parent Company RO	2007 RO
Salaries	**1,980,437**	**1,974,992**	1,405,853
Other benefits	**2,186,656**	**2,184,256**	2,331,827
Contributions to defined retirement plan for Omani employees	**78,422**	**78,335**	70,719
Increase in liability for unfunded defined benefit retirement plan	**232,254**	**232,254**	199,416
	4,477,769	**4,469,837**	4,007,815

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

	2008 Group and Parent Company RO	2007 RO
At the beginning of the year	**413,131**	234,000
Expenses recognised in the income statement	**232,254**	199,416
End of service benefits paid during the year	**(14,573)**	(20,285)
At the end of the year	**630,812**	413,131

18 NET FINANCING COSTS

	2008 Group RO	2008 Parent Company RO	2007 RO
Financial cost	**3,950,607**	**3,950,607**	4,164,051
Less: interest income	**(91,742)**	**(80,103)**	(142,025)
Less: foreign currency translation	**(821,714)**	**(821,714)**	(1,095,830)
	3,037,151	**3,048,790**	2,926,196

Notes forming part of the Financial Statements at 31 December 2008 *(Contd.)*

19 TAXATION

	2008 Group and Parent Company RO	2007 RO
Recognised in the income statement:		
Current tax expense		
Current tax	**732,097**	1,937,310
Previous year's tax	**--**	5,646
Deferred tax expense		
Origination and reversal of temporary difference [see note d) below]	**86,053**	123,091
	818,150	2,066,047
Balance sheet		
Current liability		
Current year	**732,097**	1,937,310
Previous year	**40,659**	43,045
	772,756	1,980,355
Non current liability		
Deferred tax liability	**669,359**	583,306

The following further notes apply:

a) The Parent Company is subject to income tax at the rate of 12% (2007 – 12%) of taxable profits in excess of RO 30,000. The subsidiary has incurred a loss during the period to 31 December 2008. The subsidiary expects to obtain exemption from income tax for a period of five years from the date it commences the commercial operations.

b) Reconciliation of income tax expense

The following is a reconciliation of income taxes calculated on accounting profits at the applicable tax rates with the income tax expense:

	2008 Group RO	2008 Parent Company RO	2007 RO
Profit before income tax	**6,950,459**	**6,990,987**	17,200,010
Income tax as per rates mentioned above	**835,318**	**835,318**	2,060,401
Incomes exempt	**(17,168)**	**(17,168)**	--
Income tax of previous years	**--**	**--**	5,646
Total income tax expense in the income statement	**818,150**	**818,150**	2,066,047

c) Status of tax assessments

The Parent Company's tax assessments for the years 2006 and 2007 are pending to be finalised by the Secretariat General for Taxation. The Board of Directors believe that, any additional tax liability likely to arise on the completion of the assessments for the above years would not be material to the financial position of the Group at the balance sheet date.

Notes forming part of the Financial Statements at 31 December 2008 *(Contd.)*

19 TAXATION (Continued)

d) Deferred tax liability

Recognised deferred tax asset and liabilities are attributable to the following items:

	2007 RO	Recognised in the income statement RO	2008 RO
Property, plant and equipment	721,010	**110,053**	**831,063**
Inventories	(78,926)	**--**	**(78,926)**
Receivables	(57,373)	**(24,000)**	**(81,373)**
Others	(1,405)	**--**	**(1,405)**
Net deferred tax liability	583,306	**86,053**	**669,359**

20 CAPITAL MANAGEMENT

The Group's objectives when managing capital (total equity excluding cumulative changes in fair value) are:

- to safeguard the Group'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 and services commensurate with the level of risk.

The Group also ensures compliance with externally imposed capital requirements.

21 SEGMENTAL REPORTING

The Parent Company manufactures electrical cables and conductors as per different specifications based on market requirements. A substantial portion of the Parent Company's products are sold for use within GCC countries and international markets. The subsidiary is yet to commence commercial operations. Accordingly, specific segmental information in respect of the Parent Company's and subsidiary's product is not provided.

