

MAJAN GLASS COMPANY SAOG

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

1 Legal status and principal activities

Majan Glass Company SAOG ('the Company') is a public joint stock company, with its registered office in Sohar, PO Box 17, PC 327, Sultanate of Oman.

The principal activity of the Company is manufacturing and sale of empty glass containers.

2 Basis of preparation and adoption of new and amended IFRS

Basis of preparation

The financial statements have been prepared on 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 functional and presentation currency of the Company.

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 requirements of the Commercial Companies Law of the Sultanate of Oman.

Adoption of new IFRS

The financial statements have been prepared based on accounting standards and amendments effective for the accounting periods beginning on or after 1 January 2019. The Company has adopted the following standards and amendments for the first time for the annual reporting period beginning from 1 January 2019:

i) IFRS 16: Leases

a) *Overview*

In the current year, the Company has adopted IFRS 16 Leases that is effective for annual periods that beginning on or after 1 January 2019.

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

MAJAN GLASS COMPANY SAOG

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019 (continued)

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

Adoption of new IFRS (continued)

i) IFRS 16: Leases (continued)

a) *Overview* (continued)

The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases in the statement of financial position. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets when such recognition exemptions are adopted. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged.

b) *Impact*

The Company adopted IFRS 16 using the modified transition approach as of 01 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application and the previous year comparative amounts are not restated prior to the date of adoption of the standard.

The Company has made use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 and IFRIC 4 will continue to be applied to those leases entered or changed before 1 January 2019. The change in definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on 'risks and rewards' in IAS 17 and IFRIC 4.

The Company applies the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or changed on or after 1 January 2019 (whether it is a lessor or a lessee in the lease contract). In preparation for the first-time application of IFRS 16, the Company has carried out an impact assessment. The assessment has shown that the new definition in IFRS 16 will not significantly change the scope of contracts that meet the definition of a lease for the Company.

i) *Impact on Lessee Accounting*

IFRS 16 : Leases, changes how the Company accounts for leases previously classified as operating leases under IAS 17, which were off balance sheet.

Applying IFRS 16, for all leases, the Company:

- a) Recognises right-of-use assets and lease liabilities in the statement of financial position, initially measured at the present value of the future lease payments, with the right-of-use asset adjusted by the amount of any prepaid or accrued lease payments;
- b) Recognises depreciation of right-of-use assets and interest on lease liabilities in the statement of comprehensive income;
- c) Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within financing activities) in the statement of cash flows.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (continued)

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

Adoption of new IFRS (continued)

i) IFRS 16: Leases (continued)

b) *Impact (continued)*

i) *Impact on Lessee Accounting (continued)*

Lease incentives (e.g. rent-free period) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under IAS 17 they resulted in the recognition of a lease incentive, amortised as a reduction of rental expenses generally on a straight-line basis.

For short-term leases (lease term of 12 months or less) and leases of low-value assets, the Company has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within 'other expenses' in the statement of comprehensive income.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36.

Former finance leases

The main differences between IFRS 16 and IAS 17 with respect to contracts formerly classified as finance leases is the measurement of the residual value guarantees provided by the lessee to the lessor. IFRS 16 requires that the Company recognises as part of its lease liability only the amount expected to be payable under a residual value guarantee, rather than the maximum amount guaranteed as required by IAS 17. This change did not have any effect on the Company's financial statements.

Impact on transition

On transition to IFRS 16, the Company recognised additional right-of-use assets and additional lease liabilities, recognising the difference in retained earnings, if any. The impact on transition is summarised below.

	<u>01.01.2019</u>
	<u>RO</u>
Right-of-use assets at 01 January 2019 (note 7)	
- Leasehold land	477,148

Lease liabilities at 01 January 2019 (note 17)	
- Lease liability	477,148

When measuring lease liabilities for leases that were classified as operating leases, the Company discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted-average rate applied is 8%.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (continued)

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

Other standards, amendments and interpretations to existing IFRS effective 1 January 2019

The Company has adopted all other standards and amendments for the first time for the annual reporting period beginning from 1 January 2019, while has accounted for and disclosed only the relevant and applicable standards and amendments:

- Amendments to IFRS 9: 'Financial instruments' – Prepayment features with negative compensation;
- Amendments to IAS 28: 'Investments in Associates and Joint Ventures' – Long-term Interests in Associates and Joint Ventures;
- Annual Improvements to IFRSs published in December 2017 (2015-2017 cycle);
- Amendments to IAS 19: 'Employee benefits plan'- Amendment, Curtailment or Settlement;
- IFRIC 23, 'Uncertainty over Income Tax Treatments'.

