

## **OMANI PACKAGING COMPANY SAOG**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022**

#### **1 Legal status and principal activities**

Omani Packaging Company SAOG ("the Company") is a public joint stock company registered in the Sultanate of Oman, with its registered office in Rusayl Industrial Estate, PO Box 99, PC 124, Sultanate of Oman.

The principal activities of the Company are manufacturing and selling of various types of paper packaging materials.

#### **2 Basis of preparation and adoption of new and amended International Financial Reporting Standards (IFRS)**

##### **Basis of preparation**

The financial statements have been prepared on the historical cost basis, as modified to include the fair value of certain financial assets and liabilities.

##### **Functional and presentation currency**

The financial statements have been prepared in Rial Omani ("RO"), which is the functional and presentation currency of the Company. All the figures have been rounded off to nearest RO, unless otherwise stated.

##### **Statement of compliance**

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) of the IASB, the disclosure requirements of the Capital Market Authority and the applicable provisions of the Commercial Companies Law of the Sultanate of Oman.

##### **New standards, amendments and interpretations to existing IFRS effective 1 January 2022**

The Company has adopted all new Standards and amendments for the first time for the annual reporting period beginning from 1 January 2022, while has accounted for and disclosed only the relevant and applicable Standards and amendments:

##### **i) Amendments to IFRS 16 'Covid 19 Related Rent Concessions'**

In March 2021, Standard setters of IFRS issued Covid 19 Related Rent Concessions (Amendment to IFRS 16) that extends the practical expedient to apply to reduction in lease payments originally due on or before 30 June 2021. Subsequent amendment, effective from annual period beginning on or after 1 April 2021, permit a lessee to apply the practical expedient to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022.

The adoption of the above amendment has not had any material impact on the disclosure or on the amounts reported in these financial statements as the Company received very immaterial concession during the year.

## OMANI PACKAGING COMPANY SAOG

### NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022 (continued)

#### 2 Basis of preparation and adoption of new and amended IFRS (continued)

##### **New standards, amendments and interpretations to existing IFRS effective 1 January 2022 (continued)**

- ii) Amendments to IAS 37, IAS 16, IFRS 3 and annual improvements to IFRS Standards 2018-2020

These amendments are not relevant to the financial statements of the Company.

##### **New and amended standards and interpretations to published approved accounting standards that are not yet effective in the current year**

The following new accounting standards, amendments and interpretations are not effective for the financial year beginning on January 1, 2022 and have not been early adopted by the Company:

<b>Standards/Amendments to Standards</b>	<b>Effective date</b>
Amendments to IAS 1: Classification of Liabilities as Current or Non-current	01 January 2023
IFRS 17 Insurance Contracts and Amendments to IFRS 17	01 January 2023
Amendments to IAS 8: Definition of Accounting Estimates	01 January 2023
Amendment to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies	01 January 2023
Amendment to IAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	01 January 2023
Amendment to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred indefinitely

Management believes that adoption of the above new Standards, amendments and interpretations, which are in issue but not yet effective, is not likely to have any material impact on the recognition, measurement, presentation and disclosure of items in the financial statements for current and future periods and foreseeable future transactions.



## OMANI PACKAGING COMPANY SAOG

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (continued)

#### 3 Summary of significant accounting policies

The principal accounting policies applied in the preparation of the financial statements are set out below. These accounting policies have been consistently applied by the Company to all the years presented, unless otherwise stated.

##### **Income from operations**

Income from operations represents sale of corrugated cardboards and other related products in normal course of business and is recognised at a point in time when the performance obligation is satisfied and is based on the amount of the transaction price that is allocated to the performance obligation. The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods to the customer.

The consideration expected by the Company may include fixed or variable amounts which can be impacted by sales returns, trade discounts and volume rebates. Income from operations is recognized when the company satisfies a performance obligation by transferring promised goods to a customer and only when it is highly probable that a significant reversal of revenue will not occur when uncertainties related to a variable consideration are resolved.

Transfer of control varies depending on the individual terms of the contract of sale. Revenue from transactions that have distinct goods or services are accounted for separately based on their stand-alone selling prices. A variable consideration is recognised to the extent it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

Where a right of return exists during a defined period, revenue recognition is determined based on the historical pattern of actual returns, or in cases where such information is not available, revenue recognition is postponed until the return period has lapsed.

##### **Property, plant and equipment**

Property, plant and equipment are measured at cost, which includes borrowing cost, less accumulated depreciation and any accumulated impairment loss. The cost of property, plant and equipment is their purchase price together with any incidental expenses. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

The cost of property, plant and equipment is written down to residual value in equal instalments over the estimated useful lives of the assets.

## OMANI PACKAGING COMPANY SAOG

### NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022 (continued)

#### 3 Summary of significant accounting policies (continued)

##### Property, plant and equipment (continued)

The estimated useful economic lives of the assets are:

	Years
Building - civil works	25
Building - electro mechanical	10
Plant, machinery and dies	5 - 15
Furniture and fixtures, office and laboratory equipment	6
Motor vehicles	5

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at the end of each reporting period. In accordance with its policy, the Company reviews the estimated useful lives of its property, plant and equipment on an ongoing basis.

Gains and losses on disposals of property, plant and equipment are determined by reference to their carrying amounts and any gain or losses on disposal of an item of property, plant and equipment is recognised in statement of comprehensive income.

Capital work-in-progress is stated at cost less impairment losses if any. All expenditure connected with specific assets incurred during the installation and construction period are carried under capital work-in-progress. Cost may also include applicable borrowing costs.

##### Leases

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the lessee uses its incremental borrowing rate.

The right-of-use assets and the lease liabilities are presented as separate line items in the statement of financial position.



## OMANI PACKAGING COMPANY SAOG

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (continued)

#### 3 Summary of significant accounting policies (continued)

##### **Leases (continued)**

The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'impairment of non-financial assets' policy.

##### **Inventories**

Inventories are stated at the lower of cost and net realisable value. Costs comprise direct materials and where applicable, direct labour costs and those overheads based on normal operating capacity that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price in the ordinary course of business less all estimated costs to be incurred in marketing and distribution. Provision is made where necessary for slow moving and obsolete items.

##### **Impairment of non-financial assets**

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax asset) to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

The loss arising on an impairment of an asset is determined as the difference between the recoverable amount and carrying amount of the asset and is recognised immediately in the statement of comprehensive income. Recoverable amount is the higher of fair value less cost of disposal and value in use.

