

## **Directors Report**

Dear Share Holders,

On behalf of the Board of Directors, I am pleased to present to you the Twenty Sixth Annual Report and financial results of Omani Packaging Company SAOG for the year ended December 31, 2018.

### **Turn over**

The volatility in oil prices continue to affect the GCC economy, impacting the industrial market growth, which remained subdued for corrugated industries during the year.

Company achieved a sales turnover of RO 12,478,880 comparing sales turnover of RO 12,463,798 for the year 2017. In spite of increased competition from Oman and GCC Corrugating box suppliers, company marginally increased overall Sales Revenue with sustained efforts.

Export market comprises of mainly UAE and Qatar where overall volume decreased by 8% in comparison with the previous year, mainly due to reduced market requirement, increased competition and cautious approach on credit sales in the export market.

The graphical presentation represents the sales revenue achieved by the company over the years.

### **Financial performance**

Company has achieved a net profit of RO 537,241 before tax provision and including IFRS 9 receivables impairment provision of RO 30,007 for the current year against RO 1,217,255 before tax provision of the corresponding previous year.

Due to implementation of IFRS 9, there is reduction in opening retained earnings by RO 140,140.

Paper prices increased steeply and availability of paper globally squeezed considerably, however, stabilized in the last quarter year 2018.

The company was unable to pass on the full raw materials price increase to customers because of extremely competitive market.

The increase in input cost of raw materials mainly paper, resulted in reduction of Gross Profit and overall profitability in comparison with the previous Financial Year.

Graphical presentation highlights the growth achieved by the company over the years.

### **Reliance On Suppliers and Customers**

Degree of reliance includes one customer in Oman and one supplier from GCC contributing more than 10% total sales and purchase of raw materials respectively.

### **Dividend**

Keeping in view the shareholders interest and to maintain consistency in dividend distribution and upon reviewing financial performance of the company for the year ended 31 December 2018, Board of Directors recommends cash dividend of 15% ( 0.015 Baisa for each share) on the paid up share capital.

### **Dividend Policy**

The company adopts a prudent dividend policy considering the current earnings and long term growth of the company. Following are the Dividend distributed by Company for the last five years.

YEAR		2013	2014	2015	2016	2017
DIVIDEND	CASH (%)	10	10	15	20	20
	STOCK (Bonus) (%)	--	--	--	--	--
	TOTAL (%)	10	10	15	20	20

## **Corporate Governance**

The company has been complying with the requirements, principles and best practices of good Corporate Governance, as specified in the Code of Corporate Governance by the Capital Market Authority (CMA).

The detailed report on Corporate Governance together with a certificate from the Statutory Auditors in compliance with CMA regulations is attached forming part of this report.

Management Discussions & Analysis form part of this report complying with the requirements of Capital Market Authority.

Board of Directors have reviewed the effectiveness of internal controls and laid down procedures and policies for effective controls on a continuous basis.

## **Future Outlook**

Company emphasizes on continuous improvement and shall strive to retain the present market share and also look for new opportunities.

Company intend to setup Recycled Containerboard Paper Manufacturing Project – Sultanate of Oman, subject to detailed feasibility study, loan financing and regulatory approvals from statutory authorities.

Company is reviewing the market status in current scenario and trying to increase the customer base and market segments.

The company is taking prudent steps to mitigate the increase in paper prices.

The increasing fuel price and any other economic reforms in subsidies, taxation and duties resulting in increase in the present direct and indirect cost of production shall adversely affect the company profitability.

In line with market practice in the region, company is constrained to extend credit to customers. Management continuously monitor customer credit with prior appraisals, however non recovery may affect the profitability of company.

Company is continuously working to reduce costs in all spheres of operation to improve the margin.

Company has always believed in investing in human resources and maintaining the level of omanisation. Higher education and training is being imparted to Omani staff to take up responsible positions.

## **Acknowledgement**

On behalf of Board of Directors of the company, I take this opportunity to thank all customers, shareholders and staff for their valuable support to the company.

Above all, we express gratitude to His Majesty Sultan Qaboos bin Said and his wise Government for continuous support, encouragement and guidance to our company and pray to Almighty to help our beloved Oman to attain further peace and development under His Majesty's wise leadership.

**Bakhit Said Al Shanfari**  
**Chairman**