

## REPORT OF THE BOARD OF DIRECTORS

**Dear Shareholders,**

On behalf of the Board of Directors, I welcome you to the Twentieth Annual General Meeting of your Company to present and discuss the Annual Report and Audited Financial Statements for the year ended on 31<sup>st</sup> December 2015.

### **Financial Results and Company Performance:**

During the year 2015 the Sales Revenue stood at RO 9.827 Million against RO 9.427 Million during year 2014 (increase in sales by 4.24%). Production for year 2015, stood at 55,597 MT of Empty Glass Containers against production of 54,784 MT during year 2014 (increase in production by 1.48%) and Sales Volume for the year 2015 at 56,921 MT as against Sales Volume of 56,203 MT during year 2014 (increase in sales volume by 1.28%).

1. **Cash profit** for the current year is RO 1,457K as against RO 1,800K for the previous year 2014 **which included fire claim of year 2013 of RO 372k.** (Decrease by 19.05%).
2. The Net Loss before tax for the year (after adjusting accelerated depreciation and impairment loss of RO 1,746k and 159K respectively) is RO1,854K as against a Loss before tax of RO 111k (after adjusting for accelerated depreciation for RO 660K) in the previous year 2014.
3. Net loss after Tax for the current year is RO 1622K as against Loss after tax of RO 65K for the same period in the previous year 2014.
4. **With effect from 1 Jan 2015 the price of Gas has increased from 20.5 baiza per CU M3 to 41 baiza per CU M3 the impact of the same in the current period has been RO 388K.**

5. The Board of Directors had reviewed the report of the external technical consultant on the useful lives based on the estimated utility of the company's plant and machinery equipment's in terms of balance estimated life and technology and in the Meeting Held on 01 June 2015 approved the implementation of the recommendations of the report. On 02 June 2015 the Management had made an announcement in the Muscat Securities Market stating the estimated impact of the accelerated depreciation due to the changes in the useful lives of the plant and equipment.

**The impact of accelerated depreciation for the year 2015 as result of revaluation of the assets based on the assessment of the technical consultant is RO 1746K.**

The estimated Accelerated depreciation would also have a major impact for the next three years (RO 0.780 million for year 2016, RO 0.580 million for year 2017, RO 0.230 million for year 2018)

**This is a mere book entry with no cash flow impact.**

6. As per the policy for Moulds Capitalisation and Charge off approved by the Board of Directors moulds whose life exceeds 5 years should be charged off resulting in an additional charge off of RO133k. However these moulds can be still used at a later date. **This is also a book entry with no cash flow impact.**

**Dividend:**

After taking into consideration the financial performance and considering the cash flow requirements of the company for various capital expenditure envisaged for the year 2016 your directors are pleased to recommend a cash dividend @ 10% (10 baiza per share)

for the financial year ended 31<sup>st</sup> December the 2015 to the shareholders of the company who are in the shareholders list registered with Muscat Clearing and Depository Company SAOC as on 20 March 2016 subject to approval of the shareholders in the AGM

**Customers and Suppliers:**

The Company caters to major domestic demand for Empty Glass Containers and has a substantial market share of GCC Market for Glass Containers. The Company has a very wide Customer base and a varied Product range. The Company has exported its Finished Products to various countries. The company has proper procurement policy in place under which it sources its material requirements from various suppliers at competitive rates.

**Future Outlook:**

The company continues upgrading its manufacturing technology in order to achieve better productivity and quality to ensure survival and growth.

For the year 2016 the Board of Directors have approved in the Board meeting dated 27 December 2015 the management proposal to replace 2 old forming machines with latest machines with light weighting technology, which will not only enhance the overall productive efficiency of the plant but also enable the organization to meet the varied demands of the customers globally. The company has also taken measures to control costs at all stages of operations keeping in mind the recessionary trends due to dropping oil prices.

Cost reductions are being implemented in line with the guide lines received from Ministry of Finance.

### **Corporate Social Responsibility :**

Company believes that giving back to society is extremely important for us. Company provides monetary as well as moral support to the organisations that are dedicated to improve the quality of life for the concerned people in the society and will continue in future also.

Company contributed in 2015 in different sectors of the community/organisations.

### **Internal Control:**

The Management is regularly reviewing the effectiveness of internal controls in discussion with the Audit Committee, statutory auditors and Internal Auditors in line with the approved company policy and the charter. The company is having an in-house internal audit department which keeps on reviewing internal controls in various areas of operations under the guidance of the Audit Committee. The Board of Directors are pleased to inform the shareholders that in their opinion an adequate and effective internal control system is in place.

### **Omanisation:**

The Company is committed for recruiting and providing training to Omani employees so as to enable them to undertake responsibilities in various areas of Operations and Administration. There has been an unprecedented high labor turnover and scarcity of Omani employees during the year 2015. The company has already submitted its requirement of Omani Staff to the Ministry of Manpower for the year 2016 and trying its best to recruit more and more Omani nationals. The company has been

organizing various training programs to increase the knowledge of employees on various relevant area of operation.

**Acknowledgement:**

On behalf of the Board of Directors and Management of the Company, I once again express my sincere gratitude to His Majesty Sultan Qaboos Bin Said Al Said and his Government for their continuous assistance and kind support extended to the company over the years.

The Company also acknowledges continuous support, confidence and commitment from its Shareholders, Customers, Suppliers, Bankers and also the efforts of the Management & the Employees.

**Anwar Ali Sultan**

**Chairman**

**Dated: 15 February 2016**