Where an impairment loss subsequently reverses (except for goodwill), the carrying amount of the asset is increased to the revised estimate of its recoverable amount and the increase is recognised as income immediately, provided that the increased carrying amount does not exceed the carrying amount that would have been net of depreciation or amortisation, had no impairment loss been recognised earlier.

##### **Financial instruments**

###### *Classification*

The Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those to be measured at amortised cost

## OMANI PACKAGING COMPANY SAOG

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (continued)

#### 3 Summary of significant accounting policies (continued)

##### Financial instruments (continued)

##### *Classification (continued)*

The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows;

- for assets measured at fair value, gains and losses are either recorded in profit or loss or other comprehensive income.
- for investments in debt instruments, this depends on the business model in which the investment is held.
- for investments in equity instruments, this depends on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

All financial liabilities are recognised initially at fair value and, in the case of payables, net of directly attributable transaction costs.

##### *Measurement*

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in statement of comprehensive income.

The following accounting policies apply to the subsequent measurement of financial assets.

-Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in statement of comprehensive income.
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-Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses if any. Interest income, foreign exchange gains and losses and impairment are recognised in statement of comprehensive income. Any gain or loss on derecognition is recognised in statement of comprehensive income.
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## OMANI PACKAGING COMPANY SAOG

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (continued)

#### 3 Summary of significant accounting policies (continued)

##### **Financial instruments (continued)**

##### *Measurement (continued)*

The following accounting policies apply to the subsequent measurement of financial assets (continued)

-Debt investments at FVOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in statement of comprehensive income. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to statement of comprehensive income.

-Equity investments

The Company subsequently measures all equity investments at fair value. Where the Company's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to statement of comprehensive income.

The Company does not trade in any financial liabilities and does not classify or measure any financial liabilities as at fair value through profit or loss. Consequently, all financial liabilities are classified and subsequently measured at amortized cost.

The Company derecognises a financial liability when its contractual obligations are discharged, cancelled, or expired.

##### **Cash and cash equivalents**

For the purpose of the statement of cash flows, all bank balances and short term deposits with a maturity of three months or less from the date of placement are considered to be cash equivalents.

##### **Impairment of financial assets**

As per IFRS 9 impairment requirements, the Company needs to follow one of the approaches below:

The General approach – Under the general approach, at each reporting date, an entity recognizes a loss allowance on either 12-month or life-time expected credit losses (ECL), depending on whether there has been a significant increase in credit risk on the financial instrument since initial recognition. The changes in the loss allowance balance are recognized in the statement of comprehensive income as an impairment gain or loss.



## OMANI PACKAGING COMPANY SAOG

### NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022 (continued)

#### 3 Summary of significant accounting policies (continued)

##### **Impairment of financial assets (continued)**

The Simplified approach – Under the simplified approach, an entity is not required to track changes in credit risk and requires recognition of lifetime ECL's at all times. IFRS 9 requires to use this approach in its ECL provisioning for trade receivables and contract assets that do not have a significant financing component.

For receivables, the Company applies the simplified approach to providing for ECL's as prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all receivables. Impairment assessment is done using a provision matrix and the ECL provision is based on the Company's historical information adjusted for future expectations using macro-economic indicators and point-in-time adjustments for probability of default (PD).

For cash in bank and call deposits, the Company applies the General approach. ECL shall be calculated only when the credit risk of the other party has significantly deteriorated. As such, the Company will monitor and track the credit quality of banks, where these balances are placed, for credit risk management purposes only. In view of this there has been no ECL provision recognized on these financial assets.

##### *Write-off*

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

##### **Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction, or production of qualifying assets, which are the assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in the statement of comprehensive income in the period in which they are incurred.

##### **Trade and other payables**

Trade creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

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

##### **Provisions**

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event which it is probable will result in an outflow of economic benefits that can be reliably estimated.



## **OMANI PACKAGING COMPANY SAOG**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (continued)**

#### **3 Summary of significant accounting policies (continued)**

##### **Employees' end of service benefits and leave entitlements**

Employees' end of service benefits are accrued in accordance with the terms of employment of the Company's employees at the reporting date, having regard to the requirements of the Oman Labour Law, as amended. Employee entitlements to annual leave and leave passage are recognised when they accrue to employees and an accrual is made for the estimated liability as a result of services rendered by employees up to the reporting date.

Contributions to a defined contribution retirement plan and occupational hazard insurance for Omani employees in accordance with the Omani Social Insurances Law are recognised as an expense in the statement of comprehensive income as incurred.

##### **Foreign currency transactions and balances**

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Rial Omani, which is the Company's functional and presentation currency.

Transactions in currency other than in the Company's functional currency (foreign currencies) are translated at the rates of exchange prevailing at the dates of transactions. At the end of each reporting period, monetary items denominated in foreign currency are translated to functional currency at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate on the date of transaction. Exchange differences are generally recognised in the statement of comprehensive income.

##### **Income tax**

Income tax expense comprises current and deferred tax. It is recognised in the statement of comprehensive income. Taxation on the results for the year comprises of current tax calculated as per the fiscal regulations of the Sultanate of Oman and deferred tax.

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their related tax bases.

## OMANI PACKAGING COMPANY SAOG

### NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022 (continued)

#### 3 Summary of significant accounting policies (continued)

##### **Income tax (continued)**

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for the Company. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

##### **Dividend distribution**

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividend is approved by the Company's shareholders.

##### **Earnings and net assets per share**

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assumed conversion of all dilutive potential ordinary shares.

Net assets per share is calculated by dividing the net assets attributable to ordinary shareholders of the Company by the number of shares outstanding as at the reporting date.



## OMANI PACKAGING COMPANY SAOG

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (continued)

#### 3 Summary of significant accounting policies (continued)

##### **Directors' remuneration**

The Directors' remuneration is governed as set out by the Commercial Companies Law of Oman and the rules prescribed by the Capital Market Authority.

The Annual General Meeting approves the remuneration and the sitting fees for the Board of Directors provided that the remunerations shall not exceed the sum of RO 300,000 if the Company has achieved net profits equal to or greater than the profits made during the previous financial year. The remunerations shall not exceed the sum of OMR 150,000 if the Company has achieved net profits below the profits made during the previous financial year. The sitting fees for each Director shall not exceed RO 10,000 in one year.

