MOORE STEPHENS

GULF PLASTIC INDUSTRIES CO. SAOG

FINANCIAL STATEMENTS

31 DECEMBER 2013

MOORE STEPHENS

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF GULF PLASTIC INDUSTRIES CO. SAOG

Report on the financial statements
We have audited the accompanying financial statements of Gulf Plastic Industries Co. SAOG, set out on pages 2 to 25, which comprise the statement of financial position as at 31 December 2013, statement of comprehensive income, statement of changes in equity, statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility for the financial statements
The Board of Directors is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, the disclosure requirements of the Capital Market Authority and the Commercial Companies Law of the Sultanate of Oman, 1974 (as amended). The Board of Directors is also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2013 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on regulatory requirements
The Company's financial statements also comply in all material respects with the relevant requirements of the Commercial Companies Law of the Sultanate of Oman, 1974 (as amended) and the relevant disclosure requirements for public joint stock companies issued by the Capital Market Authority.

1 March 2014

مور ستيفنز وشركاه
ص.ب: ٩٣٣، الرمز ١١٢
روي، سلطنة عمان
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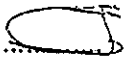
Ruwi, Sultanate of Oman
MOORE STEPHENS

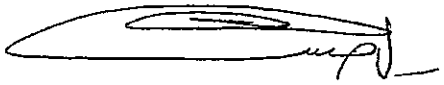
STATEMENT OF FINANCIAL POSITION
at 31 December 2013

	Note	2013 RO	2012 RO
ASSETS			
Non-current assets			
Property, plant and equipment	4	1,144,727	1,335,434
Deferred tax asset		–	6,941
Total non-current assets		1,144,727	1,342,375
Current assets			
Inventories	5	750,543	623,444
Accounts and other receivables	6	1,069,964	1,026,053
Bank balances and cash	7	308,058	216,800
Total current assets		2,128,565	1,866,297
Total assets		**3,273,292**	**3,208,672**
EQUITY AND LIABILITIES			
Equity			
Share capital	8	1,000,000	1,000,000
Legal reserve	9 a)	141,147	114,554
Special reserve	9 b)	10,123	10,123
Retained earnings		729,775	490,434
Total equity		1,881,045	1,615,111
Liabilities			
Non-current liabilities			
Government soft loans	11	236,239	459,179
Deferred Government grant	11	13,761	43,793
Employees' end of service benefits	16 c)	138,272	116,293
Deferred tax liability	19 c)	29,323	–
Total non-current liabilities		417,595	619,265
Current liabilities			
Current portion of Government soft loans	11	252,972	260,000
Accounts and other payables	10	721,680	714,296
Total current liabilities		974,652	974,296
Total liabilities		1,392,247	1,593,561
Total equity and liabilities		**3,273,292**	**3,208,672**
Net assets per share	22	**1.881**	**1.615**

These financial statements were approved by the Board of Directors on 1 March 2014 and were signed on their behalf by:



Chairman



Director

The attached notes 1 to 24 form part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2013

	Note	2013 RO	2012 RO
INCOME			
Sales	3 n)	5,291,609	4,948,742
Cost of sales	13	(4,519,179)	(4,167,867)
Gross profit		772,430	780,875
Other income	14	46,378	57,253
		818,808	838,128
EXPENSES			
General and administration	15	334,487	299,686
Selling and distribution	17	155,699	137,284
Finance costs	18	26,424	37,524
		516,610	474,494
Profit before taxation		302,198	363,634
Taxation	19	(36,264)	(43,636)
Profit and total comprehensive income for the year		**265,934**	**319,998**
Basic earnings per share	21	**0.266**	**0.320**

* The Company does not have any items under other comprehensive income.

The attached notes 1 to 24 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2013

	Share capital RO (note 8)	Legal reserve RO [note 9 a)]	Special reserve RO [note 9 b)]	Retained earnings RO	Total RO
At 31 December 2011	1,000,000	82,554	10,123	202,436	1,295,113
Total comprehensive income for the year	–	–	–	319,998	319,998
Transfer to legal reserve	–	32,000	–	(32,000)	–
At 31 December 2012	1,000,000	114,554	10,123	490,434	1,615,111
At 31 December 2012	1,000,000	114,554	10,123	490,434	1,615,111
Total comprehensive income for the year	–	–	–	265,934	265,934
Transfer to legal reserve	–	26,593	–	(26,593)	–
At 31 December 2013	1,000,000	141,147	10,123	729,775	1,881,045

The attached notes 1 to 24 form part of these financial statements.

