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## INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF MAJAN GLASS COMPANY SAOG

### *Report on the Audit of the Financial Statements*

#### **Opinion**

We have audited the accompanying financial statements of Majan Glass Company SAOG, set out on pages 5 to 27, which comprise the statement of financial position as at 31 December 2017, and the statement of comprehensive income, statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2017 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

#### **Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code) together with the ethical requirements that are relevant to our audit of the Company's financial statements in the Sultanate of Oman, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our report.

##### a) *Revenue recognition*

There is a risk that Company might account for sales revenue inaccurately or not account for it in the correct reporting period. Accordingly, we believe revenue misstatement is a significant risk and a key audit matter.

Our audit procedure to address the risk of revenue misstatement included:

- Testing controls over procedures to account for revenue when significant risks and rewards are transferred to the customer;
- Testing of sample transactions by tracing documents originating sales (delivery order) to documents evidencing the sales in the accounting system (sales invoices);
- Analytical review of month wise sales and gross margins and conducting necessary enquiries for any abnormal fluctuations;
- Testing of year-end dispatches to ensure revenue is accounted; and
- Obtaining confirmation of balances from major customers at the end of the reporting period.

## INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF MAJAN GLASS COMPANY SAOG (Continued)

### Key Audit Matters

#### b) *Inventory valuation*

As disclosed in note 7 to the financial statements, inventories at the end of the reporting period amounts to RO 5,262,226 which are stated at lower of cost and net realizable value and net of the provisions for obsolete, slow moving and defective materials. The provisions amounting to RO 144,896 are determined based on the estimation as decided by the Management. Since the carrying value of the inventories are material to the financial statements and the provisioning estimates are subject to Management judgement, we have considered inventory valuation and provisioning as a key audit matter.

Our audit procedures in this regard included:

- Evaluating design, implementation and effectiveness of key inventory controls;
- Assessing the reasonableness of Management's estimate for the provision established;
- Assessing the physical condition of the inventories during the physical verification of inventories;
- Reviewing the inventory ageing report and the inventory ledgers for a selected sample of inventories;
- Analytical review of the inventory turnover ratios over the past three years;
- Reviewing the historical accuracy of inventory allowance and the level of inventory write-offs over the past years; and
- Ensuring the carrying value of inventories is stated at lower of cost or net realizable value.

### Other information

The Management and the Board of Directors are responsible for other information. The other information comprises the Board of Directors' report and Management Discussion and Analysis report and corporate governance report.

Our opinion on the financial statement does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the annual report (which we have not received as on date), if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

### Responsibilities of Management and the Board of Directors for the Financial Statements

Management and the Board of Directors are responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, the relevant requirements of the Commercial Companies Law of the Sultanate of Oman, 1974 (as amended), the disclosure requirements for public joint stock companies issued by the CMA and for such internal control as they determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management and the Board of Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.