##### **Estimates and judgments**

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amount of financial assets and liabilities at the reporting date and the resultant provisions and changes in fair value for the year. Such estimates are necessarily based on assumptions about several factors involving varying, and possibly different degrees of judgement and uncertainty and actual results may differ from management's estimates resulting in future changes in estimated assets and liabilities. Estimates are regularly evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

These estimates are reviewed on an ongoing basis. Accounting estimates are revised in the period in which the revisions are made. Significant management estimates in these financial statements relates to the following;

##### *Impairment of trade receivables*

Loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Company uses judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the Company's past experience and historical data, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in the accounting policy notes.

##### *Useful lives of property, plant and equipment*

Depreciation is calculated to write off the cost of assets less residual value over their estimated useful lives. The calculation of useful lives is based on management's assessment of various factors such as the operating cycles, the maintenance programs, and normal wear and tear using its best estimates.

## OMANI PACKAGING COMPANY SAOG

### NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022 (continued)

#### 3 Summary of significant accounting policies (continued)

##### **Estimates and judgments (continued)**

###### *Assessment for impairment of financial assets*

Allowance for expected credit loss which is based on the present value of expected cash shortfalls over the residual term of the financial assets.

###### *Allowance for slow moving inventories*

Allowance for slow moving and obsolete items is established based on the age analysis of slow moving and obsolete inventories. Further, items identified to be obsolete or damaged are fully provided.

###### *Taxation*

Uncertainties exist with respect to the interpretation of tax regulations and the amount and timing of future taxable income. Differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expenses already recorded. The Company establishes provisions, based on reasonable estimates, for possible consequences of finalization of tax assessments of the Company.

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based on the likely timing and the level of future taxable profits together with future tax planning strategies.

##### **Operating segment**

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other component. All operating segments' operating results are reviewed by the Company's Chief Operating Decision Maker ("CODM") to make decision about resources to be allocated to the segment and to assess its performances, and for which discrete financial information is available.



**OMANI PACKAGING COMPANY SAOG**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022 (continued)

**4 Property, plant and equipment**

	<b>Building - civil works</b>	<b>Building - electro mechanical</b>	<b>Plant, machinery and dies</b>	<b>Furniture and fixtures</b>	<b>Office equipment</b>	<b>Laboratory equipment</b>	<b>Motor vehicles</b>	<b>Capital work-in progress</b>	<b>Total</b>
<b>Cost</b>	<b>RO</b>	<b>RO</b>	<b>RO</b>	<b>RO</b>	<b>RO</b>	<b>RO</b>	<b>RO</b>	<b>RO</b>	<b>RO</b>
At 1 January 2021	2,045,332	735,932	7,140,100	150,191	117,056	37,717	375,370	-	10,601,698
Additions	1,175	-	64,448	3,669	7,216	3,745	-	68,268	148,521
Write offs	-	-	(1,674)	-	-	-	-	-	(1,674)
At 31 December 2021	2,046,507	735,932	7,202,874	153,860	124,272	41,462	375,370	68,268	10,748,545
At 1 January 2022	2,046,507	735,932	7,202,874	153,860	124,272	41,462	375,370	68,268	10,748,545
Additions	-	-	69,127	6,424	2,239	-	25,035	1,309,805	1,412,630
Transfer to / (from)	62,335	-	-	-	-	-	-	(62,335)	-
Disposal / write offs	-	-	(3,079)	(2,905)	-	-	(21,505)	-	(27,489)
At 31 December 2022	2,108,842	735,932	7,268,922	157,379	126,511	41,462	378,900	1,315,738	12,133,686
<b>Accumulated depreciation</b>									
At 1 January 2021	1,123,792	688,955	4,788,756	124,701	80,448	34,787	287,528	-	7,128,967
Charge for the year	64,143	13,402	286,794	6,978	9,596	1,860	27,836	-	410,609
Relating to write offs	-	-	(587)	-	-	-	-	-	(587)
At 31 December 2021	1,187,935	702,357	5,074,963	131,679	90,044	36,647	315,364	-	7,538,989
At 1 January 2022	1,187,935	702,357	5,074,963	131,679	90,044	36,647	315,364	-	7,538,989
Charge for the year	64,364	8,232	285,987	6,963	10,019	1,696	27,763	-	405,024
Relating to disposal/write offs	-	-	(1,182)	(2,888)	-	-	(21,505)	-	(25,575)
At 31 December 2022	1,252,299	710,589	5,359,768	135,754	100,063	38,343	321,622	-	7,918,438
<b>Net book value</b>									
At 31 December 2022	856,543	25,343	1,909,154	21,625	26,448	3,119	57,278	1,315,738	4,215,248
At 31 December 2021	858,572	33,575	2,127,911	22,181	34,228	4,815	60,006	68,268	3,209,556

# OMANI PACKAGING COMPANY SAOG

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022 (continued)

### 4 Property, plant and equipment (continued)

- a) Buildings are constructed on land leased (recognised as right-of-use assets) from the Public Establishment for Industrial Estates for a period of 25 years commencing from 1 January 1993 (renewed for 25 more years in 2018), 1 July 2002, 8 March 2008 and 20 January 2011, respectively.
- b) Depreciation charge for the year has been allocated between cost of operations and general and administrative expenses as follows:

	<u>2022</u> <u>RO</u>	<u>2021</u> <u>RO</u>
Cost of operations (note 19)	367,244	369,688
General and administrative expenses (note 21)	37,780	40,921
	<u>405,024</u>	<u>410,609</u>

- c) Capital work in progress at 31 December 2022 represents advance for finished goods storage yard, implementation of new ERP software and for the purchase of new machinery.