STATEMENT OF CASH FLOWS
for the year ended 31 December 2013

	2013 (Rials Omani)	2012 (Rials Omani)
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	302,198	363,634
Adjustments for:		
Finance costs	26,424	37,524
Depreciation	217,478	234,391
Loss on disposal of equipment	–	(1,757)
Provision for employees' end of service benefits	25,090	29,770
Cash flow from operations before working capital changes:	571,190	663,562
Changes in working capital		
Increase in inventories	(127,099)	(102,735)
Increase in accounts and other receivables	(35,967)	(87,648)
Increase / (decrease) in accounts and other payables	7,384	(78,429)
Payment of employees' end of service benefits	(3,111)	(8,417)
Net cash from operating activities	412,397	386,333
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of plant and equipment	(34,715)	(70,852)
Proceeds from disposal of equipment	–	2,640
Net cash used in investing activities	(34,715)	(68,212)
CASH FLOWS FROM FINANCING ACTIVITIES		
Finance costs	(26,424)	(37,524)
Repayment of Government soft loans	(260,000)	(300,000)
Net cash used in financing activities	(286,424)	(337,524)
Net increase / (decrease) in cash and cash equivalents during the year	91,258	(19,403)
Cash and cash equivalents at the beginning of the year	216,800	236,203
Cash and cash equivalents [notes 3 e) and 7] at the end of the year	**308,058**	**216,800**

The attached notes 1 to 24 form part of these financial statements.

1 LEGAL STATUS AND PRINCIPAL ACTIVITIES

Gulf Plastic Industries Co. SAOG ("the Company") is an Omani public joint stock company incorporated in the Sultanate of Oman on 27 November 1996 under a trade license issued by the Ministry of Commerce and Industry. The Company's principal place of business is located at Rusayl Industrial Estate. The principal activities of the Company are manufacturing and selling of various types of polystyrene cups and polypropylene bags.

2 BASIS OF PREPARATION AND ADOPTION OF NEW AND AMENDED IFRS

2.1 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board, interpretations issued by the International Financial Reporting Interpretations Committee, the minimum disclosure requirements of the Capital Market Authority and the requirements of the Commercial Companies Law of 1974, as amended.

The financial statements are presented in Omani Rials.

2.2 New and amended IFRS adopted by the Company

The Company has adopted the following new and revised Standards and Interpretations issued by International Accounting Standards Board and the International Financial Reporting Interpretations Committee, which were effective for the current accounting period:

- Amendments to IAS 1 'Presentation of Financial Statements' issued in June 2011 improves the consistency and clarity of the presentation of items of other comprehensive income (OCI). The amendments require an entity to group items presented in OCI on the basis of whether they are potentially reclassifiable to profit or loss subsequently.

- The revised IAS 19 'Employee benefits' issued in June 2011 has resulted, amongst other amendments, in the removal of 'corridor approach' to defer some gains and losses arising from defined benefit plans. The amendment also introduces a different basis of recognizing the impact of changes in the obligation within the performance statements i.e. net interest cost.

- IFRS 10 'Consolidated Financial Statements' was issued in May 2011 primarily to deal with divergence in practice in applying the existing IAS 27 'Consolidated and Separate Financial Statements' and SIC 12 'Consolidation – Special Purpose Entities'. IFRS 10 and revised IAS 27 'Separate Financial Statements' together supersede the current IAS 27 'Consolidated and Separate Financial Statements'. IFRS 10 also applies a substance approach to control and that control will need to be reviewed on application.

- IFRS 11 'Joint arrangements' was issued in May 2011 and improves on IAS 31 'Joint ventures' by establishing principles to the accounting for all joint arrangements. IFRS 11 also eliminates the option available for accounting of joint ventures by the proportionate consolidation method.

- IFRS 12 'Disclosure of interest in other entities' was issued in May 2011 and requires an entity to disclose information to evaluate the nature of, and risks associated with, its interests in other entities and effects of those interests on its financial position, performance and cash flows. The standard introduces new disclosures for off-balance sheet vehicles.

- Amendments to IFRS 10, IFRS 11 and IFRS 12 issued in June 2012 provide additional transition relief by limiting the requirement to present adjusted comparative information to the period immediately preceding the date of initial application.

2 BASIS OF PREPARATION AND ADOPTION OF NEW AND AMENDED IFRS (Continued)

2.2 New and amended IFRS adopted by the Company (Continued)

- IFRS 13 'Fair value Measurements' was issued in May 2011 and sets out in a single IFRS a framework for measuring and disclosing fair values. The standard also introduces more disclosures on fair value for non-financial assets.

- IFRIC 20 'Stripping costs in the production phase of a surface mine' was issued in October 2011 and addresses the accounting for benefits arising from the 'stripping activity' during the production phase of the mine.

- Amendments to IFRS 7 'Financial Instruments: Disclosures' issued in December 2011 amended the required disclosures to include information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position.