22 LEASES

The Parent Company has leased land for factory premises, at Rusayl, from the Public Establishment for Industrial Estates (PEIE), under agreements that expire over periods ranging up to 1 January 2031. Payment of lease rentals to PEIE in respect of the plot that expires on 22 June 2026 will commence after 2 June 2011 as the lease rentals until that date will be set off against certain amounts due to the Parent Company for having developed the land. The subsidiary has entered into a lease agreement on 6 January 2009 in respect of the land used for construction of the plant, which is valid until 5 January 2034. At the balance sheet date future minimum lease commitments under non-cancelable operating leases were as follows:

	2008 **Group** **RO**	 **Parent Company** **RO**	2007 RO
Less than one year	**30,917**	**30,917**	30,917
Between one and five years	**353,755**	**152,981**	144,003
More than five years	**1,649,696**	**794,696**	827,747
	2,034,368	**978,594**	1,002,667

Notes forming part of the Financial Statements at 31 December 2008 *(Contd.)*

23 NET ASSETS PER SHARE

Net assets per share, is calculated by dividing the equity attributable to the shareholders of the Group and Parent Company at the balance sheet date by the number of shares outstanding.

	2008 Group	2008 Parent Company	2007
Net assets (in RO)	**31,516,432**	**31,537,101**	27,913,676
Number of shares outstanding at the balance sheet date	**89,700,000**	**89,700,000**	89,700,000
Net assets per share (in RO)	**0.351**	**0.352**	0.311

24 EARNINGS PER SHARE

The basic earnings per share is calculated by dividing the net profit of the Group and Parent Company for the year attributable to the shareholders of the Parent Company, by the weighted average number of shares outstanding during the year.

	2008 Group	2008 Parent Company	2007
Net profit for the year (RO)	**6,152,168**	**6,172,837**	15,133,970
Weighted average number of shares outstanding during the year	**89,700,000**	**89,700,000**	89,700,000
Basic earnings per share (RO)	**0.068**	**0.069**	0.169

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

25 DERIVATIVE FINANCIAL INSTRUMENTS

The following summarises the cumulative changes in fair values of outstanding derivative financial instruments, which are stated at market value.

	2008 Group and Parent Company RO	2007 RO
Unrealised (loss) / gain relating to:		
Commodity future contracts (maturing within 12 months) (see note below)	**(4,176,084)**	(5,150,676)
Fair value of investments available for sale [note 2 e)]	**7,292**	46,901
Others	**105,778**	2,173
	(4,063,014)	(5,101,602)

Notes forming part of the Financial Statements at 31 December 2008 *(Contd.)*

25 DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

The following further note applies:

Any positive or negative fair value adjustments of commodity future contracts designated as cash flow hedges will be included in the subsequent period (2009) on the maturity of the contracts, as cost of inventories and ultimately as cost of sales in the income statement (see also note 11).

The cumulative change in fair value relating to the unrealised loss in commodity future contracts of RO 4,176,084 (2007 - RO 5,150,676) is mainly on account of differences between the original values of the future commodity contracts entered into by the Group in the normal course of business and the market value of these contracts as at the balance sheet date.

The reported fair value changes on account of commodity future contracts mentioned above, does not have an impact on the year 2008 profitability, as it relates to the cost of purchase in the year 2009. There are certain surplus positions which were marked to market at the balance sheet date (see note 13). The fair value changes relating to such surplus positions will affect the year 2009 performance.

26 FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT

The Group's financial assets include trade and other receivables, dues from related parties, investment available for sale, investment in an associate, investment in a subsidiary, bank balances and cash. Financial liabilities include bank borrowings, term loans, current taxation and trade and other payables and due to related parties. The Group's financial assets and financial liabilities approximate to their carrying values.

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

a) Market risk

Currency and metal price fluctuation risk
The Group operates in international markets and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar, Euros, Pound sterling and all GCC currencies.

To manage metal price fluctuation risk, the management uses futures contracts to hedge any significant risks arising from fluctuations in metal prices. Future contracts have maturities of less than one year after the balance sheet date. The majority of the Group's financial assets and financial liabilities are either denominated in local currency (Rials Omani) or currency fixed against Rials Omani. Hence the management believes that there would not be a material impact on the profitability if these foreign currencies weakens or strengthens against the Omani Rials with all other variables held constant.

Price risk
The Group is exposed to price risk related to quoted investments held by the Group and traded in organized financial markets. To manage its price risk arising from investments in equity, the management continuously monitors the market and the key factors that effect stock market movements. The management believes that the impact of price fluctuation on the quoted investments will not be material considering the amount of quoted investments at the balance sheet date.