### 5 Right-of-use assets

	<u>Land</u> <u>right-of-use</u> <u>RO</u>	<u>Motor</u> <u>vehicles</u> <u>right-of-use</u> <u>RO</u>	<u>Total</u> <u>RO</u>
<b>Cost</b>			
At 1 January 2021	330,208	43,759	373,967
Derecognition	-	(10,099)	(10,099)
At 31 December 2021	<u>330,208</u>	<u>33,660</u>	<u>363,868</u>
<b>At 1 January 2022</b>	<b>330,208</b>	<b>33,660</b>	<b>363,868</b>
Derecognition	-	(4,890)	(4,890)
<b>At 31 December 2022</b>	<b><u>330,208</u></b>	<b><u>28,770</u></b>	<b><u>358,978</u></b>
<b>Accumulated depreciation</b>			
At 1 January 2021	38,514	20,911	59,425
Charge for the year	19,231	9,882	29,113
Relating to derecognition	-	(9,322)	(9,322)
At 31 December 2021	<u>57,745</u>	<u>21,471</u>	<u>79,216</u>
<b>At 1 January 2022</b>	<b>57,745</b>	<b>21,471</b>	<b>79,216</b>
Charge for the year	19,231	6,876	26,107
Relating to derecognition	-	(4,890)	(4,890)
<b>At 31 December 2022</b>	<b><u>76,976</u></b>	<b><u>23,457</u></b>	<b><u>100,433</u></b>
<b>Net book value</b>			
<b>At 31 December 2022</b>	<b><u>253,232</u></b>	<b><u>5,313</u></b>	<b><u>258,545</u></b>
At 31 December 2021	<u>272,463</u>	<u>12,189</u>	<u>284,652</u>



# OMANI PACKAGING COMPANY SAOG

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022 (continued)

### 5 Right-of-use assets (continued)

- a) The Company has leased four plots of land from the Public Establishment for Industrial Estates for a period of 25 years commencing from 1 January 1993 (renewed for 25 more years in 2018), 1 July 2002, 8 March 2008 and 20 January 2011, respectively.
- b) The Company has leased five motor vehicles from various vendors. The lease term for the motor vehicles is in the range of 2 to 5 years.
- c) During the year, the depreciation on right-of-use assets amounted to RO 26,107 (2021 : RO 29,113) and the finance charges on lease liabilities amounted to RO 14,144 (2021 : RO 15,284).
- d) Depreciation on right-of-use assets amounting to RO 26,107 (2021 : RO 26,945) is charged to 'cost of operations' (note 19) and during the year no depreciation has been charged (2021 : RO 2,168) to 'general and administrative expenses' (note 21).

### 6 Inventories

	<u>2022</u> <u>RO</u>	<u>2021</u> <u>RO</u>
Raw materials	1,428,395	1,315,975
Spare parts	966,466	894,166
Consumables	38,006	32,732
Work-in-progress	39,492	44,025
Finished goods	67,122	50,467
	<u>2,539,481</u>	<u>2,337,365</u>
Less: allowance for slow moving and obsolete spare parts	(164,815)	(164,815)
	<u>2,374,666</u>	<u>2,172,550</u>

### 7 Trade and other receivables

	<u>2022</u> <u>RO</u>	<u>2021</u> <u>RO</u>
Trade receivables	5,280,062	4,880,939
Amount due from related parties (note 24)	151,505	67,783
Total trade receivables	<u>5,431,567</u>	<u>4,948,722</u>
Less: allowance for excepted credit loss	(490,728)	(426,569)
	<u>4,940,839</u>	<u>4,522,153</u>
Advance to suppliers	17,626	364,206
Prepaid expenses and deposits	8,477	3,431
Other receivables	59,710	76,942
	<u>5,026,652</u>	<u>4,966,732</u>

## OMANI PACKAGING COMPANY SAOG

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (continued)

#### 7 Trade and other receivables (continued)

- a) At the reporting date, 14.22% of trade receivables were receivable from one customer (2021: 11.03% from one customer) in the Sultanate of Oman.
- b) At the end of the reporting period, the Company's trade receivables amounting to RO 3,756,091 (2021: RO 3,589,176) are not past due.
- c) The age analysis of gross trade receivables is as follows:

	<u>2022</u> <u>RO</u>	<u>2021</u> <u>RO</u>
Not past due	3,756,091	3,589,176
Between 121 – 180 days	683,910	417,795
Between 181 – 365 days	249,252	360,015
Above 365 days	742,314	581,736
	<u>5,431,567</u>	<u>4,948,722</u>

The amounts are considered by the Company to be due, after 120 days from the date of invoice.

- d) The movement in allowance for expected credit loss is as follows:

	<u>2022</u> <u>RO</u>	<u>2021</u> <u>RO</u>
At 1 January	426,569	354,629
Charged during the year	68,453	73,644
Reversal during the year	(4,294)	(1,704)
At 31 December	<u>490,728</u>	<u>426,569</u>

The other classes with trade and other receivables do not contain any impaired balances.

- e) The carrying amounts of the Company's trade receivables are denominated in the following currencies:

<b>Currency</b>	<u>2022</u> <u>RO</u>	<u>2021</u> <u>RO</u>
Rial Omani	5,202,659	4,769,861
Arab Emirates Dirham	221,697	175,321
US Dollar	7,211	3,540
	<u>5,431,567</u>	<u>4,948,722</u>

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above.



## OMANI PACKAGING COMPANY SAOG

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (continued)

#### 8 Cash and bank balances

	<u>2022</u>	<u>2021</u>
	<u>RO</u>	<u>RO</u>
Cash in hand	662	660
Cash at bank	429,403	289,802
	<u>430,065</u>	<u>290,462</u>

#### 9 Share capital

- a) The authorised share capital of the Company comprises 32,435,860 ordinary shares of RO 0.100 each (2021: 32,435,860 ordinary shares of RO 0.100 each). The issued and fully paid-up share capital is RO 3,243,586 (2021: RO 3,243,586) comprising 32,435,860 ordinary shares of RO 0.100 each (2021: 32,435,860 ordinary shares of RO 0.100 each).
- b) Share premium represents the unused balance of the premiums received for the increase in the share capital.
- c) The Company has one class of ordinary shares which carries no right to fixed income.
- d) At the end of the reporting period, shareholders who own 10% or more of the Company's share capital, and the number of shares they hold are as follows:

	<u>2022</u>		<u>2021</u>	
	<u>Number of</u>	<u>Shareholding</u>	<u>Number of</u>	<u>Shareholding</u>
	<u>shares</u>	<u>percentage</u>	<u>shares</u>	<u>percentage</u>
		<u>%</u>		<u>%</u>
Sheikh Salim Saeed Hamed Al Fannah Al Araiimi	5,145,970	15.87	5,145,970	15.87
Bin Omier Investment LLC	4,073,262	12.56	-	-
Mr. Ahmed Alawi Abdullah Al Ibrahim/Ubar Financial Investments	-	-	3,391,593	10.46
Al Baraka Investments Co. LLC	3,700,485	11.41	3,700,485	11.41
Al Saud Co. Ltd / Ubar Financial Investments	4,600,000	14.18	4,600,000	14.18

#### 10 Legal reserve

In accordance with the Commercial Companies Law of the Sultanate of Oman, annual appropriation of 10% of the profit for the year are made to this reserve until the accumulated balance of the reserve is equal to one third of the value of the Company's paid-up share capital. This reserve is not available for distribution. The Company has discontinued such appropriation, as the amount in the Company's legal reserve account already reached one-third of the issued share capital.