- Annual improvements to IFRS issued in May 2012 (effective for annual periods beginning on or after 1 January 2013) has resulted, amongst other amendments, changes to the following standards:

  - IAS 1 'Presentation of Financial Statements clarifies the requirements for comparative information.
  - IAS 16 'Property, plant and equipment' clarifies that items such as spare parts, stand-by equipment and servicing equipment shall be recognised as property, plant and equipment when they meet the definition of property, plant and equipment. If they do not meet this definition they shall be classified as inventory.
  - IAS 32 'Financial Instruments: Presentation' addresses the perceived inconsistencies between IAS 12 'Income Taxes' and IAS 32 with regards to recognising the consequences of income tax relating to distributions to holders of an equity instrument and to transaction costs of an equity transaction.

The Management believes that the adoption of the amendments have not had any material impact on the presentation and disclosure of items in the financial statements for the current period.

2.3 New and amended IFRS which are in issue but not yet effective

At the end of the reporting period, the following new and revised standards were in issue but not yet effective:

- IFRS 9, 'Financial Instruments', was effective for accounting periods beginning on or after 1 January 2015. The November 2013 amendment removed the effective date, which will be added once the standard has been finalised. Currently, IFRS 9 outlines the recognition and measurement of financial assets, financial liabilities and derecognition criteria for financial assets. The hedge accounting requirements were also issued in November 2013. Financial assets in accordance with IFRS 9 are to be measured either at amortised cost or fair value through profit and loss, with an irrevocable option on initial recognition to recognise some equity financial assets at fair value through other comprehensive income. A financial asset can only be measured at amortised cost if the entity has a business model to hold the asset to collect contractual cash flows and the cash flows arise on specific dates and are solely for payment of principal and interest on the principal outstanding.

2 BASIS OF PREPARATION AND ADOPTION OF NEW AND AMENDED IFRS (Continued)

2.3 New and amended IFRS which are in issue but not yet effective (Continued)

- Amendments to IFRS 10, IFRS 12 and IAS 27 issued in October 2012 define an investment entity and introduce an exception to consolidating particular subsidiaries of an investment entity. These amendments require an investment entity to measure those subsidiaries at fair value through profit or loss in accordance with IFRS 9 in its consolidated and separate financial statements. The amendments also introduce new disclosure requirements for investment entities in IFRS 12 and IAS 27. The amendments are effective for annual periods beginning on or after 1 January 2014.

- Amendments to IAS 36 'Impairment of assets' issued in May 2013 corrects certain consequential amendments to IAS 36 disclosures when IFRS 13 was issued. The amendments also clarify other disclosure requirements relating to recoverable amount for non-financial assets. The amendments are effective for annual periods beginning on or after 1 January 2014.

- IFRIC 21 'Levies' issued in May 2013 addresses the accounting for a liability to pay a levy if that liability is within the scope of IAS 37 'Provisions, Contingent liabilities and Contingent assets'. It clarifies the accounting for a liability to pay a levy whose timing and amount is certain. The amendments are effective for annual periods beginning on or after 1 January 2014.

- Amendments to IAS 39 'Financial Instruments: Recognition and Measurement' issued in June 2013 relates to the novation of a derivative and the impact on hedge accounting. The amendments are effective for annual periods beginning on or after 1 January 2014. The amendment provides relief from discontinuing hedge accounting when certain criteria are met.

The Management believes the adoption of the above amendments is not likely to have any material impact on the presentation and disclosure of items in the financial statements for future periods.

3 SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been consistently applied in dealing with items considered material to the Company's financial statements.

a) Accounting convention

These financial statements have been prepared under the historical cost convention.

b) Property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Following initial recognition at cost, expenditure incurred to replace a component of an item of property, plant and equipment which increases the future economic benefits embodied in the item of property, plant and equipment is capitalised. All other expenditures are recognised in the statement of comprehensive income as an expense as incurred.

Items of property, plant and equipment are derecognised upon disposal or when no future economic benefit is expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset is included in the statement of comprehensive income in the year the item is derecognized. Capital work in progress is stated at cost. All costs related to specific assets incurred during the period are carried under this heading. These are transferred to specific assets when they are available for use.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued

b) Property, plant and equipment (Continued)

Depreciation is charged to the statement of comprehensive income on a straight-line basis over the estimated useful lives of items of property, plant and equipment. The estimated useful economic lives are as follows:

	Years
Factory buildings on leasehold land	30
Plant and machinery	10-15
Office equipment, furniture and fixtures	5
Motor vehicles	4

c) Inventories

Inventories are stated at lower of cost or net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The cost of inventories is based on the weighted average principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of work in progress and finished goods, cost includes an appropriate portion of direct labour and related production overheads based on normal operating capacity.

d) Accounts and other receivables

Accounts and other receivables originated by the Company are measured at cost. An allowance for credit losses for receivables is established when there is objective evidence that the Company will not be able to collect the amounts due.