Standards, amendments and interpretations to existing IFRS that are not yet effective

Certain new standards, amendments and interpretations to existing IFRS have been published that are not effective and mandatory for the Company's accounting period commenced on 1 January 2019, which management has decided to adopt from the applicable periods.

- IFRS 17: 'Insurance Contracts';
- Amendments to IAS 28: 'Investments in Associates and Joint Ventures', and IFRS 10: 'Consolidated Financial Statements' – Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture;
- Amendments to IFRS 3: 'Business Combinations' – Definition of a business;
- Amendments to IAS 1: 'Presentation of Financial Statements' and IAS 8: 'Accounting Policies, Changes in Accounting Estimates and Errors', – Definition of material;
- Conceptual Framework, Amendments to references to the Conceptual Framework in IFRS Standards.

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

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.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (continued)

3 Summary of significant accounting policies

Income from operations

Income from operations represents sale of glass products 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 or services 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 control of the asset is transferred to the buyer 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.

For products for which 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.

The Company recognises revenue from contracts with customers based on the five step model set out in IFRS 15:

Step 1 Identify the contract(s) with a customer:

A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.

Step 2 Identify the performance obligations in the contract:

A performance obligation is a unit of account and a promise in a contract with a customer to transfer a good or service to the customer.

Step 3 Determine the transaction price:

The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (continued)

3 Summary of significant accounting policies (continued)

Income from operations (continued)

Step 4 Allocate the transaction price to the performance obligations in the contract:

For a contract that has more than one performance obligation, the Company will allocate the transaction price to each performance obligation in an amount that depicts the consideration to which the Company expects to be entitled in exchange for satisfying each performance obligation.

Step 5 Recognise revenue when (or as) the entity satisfies a performance obligation.

The Company satisfies a performance obligation and recognises revenue over time, if one of the following criteria is met:

- 1 The customer simultaneously receives and consumes the benefits provided by the Company's performance as and when the Company performs; or
- 2 The Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- 3 The Company's performance does not create an asset with an alternative use to the Company and the Company has an enforceable right to payment for performance completed to date.

For performance obligations where none of the above conditions are met, revenue is recognised at the point in time at which the performance obligation is satisfied.

Financial Instruments

To determine the classification and measurement category, IFRS 9 requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics. The IFRS 9 measurement categories of financial assets are:

- Financial assets carried at amortised cost;
- Financial assets carried at fair value through other comprehensive income (FVOCI); and
- Financial assets carried at fair value through profit or loss (FVTPL)

i) Recognition and measurement

Financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. Trade receivables are measured at the transaction price determined under IFRS 15.

MAJAN GLASS COMPANY SAOG

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (continued)

3 Summary of significant accounting policies (continued)

Financial Instruments (continued)

i) Recognition and measurement (continued)

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

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.

ii) Derecognition of financial assets and liabilities

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfer nor retain substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

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

Impairment of financial assets

The Company recognises allowances for expected credit losses (ECLs) on financial instruments, including financial assets measured at amortised cost and trade and other receivables. Credit losses are measured as the present value of all cash shortfalls.

For trade receivables, the Company applies a simplified approach in calculating ECLs. Loss allowances for trade and other receivables are always measured at an amount equal to lifetime ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost are credit impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. A receivable is considered as in default, if the receivable is past due more than 180 days.

Impairment provision for other receivables is also recognised based on a forward looking expected credit loss model.

MAJAN GLASS COMPANY SAOG

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (continued)

3 Summary of significant accounting policies (continued)

Impairment of financial assets (continued)

Write-off

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows. The gross carrying amount of a financial asset is written off against the related provision, when the Company has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

Property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Where an item of property, plant and equipment comprises major components having different useful lives, they are accounted for as separate items of property, plant and equipment. 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 and includes all expenditures incurred on engineering, design work, borrowing costs and costs directly attributable to the project engineering, procurement and construction / installation until such time the assets are put to use, when these will be allocated to property, plant and equipment.

Capital work in progress is not depreciated. Depreciation on property, plant and equipment is charged to the statement of comprehensive income on a straight-line basis over the estimated useful lives of property, plant and equipment.

The estimated useful economic lives of items of property, plant and equipment are:

	Years
Buildings	40
Plant and machinery	1-25
Office equipment, furniture and fittings	6-10
Motor vehicles	4
Moulds	1-5

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (continued)

3 Summary of significant accounting policies (continued)

Intangible assets

Cost of software are stated at cost and amortised in equal instalments over the estimated period of benefit of 4 to 5 years. The Management annually review the software cost and useful life and assess if any impairment is required.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which is determined on weighted average cost basis, comprises expenditure incurred in the normal course of business in bringing inventories to their present location and condition. Net realisable value is the estimate of the selling price in the ordinary course of business less any incidental selling expenses. Where necessary, provision is made for obsolete, slow-moving and defective inventories. Cost of finished products and work in progress includes cost of direct materials, direct labour and applicable direct overheads.