# OMANI PACKAGING COMPANY SAOG

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (continued)

### 11 Term loans

	<u>2022</u>	<u>2021</u>
	<u>RO</u>	<u>RO</u>
Term loan	1,010,000	-
Less: current maturity	(505,000)	-
Non-current liabilities	<u>505,000</u>	<u>-</u>

- a) Term loan represents the loan availed during the year from a commercial bank to purchase a machinery. The loan is to be repaid in 8 quarterly instalments, commencing from January 2023. The loan carries an interest rate of 5.25%.
- b) The maturity profile of the non-current portion of term loans, based on the remaining period to maturity from the end of the reporting period is as follows:

	<u>2022</u>	<u>2021</u>
	<u>RO</u>	<u>RO</u>
Due between 1 and 2 years	<u>505,000</u>	<u>-</u>

- c) The loan is secured against charge on the machinery being purchased, pari passu charge over receivables and inventories.

### 12 Employees' end of service benefits

	<u>2022</u>	<u>2021</u>
	<u>RO</u>	<u>RO</u>
Movement in expatriate employees' end of service benefits:		
At 1 January	176,128	241,861
Charge for the year	35,502	28,619
Paid during the year	(32,871)	(94,352)
At 31 December	<u>178,759</u>	<u>176,128</u>

### 13 Lease liabilities

	<u>2022</u>	<u>2021</u>
	<u>RO</u>	<u>RO</u>
Lease liabilities	292,793	315,528
Less: current maturity	(20,210)	(22,735)
Non-current liabilities	<u>272,583</u>	<u>292,793</u>

- a) The movement in lease liabilities is as follows :

	<u>2022</u>	<u>2021</u>
	<u>RO</u>	<u>RO</u>
At the beginning of the year	315,528	341,149
Add: interest charged during the year	14,144	15,284
Less: repayments during the year	(29,583)	(40,127)
Less: abatement received during the year	(7,296)	-
Less: lease adjustment	-	(778)
At 31 December	<u>292,793</u>	<u>315,528</u>



## OMANI PACKAGING COMPANY SAOG

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (continued)

#### 13 Lease liabilities (continued)

- b) The maturity profile of the lease liabilities, based on the remaining period to maturity from the end of the reporting period is as follows:

	<u>2022</u> <u>RO</u>	<u>2021</u> <u>RO</u>
Due less than 1 year	20,210	22,735
Due between 1 and 2 years	18,695	20,210
Due between 2 and 5 years	53,377	55,802
Due above 5 years	200,511	216,781
	<u>292,793</u>	<u>315,528</u>
Add: interest	117,337	131,482
Undiscounted lease liability	<u>410,130</u>	<u>447,010</u>

#### 14 Bank borrowings

	<u>2022</u> <u>RO</u>	<u>2021</u> <u>RO</u>
Short term loan	800,000	700,000

This represents the funded portion utilized from the credit facilities package available to the Company from commercial banks comprising overdrafts, term loans, loan against trust receipts, bills discounting, letter of guarantees and letters of credit in the aggregate amount of approximately RO 2.475 million (2021: RO 2.17 million). Overdrafts and short term borrowings are obtained from commercial banks at interest rates ranging from 4% to 6.5% (2021: 3% to 6.5%) per annum. The interest rates may be re-negotiated by the banks on renewal of the facilities, which generally takes place on an annual basis in the case of overdrafts and at one to six months intervals for short term borrowings.

#### 15 Trade and other payables

	<u>2022</u> <u>RO</u>	<u>2021</u> <u>RO</u>
Trade payables	2,282,766	1,402,361
Accrued expenses	145,692	205,546
Provision for leave pay and air passage	95,358	117,081
Amount due to a related party (note 24)	-	483
Other payables	46,354	78,600
	<u>2,570,170</u>	<u>1,804,071</u>

# OMANI PACKAGING COMPANY SAOG

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (continued)

### 16 Income tax

#### Statement of comprehensive income

	<u>2022</u> <u>RO</u>	<u>2021</u> <u>RO</u>
The tax charge for the year comprises:		
Current year tax	79,193	166,350
Prior period tax	24,336	-
Deferred tax	(27,875)	(22,514)
	<u>75,654</u>	<u>143,836</u>

The reconciliation of taxation on the accounting profit with the current taxation charge for the year is as follows:

	<u>2022</u> <u>RO</u>	<u>2021</u> <u>RO</u>
Tax charge on accounting profit at applicable rates	54,944	143,196
Add/(less) tax effect of:		
Depreciation on property, plant and equipment	14,211	11,560
Allowance for expected credit losses	9,624	10,791
Interest on lease liabilities and depreciation of right-of-use asset	506	641
Others	(92)	162
	<u>79,193</u>	<u>166,350</u>

#### Statement of financial position

	<u>2022</u> <u>RO</u>	<u>2021</u> <u>RO</u>
Current liability		
Current year tax	79,193	166,350
Prior period tax	(1,664)	-
	<u>77,529</u>	<u>166,350</u>
Non-current assets		
Deferred tax asset	11,259	-
Non-current liability		
Deferred tax liability	-	16,616

# OMANI PACKAGING COMPANY SAOG

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (continued)

### 16 Income tax (continued)

- a) The Company is liable to income tax at the rate of 15% on the taxable profit (2021: tax at the rate of 15%).
- b) Tax assessment has been agreed with the Tax Authority for all periods upto 31 December 2009. In respect of tax years 2010 and 2011, the Company has received assessment orders wherein additional tax demand of RO 18,485 and RO 9,772 has been levied (in respect of unrealised exchange loss). The Company had filed an objection as per Article 160 of the Income Tax Law against the additional tax demand for 2010 and 2011 and thereafter no further correspondence has been received in this respect till 31 December 2022. During the current year, management decided to expense these balances as prior year underpaid taxes.

Further, the Company's tax assessments for the years 2012 to 2020 are completed by the Tax Authority and no adjustments have been made in the assessment orders.

The Company's income tax assessment for tax year 2021 has not been finalised by the Tax Authority. Management is of the opinion that the amount of additional taxes, if any, that may become payable on finalisation of the pending tax assessment would not be significant to the Company's financial position at 31 December 2022.