Notes forming part of the Financial Statements at 31 December 2008 *(Contd.)*

26 FINANCIAL INSTRUMENTS AND RELATED RISK MANAGEMENT (Continued)

a) Market risk (Continued)

Interest rate risk

The Group is exposed to interest rate risk on its interest bearing assets and liabilities (short term bank deposits, bank borrowings and term loans). The management manages the interest rate risk by constantly monitoring the changes in interest rates and availing lower interest bearing facilities and entering into interest rate caps.

For every 0.5% change in interest rate, the impact on the income statement will approximate to RO 500,000 (2007 – RO 341,000) based on the level of borrowings at the balance sheet date.

b) Credit risk

Credit risk primarily arises from credit exposures to customers, including outstanding receivables and committed transactions. The Group has a credit policy in place and exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount.

c) Liquidity risk

The Group maintains sufficient and approved bank credit facilities to meet it's obligations as they fall due for payment and is therefore not subject to significant liquidity risk.

The Subsidiary's financial liabilities as at the balance sheet date have a contractual maturity date of less than 3 months.

The table below analyses the Parent Company's financial liabilities as at the balance sheet date based on the contractual maturity date.

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**
Trade and other payables	**19,302,701**	**--**	**630,812**	**--**	**19,933,513**
Bank borrowings	**57,500,884**	**20,900,436**	**--**	**--**	**78,401,320**
Taxation	**772,756**	**--**	**--**	**--**	**772,756**
Term loans	**799,836**	**--**	**749,786**	**2,998,929**	**4,548,551**
Amount due to related parties	**939,372**	**--**	**--**	**--**	**939,372**
	79,315,549	**20,900,436**	**1,380,598**	**2,998,929**	**104,595,512**

At 31 December 2007	Less than 3 months RO	3 to 6 months RO	6 months to 1 year RO	More than 1 year RO	Total RO
Trade and other payables	25,386,737	--	413,131	--	25,799,868
Bank borrowings	50,231,487	--	--	--	50,231,487
Taxation	1,980,355	--	--	--	1,980,355
Term loans	999,785	--	1,049,995	4,548,296	6,598,076
Amount due to related parties	350,792	--	--	--	350,792
	78,949,156	--	1,463,126	4,548,296	84,960,578

Notes forming part of the Financial Statements at 31 December 2008 *(Contd.)*

27 CAPITAL COMMITMENTS

	2008 Group RO	2008 Parent Company RO	2007 RO
a) Authorised and contracted	**9,132,270**	**959,505**	1,212,762

b) At the balance sheet date, the Parent Company has commitment of RO 1,785,000 against uncalled share capital of OAPIL, the subsidiary.

28 CONTINGENT LIABILITIES

	2008 Group RO	2008 Parent Company RO	2007 RO
Letters of credit	**23,767,917**	**21,775,024**	18,900,135
Letters of guarantee	**7,024,919**	**7,024,919**	9,449,049
Bills discounted	**--**	**--**	573,764
	30,792,836	**28,799,943**	28,922,498

Notes forming part of the Financial Statements at 31 December 2008 *(Contd.)*

3 PROPERTY, PLANT AND EQUIPMENT (Continued)

Group Year 2008	Buildings	Plant and machinery	Electrical equipment and installations	Motor vehicles	Furniture, fixtures and fittings	Office equipment	Material handling equipment	Loose tools	Laboratory equipment	Capital work in progress	Total
	RO	RO	RO	RO	RO	RO	RO	RO	RO	RO	RO
Cost											
At 31 December 2007	6,311,473	15,994,469	1,245,556	138,175	372,679	408,664	1,864,756	147,379	662,750	2,238,148	29,384,049
Additions during the year	27,500	193,434	350	28,200	49,711	156,432	216,800	2,464	143,637	2,274,491	3,093,019
Transfers	--	2,890,795	--	--	--	--	--	--	--	(2,890,795)	--
At 31 December 2008	**6,338,973**	**19,078,698**	**1,245,906**	**166,375**	**422,390**	**565,096**	**2,081,556**	**149,843**	**806,387**	**1,621,844**	**32,477,068**
Depreciation											
At 31 December 2007	1,429,605	4,731,217	597,337	81,393	297,565	275,910	692,746	74,911	318,620	--	8,499,304
Charge for the year	385,284	911,236	87,282	23,088	46,755	89,029	268,306	51,612	64,274	--	1,926,866
At 31 December 2008	**1,814,889**	**5,642,453**	**684,619**	**104,481**	**344,320**	**364,939**	**961,052**	**126,523**	**382,894**	**--**	**10,426,170**
Net book value											
At 31 December 2008	**4,524,084**	**13,436,245**	**561,287**	**61,894**	**78,070**	**200,157**	**1,120,504**	**23,320**	**423,493**	**1,621,844**	**22,050,898**
At 31 December 2007	4,881,868	11,263,252	648,219	56,782	75,114	132,754	1,172,010	72,468	344,130	2,238,148	20,884,745