Impairment of non-financial assets

At the end of each reporting period, Management assesses if there is any indication of impairment of non-financial assets. If an indication exists, Management estimates the recoverable amount of the asset and recognizes an impairment loss in the statement of comprehensive income to the extent carrying value exceeds the estimated recoverable amount. 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.

Cash and cash equivalents

For purpose of statement of cash flows, cash and cash equivalents consist of cash and bank balances with an original maturity of less than three months, net of bank overdrafts.

Provisions

A provision is recognized in the statement of financial position where 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 rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Employee end of service benefits

Payment is made to Omani Government's Social Security Scheme under 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 applicable to non-Omani employees' accumulated periods of service at the end of the reporting period.

MAJAN GLASS COMPANY SAOG

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (continued)

3 Summary of significant accounting policies (continued)

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.

Operating segment

An operating segment is 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 components whose operating results are reviewed regularly by the Board of Directors to make decisions about resources to be allocated to the segment and assess its performance.

Dividend

The Board of Directors recommend to the Shareholders the dividend to be paid out of Company's profits. The Directors take into account appropriate parameters including the requirements of the Commercial Companies Law of the Sultanate of Oman, while recommending the dividend.

Dividend distribution to the Shareholders is recognized as a liability in the Company's financial statements only in the year in which the dividends are approved by the Shareholders.

Directors' remuneration

The Company follows the Commercial Companies Law of the Sultanate of Oman, and other latest relevant directives issued by Capital Market Authority, in regard to determination of the amount to be paid as Directors' remuneration. Directors' remuneration and meeting attendance fees is charged to the statement of comprehensive income in the year to which they relate.

Foreign currency transactions

Transactions denominated in foreign currencies are translated into Rial 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 into Rial Omani at exchange rates prevailing at the end of the reporting period. Foreign exchange differences arising on translation are recognized in the statement of comprehensive income.

Income tax

Income tax on the results for the year comprises current tax and deferred tax. Income tax is recognized in the statement of comprehensive income except to the extent that it relates to items recognized directly to equity, in which case it is recognized in equity.

MAJAN GLASS COMPANY SAOG

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019 (continued)

3 Summary of significant accounting policies (continued)

Income tax (continued)

Current tax is the expected tax payable on the taxable income for the year, using the tax rates enacted or substantially enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax is calculated by providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the end of the reporting period.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the unused tax losses and credits can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

4 Estimates and judgments

The preparation of the financial statements requires Management to make estimates and assumptions that affect the reported amount of assets and liabilities at the reporting date and the resultant provisions and changes in fair value. Such estimates are necessarily based on assumptions about several factors involving varying, and possibly significant, degrees of judgment and uncertainty and actual results may differ from Management's estimates resulting in future changes in estimated liabilities and assets.

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Key sources of estimation uncertainty

i) Impairment allowance - Measurement of the expected credit losses allowance.

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 above.

An estimate of the collectible amount of accounts receivable is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time and historical recovery rates.

MAJAN GLASS COMPANY SAOG

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (continued)

4 Estimates and judgments (continued)

Key sources of estimation uncertainty (continued)

ii) *Allowance for slow moving and obsolete inventories*

Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on historical selling prices.

iii) *Useful lives of property, plant and equipment*

Management determines the estimated useful lives of its property, plant and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charge would be adjusted where the Management believes the useful lives differ from previous estimates.

iv) *Deferred tax assets*

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

v) *Going concern*

The Company's management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

MAJAN GLASS COMPANY SAOG

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (continued)