- c) Deferred income taxes are calculated on all temporary differences under the liability method using a principal tax rate of 15% (2021: 15%). The net deferred tax liability / (asset) and deferred tax charge / (credit) in the financial statements are attributable to the following items:

	Recognized in the Statement of Comprehensive		
	01 Jan 2022	Income	31 Dec 2022
	RO	RO	RO
Accelerated depreciation	105,323	(13,113)	92,210
Provisions	(88,707)	(14,762)	(103,469)
	<u>16,616</u>	<u>(27,875)</u>	<u>(11,259)</u>

### 17 Earnings, net assets per share

- a) Earnings per share

The par value of each share is RO 0.100 (2021: RO 0.100). The basic earnings per share is calculated by dividing the profit for the year by the weighted average number of shares outstanding during the year.

	2022	2021
Net profit attributable to shareholders (RO)	<u>290,642</u>	<u>810,801</u>
Weighted average number of shares outstanding (No.)	<u>32,435,860</u>	<u>32,435,860</u>
Basic earnings per share (RO)	<u>0.009</u>	<u>0.025</u>



# OMANI PACKAGING COMPANY SAOG

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (continued)

### 17 Earnings, net assets per share (continued)

#### a) Earnings per share (continued)

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

#### b) Net assets per share

Net assets per share are calculated by dividing the shareholders equity at the end of the reporting period by the number of shares issued and paid up, as follows:

	<u>2022</u>	<u>2021</u>
Shareholders' equity (RO)	<u>7,387,184</u>	<u>7,745,259</u>
Number of shares outstanding at year end (No.)	<u>32,435,860</u>	<u>32,435,860</u>
Net assets per share (RO)	<u>0.228</u>	<u>0.239</u>

### 18 Income from operations

The Company's income from operations represents the revenue from contracts with customers by transfer of goods at a point in time in the following geographical regions and product line.

#### a) Primary geographical region

	<u>2022</u>	<u>2021</u>
	<u>RO</u>	<u>RO</u>
Local sales- Oman	12,505,609	10,922,948
United Arab Emirates	124,460	93,756
Qatar	156,505	315,499
	<u>12,786,574</u>	<u>11,332,203</u>

#### b) Product line

	<u>2022</u>	<u>2021</u>
	<u>RO</u>	<u>RO</u>
Corrugated cardboards	<u>12,786,574</u>	<u>11,332,203</u>

#### c) Timing of revenue recognition

	<u>2022</u>	<u>2021</u>
	<u>RO</u>	<u>RO</u>
Revenue recognised at a point in time	<u>12,786,574</u>	<u>11,332,203</u>

**OMANI PACKAGING COMPANY SAOG****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022 (continued)****19 Cost of operations**

	<u>2022</u>	<u>2021</u>
	<u>RO</u>	<u>RO</u>
Cost of raw materials and other inventories consumed	9,441,869	7,655,083
Cost of spare parts consumed	216,823	177,935
Staff costs (note 23)	969,958	944,846
Depreciation on property, plant and equipment [note 4 (b)]	367,244	369,688
Depreciation on right-of-use assets [note 5 (d)]	26,107	26,945
Other direct costs	624,210	550,429
	<u>11,646,211</u>	<u>9,724,926</u>

**20 Other income**

	<u>2022</u>	<u>2021</u>
	<u>RO</u>	<u>RO</u>
Sale of scrap	341,362	381,413
Gain on disposals of property, plant and equipment	613	-
Reversal of impairment provision [note 7 (d)]	4,294	1,704
Miscellaneous income	10,727	3,487
	<u>356,996</u>	<u>386,604</u>

**21 General and administrative expenses**

	<u>2022</u>	<u>2021</u>
	<u>RO</u>	<u>RO</u>
Staff costs (note 23)	420,617	437,251
Transportation and vehicle expenses	323,760	285,866
Depreciation on property, plant and equipment [note 4 (b)]	37,780	40,921
Depreciation on right-of-use assets [note 5 (d)]	-	2,168
Directors' sitting fees (note 24)	52,250	52,250
Legal and professional fees	40,861	38,835
Bad debts written off	399	598
Dubai office expenses	16,465	18,790
Advertisement and sales promotion	10,198	3,709
Repairs and maintenance	262	680
Communication	10,564	13,023
Printing and stationery	11,880	11,396
Board advisory fees (note 24)	18,000	18,000
Postage and courier	2,535	787
Insurance	2,035	4,436
Property, plant and equipment written off	-	1,087
Miscellaneous expenses	5,583	2,405
	<u>953,189</u>	<u>932,202</u>

## OMANI PACKAGING COMPANY SAOG

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (continued)

#### 22 Finance cost

	<u>2022</u>	<u>2021</u>
	<u>RO</u>	<u>RO</u>
Interest on overdrafts and short term loan	65,408	18,397
Interest on long term loan	30,782	-
Interest cost on lease liabilities (note 13)	14,144	15,284
	<u>110,334</u>	<u>33,681</u>

#### 23 Employee costs

- a) Total employee costs included under cost of operations (note 19) and administrative expenses (note 21) comprise:

	<u>2022</u>	<u>2021</u>
	<u>RO</u>	<u>RO</u>
Wages and salaries	1,159,433	1,133,467
Leave pay and air passage	34,091	56,717
Staff rent	47,147	43,412
End of service benefits (note 12)	35,502	28,619
Social security costs	44,464	41,239
Other costs	69,938	78,643
	<u>1,390,575</u>	<u>1,382,097</u>

- b) Employee costs are allocated as follows:

	<u>2022</u>	<u>2021</u>
	<u>RO</u>	<u>RO</u>
Cost of operations (note 19)	969,958	944,846
General and administrative expenses (note 21)	420,617	437,251
	<u>1,390,575</u>	<u>1,382,097</u>

#### 24 Related party transactions

- a) The Company has entered into transactions with entities over which certain Directors and senior management are able to exercise significant influence. In the ordinary course of business, such related parties provide goods and render services to the Company. The Company also provides goods and renders services to such related parties. Transactions with related parties are at mutually agreed terms and conditions.

During the year the Company entered into following transactions with related parties in the normal course of business.