Notes forming part of the Financial Statements at 31 December 2008 *(Contd.)*

3 PROPERTY, PLANT AND EQUIPMENT (Continued)

Parent Company Year 2008	Buildings RO	Plant and machinery RO	Electrical equipment and installations RO	Motor vehicles RO	Furniture, fixtures and fittings RO	Office equipment RO	Material handling equipment RO	Loose tools RO	Laboratory equipment RO	Capital work in progress RO	Total RO
Cost											
At 31 December 2007	6,311,473	15,994,469	1,245,556	138,175	372,679	408,664	1,864,756	147,379	662,750	2,238,148	29,384,049
Additions during the year	27,500	193,434	350	28,200	49,711	151,856	216,800	2,464	143,637	2,065,942	2,879,894
Transfers	--	2,890,795	--	--	--	--	--	--	--	(2,890,795)	--
At 31 December 2008	**6,338,973**	**19,078,698**	**1,245,906**	**166,375**	**422,390**	**560,520**	**2,081,556**	**149,843**	**806,387**	**1,413,295**	**32,263,943**
Depreciation											
At 31 December 2007	1,429,605	4,731,217	597,337	81,393	297,565	275,910	692,746	74,911	318,620	--	8,499,304
Charge for the year	385,284	911,236	87,282	23,088	46,755	88,457	268,306	51,612	64,274	--	1,926,294
At 31 December 2008	**1,814,889**	**5,642,453**	**684,619**	**104,481**	**344,320**	**364,367**	**961,052**	**126,523**	**382,894**	**--**	**10,425,598**
Net book value											
At 31 December 2008	**4,524,084**	**13,436,245**	**561,287**	**61,894**	**78,070**	**196,153**	**1,120,504**	**23,320**	**423,493**	**1,413,295**	**21,838,345**
At 31 December 2007	4,881,868	11,263,252	648,219	56,782	75,114	132,754	1,172,010	72,468	344,130	2,238,148	20,884,745

Notes forming part of the Financial Statements at 31 December 2008 *(Contd.)*

3 PROPERTY, PLANT AND EQUIPMENT (Continued)

Parent Company Year 2007	Buildings RO	Plant and machinery RO	Electrical equipment and installations RO	Motor vehicles RO	Furniture, fixtures and fittings RO	Office equipment RO	Material handling equipment RO	Loose tools RO	Laboratory equipment RO	Capital work in progress RO	Total RO
Cost											
At 31 December 2006	5,405,486	14,303,560	1,160,307	112,465	326,404	380,276	1,311,876	97,972	609,200	152,775	23,860,321
Additions during the year	12,858	40,956	85,249	46,500	46,275	55,350	552,880	49,407	53,550	4,628,455	5,571,480
Transfers	893,129	1,649,953	--	--	--	--	--	--	--	(2,543,082)	--
Disposals	--	--	--	(20,790)	--	(26,962)	--	--	--	--	(47,752)
At 31 December 2007	6,311,473	15,994,469	1,245,556	138,175	372,679	408,664	1,864,756	147,379	662,750	2,238,148	29,384,049
Depreciation											
At 31 December 2006	1,101,585	4,019,535	511,696	81,379	244,657	240,402	557,897	68,202	272,385	--	7,097,738
Charge for the year	328,020	711,682	85,641	20,803	52,908	62,398	134,849	6,709	46,235	--	1,449,245
Relating to disposals	--	--	--	(20,789)	--	(26,890)	--	--	--	--	(47,679)
At 31 December 2007	1,429,605	4,731,217	597,337	81,393	297,565	275,910	692,746	74,911	318,620	--	8,499,304
Net book value											
At 31 December 2007	4,881,868	11,263,252	648,219	56,782	75,114	132,754	1,172,010	72,468	344,130	2,238,148	20,884,745
At 31 December 2006	4,303,901	10,284,025	648,611	31,086	81,747	139,874	753,979	29,770	336,815	152,775	16,762,583

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The 3rd machine 3000mm twister armouring mahine was commissioned in 2008

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