When accounts and other receivables are uncollectible, it is written off against the allowance account for credit losses. The carrying values of accounts and other receivables approximate their fair values due to the short-term nature of those receivables.

e) Cash and cash equivalents

For the purpose of statement of cash flows, cash and cash equivalents consist of cash and bank balances, net of temporary bank borrowings, if any.

f) Impairment

Financial assets
At the end of each reporting period, the Management assesses if there is any objective evidence indicating impairment of financial assets carried at cost or non collectability of receivables. An impairment loss, if any, arrived at as a difference between the carrying amount and the recoverable amount, is recognised in the statement of comprehensive income. The recoverable amount represents the present value of expected future cash flows discounted at the original effective interest rate. Cash flows relating to short term receivables are not discounted.

Non-financial assets
At the end of each reporting period, the Management assesses if there is any indication of impairment of non financial assets. If an indication exists, the Management estimates the recoverable amount of the asset and recognizes an impairment loss in the statement of comprehensive income. The Management also assesses if there is any indication that an impairment loss recognized in prior years no longer exists or has reduced. The resultant impairment loss or reversals are recognised immediately in the statement of comprehensive income.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

g) Government soft loan and deferred Government grant

Carrying values
The carrying value of the subsidised Government soft loans (note 11) is determined as the present value of the loans adopting the interest rates that reflect the current cost of similar borrowings on similar loan terms from a commercial bank. The reported balance of the soft loans comprise their carrying value plus a component of unamortised deferred income that represents the difference between the carrying values and the present value of the loans adopting the interest rates that similar loans attract.

Finance costs
Interest subsidy is recognized in the statement of financial position initially as a deferred Government grant when there is reasonable assurance that it will be received and that the Company will comply with the conditions attached to it. The deferred Government grant is amortized over the life of the loans to which it relates on a systematic basis in the same periods in which the interest expense is incurred. Amortization of deferred Government grant is recognized within net finance costs.

h) Employees' end of service benefits

Payment is made to Omani Government's Social Security Scheme as per Royal Decree number 72/91 (as amended) for Omani employees. Provision is made for amounts payable under the Sultanate of Oman's Labour Law as per Royal Decree number 35/2003 (as amended) applicable to expatriate employees' accumulated periods of service at the end of the reporting period.

i) Taxation

Taxation is provided for in accordance with the Sultanate of Oman's fiscal regulations.

Deferred taxation is provided using the liability method on all temporary differences at the reporting date. It is calculated at the tax rates that are expected to apply to the period when it is anticipated the liabilities will be settled, and is based on the rates (and laws) that have been enacted at the end of the reporting period. Deferred tax assets are recognized in relation to unused tax credits to the extent that it is probable that future taxable profits will be achieved.

j) Accounts and other payables

Liabilities are recognized for amounts to be paid in future for goods or services received, whether billed by the supplier or not.

k) Financial liabilities

All financial liabilities are initially measured at cost and are subsequently measured at amortised cost.

l) Provisions

A provision is recognised in the statement of financial position when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

m) Foreign currency transactions

Transactions in foreign currencies are translated to Rials Omani at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are translated to Rials Omani at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the statement of comprehensive income.

n) Sales

Revenue from the sale of goods and services is recognized, net of discounts, in the statement of comprehensive income when the significant risks and rewards of ownership have been transferred to the buyer, and the amount is measured reliably. Revenue is not recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

o) Operating lease

The operating lease payments are charged to the statement of comprehensive income on a straight line basis, unless another systematic basis is representative of the time pattern of the benefit.

p) Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses and whose operating results are regularly reviewed by the Management to make decisions about resources to be allocated to the segment and assess its performance.

q) Estimates and judgements

In preparing the financial statements, the Management is required to make estimates and assumptions which affect reported income and expenses, assets, liabilities and related disclosures. The use of available information and application of judgements based on historical experience and other factors are inherent in the formation of estimates. Actual results in the future could differ from such estimates.

The significant estimates involved in the preparation of these financial statements and which have significant risk of material adjustment in subsequent years include allowance for credit losses.

4 PROPERTY, PLANT AND EQUIPMENT

a) The details of property, plant and equipment are set out on pages 24 and 25.

b) The factory buildings are located on plots of land in Rusayl Industrial Estate leased from the Public Establishment for Industrial Estates under a lease agreement over a period of 25 years [note 23 b)].

c) The property, plant and equipment are mortgaged as security against Government soft loans (note 11).

4 PROPERTY, PLANT AND EQUIPMENT (Continued)

d) The depreciation charge for the year has been allocated as follows:

	2013 RO	2012 RO
Cost of sales (note 13)	198,974	218,577
General and administration (note 15)	18,504	15,814
	217,478	234,391

5 INVENTORIES

	2013 RO	2012 RO
Raw materials	451,836	362,421
Work in progress	143,637	139,404
Spare parts	83,709	73,326
Finished goods	71,361	48,293
	750,543	623,444

The following further note applies:

At the end of the reporting period, finished goods represent 5 days (2012 – 4 days) of annual sales.