	<u>2022</u>	<u>2021</u>
	<u>RO</u>	<u>RO</u>
Sale of goods	397,815	307,197
Purchase of services	-	2,818



## OMANI PACKAGING COMPANY SAOG

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (continued)

#### 24 Related party transactions (continued)

The year end balances (un-secured) arising from the sale / purchase of goods and services are as under:

	<u>2022</u> <u>RO</u>	<u>2021</u> <u>RO</u>
i) Amount due from related parties (note 7)	<u>151,505</u>	<u>67,783</u>
ii) Amount due to a related party (note 15)	<u>-</u>	<u>483</u>
b) Key management personnel compensation for the year comprises:		
	<u>2022</u> <u>RO</u>	<u>2021</u> <u>RO</u>
Short term employment benefits	218,079	237,039
End of service benefits	11,230	11,027
Directors' meeting attendance fee (note 21)	52,250	52,250
Board advisory fees (note 21)	18,000	18,000
	<u>299,559</u>	<u>318,316</u>

The Directors' meeting attendance fee and other related party transactions are subject to Shareholders' approval at the forthcoming Annual General Meeting.

#### 25 Contingencies and commitments

##### Commitments

	<u>2022</u> <u>RO</u>	<u>2021</u> <u>RO</u>
Capital commitments	-	891,917
Purchase commitments	<u>863,308</u>	<u>2,260,585</u>

#### 26 Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern and benefit other stakeholders. The management's policy is to maintain a strong capital base so as to maintain creditor and market confidence and to sustain future development of the business. Management is confident of maintaining the current level of profitability by enhancing top line growth and prudent cost management.

Consistent with others in the industry, the Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings as shown in the statement of financial position less bank and cash balances. Total capital employed is calculated as 'equity' as shown in the statement of financial position plus net debt.

## OMANI PACKAGING COMPANY SAOG

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (continued)

#### 26 Capital management (continued)

The gearing ratio at 31 December is as follows:

	<u>2022</u> <u>RO</u>	<u>2021</u> <u>RO</u>
Total borrowings	1,810,000	700,000
Less: Cash in hand and at bank	(430,065)	(290,462)
Net debt	1,379,935	409,538
Total equity	7,387,184	7,745,259
Total capital employed	8,767,119	8,154,797
Gearing ratio	15.74%	5.02%

There were no changes in the Company's approach to capital management during the year. The Company is not subject to externally imposed capital requirements other than the requirements of the Commercial Companies Law of the Sultanate of Oman.

#### 27 Financial instruments and related risk management

Financial instruments carried on the statement of financial position comprise trade and other receivables, bank and cash balances, term loans, bank borrowings, lease liabilities and trade and other payables.

Financial assets are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been impacted.

The Company's activities expose it to a variety of financial risks including effects of changes in market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

Risk management is carried out by the Management and Audit Committee under policies approved by the Board. Management identifies, evaluates and hedges financial risks in close co-operation with the Company's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments and investment of excess liquidity, if any.

All financial assets and financial liabilities of the Company in these financial statements are measured at amortised cost.



## OMANI PACKAGING COMPANY SAOG

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (continued)

#### 27 Financial instruments and related risk management (continued)

##### a) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices that affect the Company's income or the value of its holdings of financial instruments. Market risk comprises currency risk, interest risk and other price risk. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

##### *(i) Currency risk*

Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the Company's functional currency.

The Company is exposed to foreign exchange risk arising from currency exposures primarily with respect to US Dollars, UAE Dirhams and Japanese Yen.

For foreign currency transactions that are either in US Dollars or in currencies linked to US Dollar (UAE Dirhams), management believes that should these currencies weaken or strengthen against the Rial Omani there would be an insignificant or no impact on the profits for the year of the Company.

At 31 December 2022, if the Rial Omani were to have strengthened or weakened by 5% against the Japanese Yen with all other variables held constant, pre-tax profits for the year would have been higher/lower respectively by RO 4,599 (2021: RO 2,276) mainly as a result of foreign exchange variations with respect to Yen denominated liabilities.

##### *(ii) Interest rate risk*

The Company's interest rate risk arises from bank borrowings which are exposed to changes in market interest rates. The Company borrows from commercial banks at commercial rates of interest. Long-term borrowings are at fixed rates of interest and, accordingly, not sensitive to the short-term changes in the applicable interest rates.

Borrowings obtained at variable rates expose the Company to cash flow interest rate risk. Borrowings obtained at fixed rates expose the Company to fair value interest rate risk. The Company's policy is to maintain almost all of its borrowings in fixed rate instruments. The Company analyses its interest rate exposure on a regular basis and reassesses the source of borrowings and renegotiates interest rates at terms favourable to the Company.

The short term borrowing interest rates with banks are subject to change upon re-negotiation of the facilities which takes place on an annual basis in the case of overdrafts and at more frequent intervals in the case of short term loans.

If the interest rate were to shift by 1% on term loans and short term borrowings balance as at 31 December 2022, there would be an increase or decrease in the interest cost of RO 18,100 (2021: 7,000).



# OMANI PACKAGING COMPANY SAOG

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (continued)

### 27 Financial instruments and related risk management (continued)

#### b) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from bank balances as well as credit exposure to customers including outstanding amounts from related parties and committed transactions.

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. All major customers are based in the Sultanate of Oman. The Company has established credit policies and procedures that are considered appropriate and commensurate with the nature and size of receivables.

The Company allocates each exposure to a credit risk grade based on data that is determined to be predictive of the risk of loss (including but not limited to external ratings, audited financial statements, management accounts and cash flow projections and available press information about customers) and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of the risk of default and are aligned to external credit rating.

Exposures within each credit risk grade are segmented by geographic region and an ECL rate is calculated for each segment based on delinquency status and actual credit loss experience over the past five years. These rates are multiplied by scalar factors to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Company's view of economic conditions over the expected lives of the receivables.

Concentration of credit risk arises when a number of counter-parties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry or geographical location. The Company has a concentration of credit risk, the details of which are provided in note 7(a).

The age of trade receivables and related impairment loss at 31 December 2022 is :

	Weighted average loss rate %	Gross carrying amount	Loss allowance	Net carrying amount	Credit impaired
		<u>RO</u>	<u>RO</u>	<u>RO</u>	
Less than 120 days	2%	3,756,091	59,633	3,696,458	No
Between 121-180 days	10%	683,910	69,966	613,944	Yes
Between 181-365 days	31%	249,252	76,338	172,914	Yes
More than 365 days	38%	742,314	284,791	457,523	Yes
		<u>5,431,567</u>	<u>490,728</u>	<u>4,940,839</u>	

# OMANI PACKAGING COMPANY SAOG

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (continued)

### 27 Financial instruments and related risk management (continued)

#### b) Credit risk (continued)

The age of trade receivables and related impairment loss at 31 December 2021 is :

	Weighted average loss rate %	Gross carrying amount	Loss allowance	Net carrying amount	Credit impaired
		<u>RO</u>	<u>RO</u>	<u>RO</u>	
Less than 120 days	2%	3,589,176	57,140	3,532,036	No
Between 121-180 days	11%	417,795	47,085	370,710	Yes
Between 181-365 days	25%	360,015	91,656	268,359	Yes
More than 365 days	40%	581,736	230,688	351,048	Yes
		<u>4,948,722</u>	<u>426,569</u>	<u>4,522,153</u>	

The Company manages its credit risk by monitoring collections within the credit period.

