

Directors Report

Dear Share Holders,

On behalf of the Board of Directors, I am pleased to present to you the Twenty Fifth Annual Report and financial results of Omani Packaging Company SAOG for the year ended December 31, 2017.

Turn over

Economic downturn continued because of low oil prices since year 2016. Though oil prices recovered partly in second half of year 2017 the market demand remained stagnant in various industrial and consumer sectors.

Company achieved a sales turnover of RO 12,463,798 comparing sales turnover of RO 12,559,820 for the year 2016. Unit average sales realization marginally reduced in comparison with the previous year to stay competitive.

Export market comprises of mainly UAE and Qatar where overall volume is increased by 11.60% in comparison with the previous year, mainly due to company started catering to Qatar market from July 2017. The UAE sales volume decreased by 7% due to cautious approach on credit sales in the export market.

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

Financial performance

Company has achieved a net profit of RO 1,217,254 against RO 1,492,025 before tax provision of the corresponding previous year.

Paper prices increased steeply and availability of paper globally squeezed considerably.

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

The continuous 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 steady 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 2017, Board of Directors recommends cash dividend of 20% (0.020 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		2012	2013	2014	2015	2016
DIVIDEND	CASH (%)	30	10	10	15	20
	STOCK (Bonus) (%)	--	--	--	--	--
	TOTAL (%)	30	10	10	15	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.

Considering the current increasing demand of good quality corrugated carton boxes in Qatar, Omani Packaging Company intend to set up a corrugated carton factory in Qatar, in Joint Venture equal partnership with Al Muftah Group Services W.L.L. Qatar, subject to detailed feasibility study, regulatory approvals from Oman and Qatar 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.

Increase in Corporate tax from 12% to 15% shall impact the cash flow.

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