6 ACCOUNTS AND OTHER RECEIVABLES

	2013 RO	2012 RO
Accounts receivable	1,040,621	1,008,778
Less: Allowance for credit losses [note a) below]	(31,034)	(33,649)
	1,009,587	975,129
Advance to suppliers	15,375	11,970
Advance for capital expenditure	15,286	7,342
Prepayments and deposits	25,857	29,370
Other receivables	3,859	2,242
	1,069,964	1,026,053

The following further notes apply:

a) The movement in allowance for credit losses is as follows:

	2013 RO	2012 RO
At the beginning of the year	33,649	45,184
Established during the year (note 15)	10,501	--
Written back during the year (note 14)	(222)	(8,000)
Written off during the year	(12,894)	(3,535)
At the end of the year	31,034	33,649

6 ACCOUNTS AND OTHER RECEIVABLES (Continued)

b) At the end of reporting period, 37% (2012 – 25%) of the Company's accounts receivable is due from customers in other GCC and Middle East countries and 57% (2012 – 55%) of the accounts receivable is comprise of 13 customers (2012 – 13 customers).

c) At the end of the reporting period, 13% of the accounts receivable are secured (2012 – 7% are secured) against letters of credit.

d) At the end of the reporting period, accounts receivable amounting to RO 899,105 (2012– RO 852,220) are neither past due nor impaired.

e) At the end of the reporting period, the following accounts receivable are past due but not impaired and are estimated as collectible based on historical experience. The ageing analysis of these receivables is as follows:

	2013 RO	2012 RO
Debts due between 3 – 6 months	105,934	120,626
Debts due between 6 months – 1 year	4,548	2,283
	110,482	122,909

7 BANK BALANCES AND CASH

	2013 RO	2012 RO
Cash in hand	1,026	320
Bank balances	231,032	140,480
Short term deposit (note below)	76,000	76,000
	308,058	216,800

The following further note applies:

The short term deposit carries interest at 0.5 % per annum (2012 – 0.5% per annum), has a maturity of 30 days and is held as lien against bank credit facilities availed by the Company.

8 SHARE CAPITAL

a) The authorized share capital of the Company is RO 2,000,000 comprising 2,000,000 shares at RO 1 each (2012 – RO 2,000,000 comprising 2,000,000 shares at RO 1 each). The issued and fully paid-up share capital of the Company is RO 1,000,000 comprising 1,000,000 shares of RO 1 each (2012 –RO 1,000,000 comprising 1,000,000 shares of RO 1 each).

8 SHARE CAPITAL (Continued)

b) 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:

	2013		2012	
	% of Holding	Number of shares	% of holding	Number of Shares
Ms. Budoor Mohd. Rashid Al Fannah Al Araimi	22.00	220,000	22.00	220,000
Ms. Khulood Mohd. Rashid Al Fannah Al Araimi	22.00	220,000	22.00	220,000
Sh. Salem Bin Said Al Fannah Al Araimi	20.16	201,598	20.16	201,598
Al Siraj Investment Holding LLC	19.62	196,190	19.62	196,190

9 RESERVES

a) Legal reserve

In accordance with the Commercial Companies Law of the Sultanate of Oman, 1974 (as amended), 10% of the Company's net profit for the year has been transferred to a non-distributable legal reserve. The Company may resolve to discontinue such annual transfers when the reserve equals one third of the paid up capital.

b) Special reserve

This represents the excess of premium collected from shareholders to meet share issue expenses over actual issue expenses incurred. This excess has been recorded as a special reserve in accordance with the Company's Articles of Association.

10 ACCOUNTS AND OTHER PAYABLES

	2013 RO	2012 RO
Accounts payable	547,108	564,626
Advance from customers	26,884	7,995
Amounts due to a related party [note 12 c)]	8,613	6,058
Provision for leave pay and passage	88,126	79,109
Accruals and other payables	50,949	56,508
	721,680	714,296

11 GOVERNMENT SOFT LOANS

	2013 RO	2012 RO
Non-current liabilities		
Loan 1	--	179,694
Loan 2	236,239	279,485
	236,239	459,179
Deferred Government grant	13,761	43,793
Non-current portion	250,000	502,972

11 GOVERNMENT SOFT LOANS (Continued)

	2013 RO	2012 RO
Current liabilities		
Loan 1	192,972	200,000
Loan 2	60,000	60,000
Current portion	252,972	260,000
	502,972	762,972

The following further notes apply:

a) Loan 1 amounting to RO 1,267,972 was obtained from the Government of the Sultanate of Oman and disbursed by a local commercial bank in the year 1999. Based on the revised repayment schedule approved by the Ministry of Finance during the year, the loan is repayable in one installment of RO 100,000 in March 2014 and a final installment of RO 92,972 in September 2014. The loan carries interest at 3% per annum (2012 – 3% per annum), net of subsidy.