Credit risk on receivables including related parties is limited to their carrying values as management regularly reviews these balances to assess recoverability and makes allowance for balances whose recoverability is in doubt.

#### *Credit quality of financial assets*

As per the credit policy of the Company, customers are extended a credit period in the normal course of business upto 120 days, which in some cases, due to the market conditions and historical business relationship with the customer may be extended by a further period of 30 days as the demands of business may require. The credit quality of financial assets is determined by the customers' history of meeting commitments, market intelligence related information and management's trade experience. External ratings generally are not available in the environment in which the Company is operating.

The carrying amount of financial assets that represents the maximum credit exposure. The exposure to credit risk at the reporting date is on account of:

	<u>2022</u> <u>RO</u>	<u>2021</u> <u>RO</u>
Trade and other receivables	5,491,277	5,025,664
Cash at bank	429,403	289,802
	<u>5,920,680</u>	<u>5,315,466</u>



## OMANI PACKAGING COMPANY SAOG

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (continued)

#### 27 Financial instruments and related risk management (continued)

##### c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Typically, the Company ensures that it has sufficient cash on demand to meet expected operational expenses including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot be reasonably predicted, such as natural disasters. In addition, the Company has access to credit facilities.

Cash flow forecasting is performed by management which monitors rolling forecasts of the Company's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Company does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Company's debt financing plans, covenant compliance and compliance with internal ratio targets.

The table below analyses the Company's financial liabilities into the relevant maturity buckets based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual discounted cash flows. Balances due within twelve months equal their carrying balances, as the impact of discounting is not significant. The balances above twelve months also approximate to their carrying values as they carry commercial rates of interest and the impact of discounting is not significant. The table below analyses the expected contractual maturities of the other financial liabilities at the end of the reporting period.

At 31 December 2022	Less than 12 months RO	More than 1 year RO	Total RO
Term loan	505,000	505,000	1,010,000
Short term loan	800,000	-	800,000
Trade and other payables	2,428,458	-	2,428,458
Lease liabilities	20,210	272,583	292,793
	<u>3,753,668</u>	<u>777,583</u>	<u>4,531,251</u>



# OMANI PACKAGING COMPANY SAOG

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022 (continued)

### 27 Financial instruments and related risk management (continued)

#### c) Liquidity risk (continued)

At 31 December 2021	Less than 12 months RO	More than 1 year RO	Total RO
Short term loan	700,000	-	700,000
Trade and other payables	1,608,390	-	1,608,390
Lease liabilities	22,735	292,793	315,528
	<u>2,331,125</u>	<u>292,793</u>	<u>2,623,918</u>
Fair value estimation			

The face values less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values. The fair values of non-current financial liabilities are considered to approximate their carrying amounts as the impact of discounting is not significant.

### 28 Operating segments

Management has determined the operating segments based on the reports reviewed by the strategic steering committee that are used to make strategic decisions. The directors review on an overall Company basis, monthly analysis of production and sales by volume; monthly sales, collections, cost of sales and factory cost by value; variance with budgets; financial position; working capital facilities with utilisation status; and month-end inventory and debtors balances.

The Company operates in one business segment of manufacture and sale of packaging material which constitutes 100% (2021: 100%) of total revenue of the Company. The geographical information in respect of the operating segment is as follows:

	Trade receivables		Sales	
	2022 RO	2021 RO	2022 RO	2021 RO
Local sales- Oman	5,147,504	4,578,887	12,505,609	10,922,948
United Arab Emirates	229,159	175,321	124,460	93,756
Qatar	54,904	194,514	156,505	315,499
	<u>5,431,567</u>	<u>4,948,722</u>	<u>12,786,574</u>	<u>11,332,203</u>

At the end of the reporting period, all non-current assets of the Company are located within Oman. There is one customer, to whom sales made during the year exceeded 10% of total sales for the year.

**OMANI PACKAGING COMPANY SAOG**

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2022 (continued)

**29 Events after the reporting date - Dividend**

- a) Subsequent to the end of the reporting period, the Board of Directors in its meeting held on 01 February 2023 has proposed a cash dividend of 10 Baisa per share amounting to RO 324,359 for the year 2022, which is subject to the approval of the shareholders at the annual general meeting to be held on 28 February 2023.
- b) For the year 2021, cash dividend of 20 Baisa per share amounting to RO 648,717 was approved by the shareholders at the annual general meeting held on 02 March 2022.

**30 Reconciliation of liabilities arising from financing activities**

<b>31 December 2022</b>	<b>Term loan RO</b>	<b>Lease liabilities RO</b>	<b>Bank borrowings RO</b>	<b>Dividend payable RO</b>	<b>Accrued interest RO</b>	<b>Total RO</b>
At the beginning of the year	-	315,528	700,000	-	5,854	1,021,382
Net cash inflows / (outflows)	1,010,000	(29,583)	100,000	(648,717)	(94,405)	337,295
Non-cash changes (accrual of finance costs, rebate and dividend) during the year	-	6,848	-	648,717	96,190	751,755
	<u>1,010,000</u>	<u>292,793</u>	<u>800,000</u>	<u>-</u>	<u>7,639</u>	<u>2,110,432</u>
<b>31 December 2021</b>		<b>Lease liabilities RO</b>	<b>Bank borrowings RO</b>	<b>Dividend payable RO</b>	<b>Accrued interest RO</b>	<b>Total RO</b>
At the beginning of the year		341,149	-	-	-	341,149
Net cash inflows / (outflows)		(40,127)	700,000	(810,897)	(33,681)	(184,705)
Non-cash changes (accrual of finance costs, rebate and dividend) during the year		14,506	-	810,897	39,535	864,938
		<u>315,528</u>	<u>700,000</u>	<u>-</u>	<u>5,854</u>	<u>1,021,382</u>