

Directors Report

Dear Share Holders,

On behalf of the Board of Directors, I am pleased to present to you the Twenty Ninth Annual Report and financial results of Omani Packaging Company SAOG for the year ended December 31, 2021.

During the year 2021, Covid-19 Pandemic adversely impacted the Global Economies including Sultanate of Oman.

Turn over

The company achieved a sales turnover of RO 11,332,203 comparing sales turnover of RO 11,100,690 for the year 2020. Covid-19 pandemic, logistic issues, uncertain economic conditions and sluggish demand, impacted the market volumes in Oman and export markets.

Unit Sales realisation has improved during the year; however, company was unable to pass on the full raw material price increase due to increased competition from Oman and GCC Corrugating box suppliers.

Export market comprises of UAE and Qatar where overall volume decreased in comparison with the previous year, mainly due to increase in the cost of logistics, competition and company cautious approach on credit sales in the export market.

Financial performance

The company has achieved a net profit of RO 954,637 before tax provision, including IFRS net provisions of RO 77,914 for the current year against RO 1,406,644 of the corresponding previous year.

The exorbitant increase in input cost, mainly paper resulted in reduction of overall profitability.

The selling prices continue to be under pressure with increased supply of corrugating capacities.

Reliance on Suppliers and Customers

The degree of reliance includes one customer in Oman and one supplier from GCC contributing more than 10% of 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 2021, Board of Directors recommends cash dividend of 20 Baiza for each share on the paid-up share capital, subject to shareholders approval in company Annual General Meeting.

Dividend Policy

The company adopts a prudent dividend policy considering the current earnings and long term growth of the company.

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

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

The Covid 19 pandemic new variant Omicron continues to affect the economies, raw material availability, logistics, employee health and financial stability in the market. Company is reviewing the market conditions in current scenario and trying to follow prudent steps to minimize the impact. The delay in payment by major customers shall adversely affect the working capital and cash flow of the company.

The company is trying to increase the customer base and market segments.

The increasing raw material prices and any other economic reforms in subsidies, taxation and duties resulting in an increase in the present direct and indirect cost of production shall adversely affect the company's 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 the company.

The 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.

We express gratitude to His Majesty Sultan Haitham bin Tareq bin Taimour and his wise Government for continuous support, encouragement and guidance to our company and we wish him all success in leading Oman, and we pledge our continued commitment and support to achieve greater progress and prosperity for our beloved nation.

Bakhit Said Al Shanfari
Chairman