b) Loan 2 amounting to RO 700,000 was obtained from the Government of the Sultanate of Oman and disbursed by a local commercial bank in the year 2005. Based on the revised repayment schedule approved by the Ministry of Finance during the year, the loan is repayable in two semi-annual installments of RO 30,000 in the year 2014 and two semi-annual installments of RO 125,000 in the year 2015. The loan carries interest at 3% per annum (2012 – 3% per annum), net of subsidy.

c) The loans are secured by the following:

- a registered mortgage of the Company's property, plant and equipment in favour of the commercial banks disbursing the soft loans [note 4 c)];
- commercial mortgage on other assets;
- Ministry of Finance guarantee amounting to RO 700,000 for loan 2; and
- personal, joint and several guarantees of two Directors.

d) The repayment schedule of the term loans (including the deferred government grant) is as follows:

	Total RO	Within 1 year RO	1 – 2 years RO	2 – 5 years RO
31 December 2013	502,972	252,972	250,000	--
31 December 2012	762,972	260,000	252,972	250,000

e) The carrying values of the Government soft loans have been determined by the Management using the effective interest rate method. The effective interest rate was 9% (2012 – 9%) per annum. The Government subsidy on loans to which the subsidy relates is amortized on a systematic basis in the same periods in which loans are repaid. The amortization of the deferred Government grant for the year 2013 amounts to RO 30,032 (2012 – RO 68,285) and is recognised within finance costs (note 18).

12 RELATED PARTY TRANSACTIONS

The Company has entered into transactions with key management personnel, Directors and entities in which certain Directors of the Company have an interest. In the ordinary course of business, the Company sells goods to related parties and procures goods and services from related parties. These transactions are entered into on terms and conditions approved by the Board of Directors.

a) The volume of the related party transactions during the year are as follows:

	2013 RO	2012 RO
Transactions with an entity related to Directors		
Cost of sales	21,198	30,481
Other income	–	7,500
General and administration expenses	6,000	–

b) The key management personnel compensation for the year comprises:

	2013 RO	2012 RO
Short term employment benefits	106,249	90,184
Employees' end of service benefits	3,133	3,040
Directors' meeting attendance fees (see note below)	13,700	8,100
	123,082	101,324

The Directors' meeting attendance fees are subject to shareholders' approval at the forthcoming Annual General Meeting.

c) The amount due to a related party is repayable on demand and is not subject to interest.

	2013 RO	2012 RO
Amount due to a related party (note 10)		
- Oman Packaging Company SAOG	8,613	6,058

13 COST OF SALES

	2013 RO	2012 RO
Cost of materials consumed	3,052,415	2,774,244
Salaries and employee related costs [note 16 a)]	939,345	857,367
Depreciation [note 4 d)]	198,974	218,577
Electricity and water	156,581	150,303
Other operating expenses	171,864	167,376
	4,519,179	4,167,867

14 OTHER INCOME

	2013 RO	2012 RO
Sale of scrap	24,024	25,154
Foreign exchange gain (net)	8,246	10,552
Rental income	5,875	7,500
Raw materials sold	3,406	1,643
Allowance for credit losses written back [note 6 a)]	222	8,000
Profit on disposal of equipment	–	1,757
Miscellaneous	4,605	2,647
	46,378	57,253

15 GENERAL AND ADMINSTRATION

	2013 RO	2012 RO
Salaries and employee related costs [note 16 a) below]	178,567	148,514
Repairs and maintenance	31,194	45,585
Rent	30,160	30,300
Depreciation [note 4 d)]	18,504	15,814
Directors' meeting attendance fees [note 12 b)]	13,700	8,100
Professional and legal fees	10,720	13,765
Communication	9,919	11,163
Vehicle running	5,815	7,897
Printing and stationery	5,209	5,152
Insurance	3,805	2,847
Registration	3,274	2,524
Advertisement	1,715	1,600
Electricity and water	1,464	1,698
Allowance for credit losses [note 6 a)]	10,501	–
Miscellaneous	9,940	4,727
	334,487	299,686

16 SALARIES AND EMPLOYEE RELATED COSTS

a) Salaries and employee related costs are allocated between cost of sales (note 13) and general and administration (note 15) as follows:

	2013 RO	2012 RO
Cost of sales	939,345	857,367
General and administration	178,567	148,514
	1,117,912	1,005,881

16 SALARIES AND EMPLOYEE RELATED COSTS (Continued)

b) Salaries and employee related costs comprise the following:

	2013 RO	2012 RO
Salaries and wages	892,955	787,826
Contributions to defined retirement plan for Omani employees	17,102	17,113
Cost of end of service benefits for expatriate employees [note c) below]	25,090	29,770
Other employee related costs	182,765	171,172
	1,117,912	1,005,881

c) Movements in expatriate employees' end of service benefits liability recognised in the statement of financial position are as follows:

	2013 RO	2012 RO
At the beginning of the year	116,293	94,940
Expenses recognized in the statement of comprehensive income [note b) above]	25,090	29,770
Paid during the year	(3,111)	(8,417)
At the end of the year	138,272	116,293

17 SELLING AND DISTRIBUTION

	2013 RO	2012 RO
Freight charges	108,787	94,570
Marketing and sales promotion	46,912	42,714
	155,699	137,284

18 FINANCE COSTS

	2013 RO	2012 RO
Interest on Government soft loans	19,404	28,167
Bank charges	7,020	9,357
Amortisation of deferred Government grant [note 11 e)]	30,032	68,285
	56,456	105,809
Less: Deferred Government grant	(30,032)	(68,285)
	26,424	37,524

19 TAXATION

	2013 RO	2012 RO
Statement of comprehensive income		
Deferred tax charge [note c) below]	36,264	43,636
Statement of financial position		
Non-current liability / (asset)		
Deferred taxation	29,323	(6,941)

The following further notes apply:

a) The Company is subject to income tax at 12% (2012 – 12%) of the taxable income in excess of RO 30,000 (2012 – RO 30,000). No provision for current tax has been established as the Company has carry forward losses available for set-off against the taxable income for the year.

b) The Company's tax assessments for the years 2008 to 2012 have not been finalized by the Secretariat General for Taxation. The Management believes that the tax assessed, if any, in respect of the above tax years would not be material to the financial position of the Company at the end of the reporting period.

c) The deferred tax charge recognised in the statement of comprehensive income is attributable to the following:

	2012 RO	Recognised in statement of comprehensive income RO	2013 RO
Accelerated capital allowance	91,122	(16,496)	74,626
Relating to provisions	(4,038)	314	(3,724)
Carry forward losses	(94,025)	52,466	(41,579)
	(6,941)	36,264	29,323

20 OPERATING SEGMENTS

a) The Company has four reportable segments that of manufacture of:
- Cups;
- Jumbo bags;
- Woven sacks; and
- Liner.

The information set out below analyses the revenues over the four segments.

	Cups RO	Jumbo bags RO	Woven sacks RO	Liner RO	Total RO
Year 2013					
Sales	1,151,647	3,018,970	1,057,584	63,408	5,291,609
Cost of sales	(996,068)	(2,559,831)	(928,797)	(34,483)	(4,519,179)
Gross profit	155,579	459,139	128,787	28,925	772,430
Less: common costs (net)					(470,232)
Profit before taxation					302,198

20 OPERATING SEGMENTS (Continued)

a) (Continued)

Year 2012	Cups RO	Jumbo bags RO	Woven sacks RO	Liner RO	Total RO
Sales	1,054,676	2,845,292	992,374	56,400	4,948,742
Cost of sales	(895,683)	(2,372,503)	(867,751)	(31,930)	(4,167,867)
Gross profit	158,993	472,789	124,623	24,470	780,875
Less: common costs (net)					(417,241)
Profit before taxation					363,634

b) The geographical distribution of the accounts receivable is analysed as follows:

	2013 RO	2012 RO
Cups		
- Oman	238,815	248,051
- GCC	110	8,791
Jumbo bags		
- Oman	262,786	300,298
- GCC	381,209	223,688
- Other countries	7,510	34,589
Woven sacks		
- Oman	142,909	186,871
- GCC	—	3,154
Liner		
- Oman	7,282	3,336
	1,040,621	1,008,778

21 BASIC EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the net profit for the year by the weighted average number of shares outstanding during the year as follows:

	2013	2012
Net profit for the year (in RO)	265,934	319,998
Weighted average number of shares in issue during the year	1,000,000	1,000,000
Basic earnings per share (in RO)	0.266	0.320

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

22 NET ASSETS PER SHARE

Net assets per share are calculated by dividing the net assets at the end of the reporting period by the number of shares outstanding as follows:

	2013	2012
Net assets (in RO)	1,881,045	1,615,111
Number of shares outstanding	1,000,000	1,000,000
Net assets per share (in RO)	1.881	1.615

23 COMMITMENTS AND CONTINGENCIES

a) At the end of the reporting period, the Company's contingent liabilities comprise of:

	2013 RO	2012 RO
Performance bond	4,928	11,498
Bid bond	--	7,708

b) The Company has entered into three lease agreements with the Public Establishment for Industrial Estate, Rusayl in respect of the factory land, which are valid until 31 December 2022, 24 February 2029 and 31 August 2030, respectively. At the end of the reporting period, the Company's commitments under these non-cancellable operating leases are as follows:

	2013 RO	2012 RO
Not later than 1 year	10,713	10,713
Later than 1 year and not later than 5 years	43,277	43,277
Later than 5 years	80,486	91,199
	134,476	145,189

c) At the end of the reporting period, the Company's commitments are as follows:

	2013 RO	2012 RO
Letters of credit	--	44,791
Purchase commitments	257,867	200,664
Capital commitments	5,909	31,182

24 FINANCIAL RISK AND CAPITAL MANAGEMENT

The Company's financial assets include accounts and other receivables and bank balances and cash. The Company's financial liabilities include Government soft loans and accounts and other payables. The fair value of financial assets and liabilities approximates to their carrying values at the end of the reporting period.

The Company's activities expose it to various financial risks, primarily being, market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The Company's risk management is carried out internally in accordance with the approval of the Board of Directors.

a) Market risk

Currency risk
The Company operates in international markets and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the UAE Dirham, Saudi Arabia Rial, US Dollar, Australian Dollar and Euros. As majority of the Company's financial assets and liabilities are either denominated in Rial Omani or currencies fixed against Rial Omani, the Management believes that there is no significant risk on profitability.

At the end of the reporting period, bank balances amounting to RO 184,918 (2012 – RO 42,836) are denominated in AED, USD and Euros. Accounts receivable amounting to RO 388,828 (2012 – RO 259,608) and accounts payable amounting to RO 397,000 (2012 – RO 404,873) are denominated mainly in AED, SAR, USD and GBP.

Interest rate risk
The Company is exposed to interest rate risk on its interest bearing assets (bank balances) and liabilities (Government soft loans). The interest rate on bank balances is on fixed rate basis as disclosed in note 7. The interest rate on Government soft loans is at fixed subsidized rates as disclosed in notes 11 a) and 11 b) to the financial statements. Accordingly the Management believes there is no significant interest rate risk.

b) Credit risk

Credit risk on receivables is limited to their carrying amount as the Company's Management regularly reviews the balances to assess recoverability and provides for those balances whose recovery is considered doubtful. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position. The Company has significant concentrations of credit risk, details of which are provided in note 6 b) to the financial statements. The Company manages concentration of its credit risk by monitoring collections within the credit period.

c) Liquidity risk

The Company maintains sufficient bank balances and credit facilities to meet its obligations as they fall due for payment. Therefore the Management believes it is not subject to significant liquidity risk. The maturity analysis of the Government soft loans has been disclosed in note 11 d) to the financial statements.

24 FINANCIAL RISK AND CAPITAL MANAGEMENT (Continued)

c) Liquidity risk (Continued)

The table below analyses the expected contractual maturities of the other financial liabilities at the end of the reporting period:

	Less than 6 months RO	6 months to 1 year RO	More than 1 year RO	Total RO
At 31 December 2013				
Accounts and other payables	721,680	–	–	721,680
At 31 December 2012				
Accounts and other payables	714,296	–	–	714,296

d) Capital management

The Company's objectives when managing capital are to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and to provide an adequate return to shareholders by pricing commensurate with the level of risk. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to the shareholders, return capital to the shareholders or raise additional capital.

4 PROPERTY, PLANT AND EQUIPMENT (Continued)

Year 2013	Factory buildings on leasehold land RO	Plant and machinery RO	Office equipment RO	Furniture and fixtures RO	Motor vehicles RO	Total RO
Cost						
At 31 December 2012	905,071	2,764,672	36,706	52,104	82,173	3,840,726
Additions during the year	–	20,175	2,087	3,934	575	26,771
At 31 December 2013	905,071	2,784,847	38,793	56,038	82,748	3,867,497
Depreciation						
At 31 December 2012	371,067	2,016,646	23,628	42,488	51,463	2,505,292
Charge for the year	30,139	168,835	3,901	3,977	10,626	217,478
At 31 December 2013	401,206	2,185,481	27,529	46,465	62,089	2,722,770
Net book values						
At 31 December 2013	503,865	599,366	11,264	9,573	20,659	1,144,727
At 31 December 2012	534,004	748,026	13,078	9,616	30,710	1,335,434

4 PROPERTY, PLANT AND EQUIPMENT (Continued)

Year 2012	Factory buildings on leasehold land RO	Plant and machinery RO	Office equipment RO	Furniture and fixtures RO	Motor vehicles RO	Total RO
Cost						
At 31 December 2011	905,071	2,740,845	28,793	45,932	60,173	3,780,814
Additions during the year	–	23,827	9,313	7,362	30,350	70,852
Disposals during the year	–	–	(1,400)	(1,190)	(8,350)	(10,940)
At 31 December 2012	905,071	2,764,672	36,706	52,104	82,173	3,840,726
Depreciation						
At 31 December 2011	340,928	1,828,208	20,928	39,819	51,075	2,280,958
Charge for the year	30,139	188,438	3,357	3,719	8,738	234,391
Relating to disposals	–	–	(657)	(1,050)	(8,350)	(10,057)
At 31 December 2012	371,067	2,016,646	23,628	42,488	51,463	2,505,292
Net book values						
At 31 December 2012	534,004	748,026	13,078	9,616	30,710	1,335,434
At 31 December 2011	564,143	912,637	7,865	6,113	9,098	1,499,856