5 Property, plant and equipment

Cost	Office equipment, furniture and Motor vehicles						Capital work-in progress	Total
	Buildings	Plant and machinery	and fittings	vehicles	Moulds			
	RO	RO	RO	RO	RO	RO	RO	
At 1 January 2018	1,463,337	19,994,301	356,916	96,894	1,001,387	333,322	23,246,157	
Additions	15,787	3,075	10,052	-	259,373	242,571	530,858	
Transfers	141,875	434,018	-	-	-	(575,893)	-	
Disposals	-	-	-	(16,960)	-	-	(16,960)	
At 31 December 2018	<u>1,620,999</u>	<u>20,431,394</u>	<u>366,968</u>	<u>79,934</u>	<u>1,260,760</u>	-	<u>23,760,055</u>	
At 1 January 2019	1,620,999	20,431,394	366,968	79,934	1,260,760	-	23,760,055	
Additions	20,319	17,427	29,095	18,325	515,174	-	600,340	
Disposals	-	-	(450)	(13,600)	-	-	(14,050)	
At 31 December 2019	<u>1,641,318</u>	<u>20,448,821</u>	<u>395,613</u>	<u>84,659</u>	<u>1,775,934</u>	-	<u>24,346,345</u>	
Depreciation								
At 1 January 2018	313,602	14,629,315	284,853	76,260	737,402	-	16,041,432	
Charge for the year	38,980	1,455,495	26,874	7,503	240,470	-	1,769,322	
Relating to disposals	-	-	-	(16,960)	-	-	(16,960)	
At 31 December 2018	<u>352,582</u>	<u>16,084,810</u>	<u>311,727</u>	<u>66,803</u>	<u>977,872</u>	-	<u>17,793,794</u>	
At 1 January 2019	352,582	16,084,810	311,727	66,803	977,872	-	17,793,794	
Charge for the year	40,788	1,284,278	23,912	8,660	293,540	-	1,651,178	
Relating to disposals	-	-	(450)	(13,600)	-	-	(14,050)	
At 31 December 2019	<u>393,370</u>	<u>17,369,088</u>	<u>335,189</u>	<u>61,863</u>	<u>1,271,412</u>	-	<u>19,430,922</u>	
Net book value								
At 31 December 2019	<u>1,247,948</u>	<u>3,079,733</u>	<u>60,424</u>	<u>22,796</u>	<u>504,522</u>	-	<u>4,915,423</u>	
At 31 December 2018	<u>1,268,417</u>	<u>4,346,584</u>	<u>55,241</u>	<u>13,131</u>	<u>282,888</u>	-	<u>5,966,261</u>	

a) Depreciation amounting to RO 1,618,606 (2018: RO 1,734,945) is charged to cost of operations and the balance depreciation of RO 32,572 (2018: RO 34,377) is reported separately in statement of comprehensive income.

b) The factory premises are located on land leased from the Public Establishment for Industrial Estate, Sohar .

c) Certain plant and machinery have been mortgaged with a local commercial bank against term loan and other facilities obtained.

MAJAN GLASS COMPANY SAOG

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (continued)

6 Intangible asset

The intangible assets pertain to cost of software purchased.

	<u>2019</u> <u>RO</u>	<u>2018</u> <u>RO</u>
At the beginning of the year	15,495	21,511
Amortization during the year	(6,221)	(6,016)
At the end of the year	<u>9,274</u>	<u>15,495</u>

7 Right-of-use assets

	<u>Leasehold</u> <u>Land</u> <u>RO</u>	<u>Total</u> <u>RO</u>
Cost		
At 1 January 2019 (adjusted)	477,148	477,148
At 31 December 2019	<u>477,148</u>	<u>477,148</u>
Accumulated depreciation		
Charge for the year	101,491	101,491
At 31 December 2019	<u>101,491</u>	<u>101,491</u>
Net book value		
At 31 December 2019	<u>375,657</u>	<u>375,657</u>

The Company has leased a plot of land for factory premises at Sohar Industrial Estate from the Public Establishment for Industrial Estates for a period of 25 years until 13 September 2023, which is renewable thereafter for a further period of 25 years.

8 Income tax

- a) The Company is liable to income tax at the rate of 15% on entire taxable income (2018: tax at the rate of 15%) of the Company. No provision has been made for current year tax since the Company has incurred a loss for the year.

	<u>2019</u> <u>RO</u>	<u>2018</u> <u>RO</u>
Statement of comprehensive income		
The tax charge for the year comprises:		
Deferred tax	106,206	392,049
	<u>106,206</u>	<u>392,049</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (continued)

8 Income tax (continued)

Statement of financial position

	<u>2019</u>	<u>2018</u>
	<u>RO</u>	<u>RO</u>
Non- current asset		
Deferred tax asset	800,606	694,400
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b) The Company's income tax assessment for the years 2015 to 2018 have not been finalised by the taxation authorities. Management is of the opinion that the amount of additional tax, if any, that may become payable on finalisation of pending tax assessment would not be significant to the company's financial position at 31 December 2019.

c) Deferred tax (assets)/liabilities and deferred tax charge/(credit) in the financial statements consists of:

	Recognized in the Statement of Comprehensive		
	<u>01 Jan 2019</u>	<u>Income</u>	<u>31 Dec 2019</u>
		<u>RO</u>	<u>RO</u>
Accelerated depreciation	(147,823)	(87,303)	(235,126)
Provisions	(45,094)	19,861	(25,233)
Accumulated losses	(501,483)	(38,764)	(540,247)
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	(694,400)	(106,206)	(800,606)
	-----	-----	-----

	Recognized in the Statement of Comprehensive		
	<u>01 Jan 2018</u>	<u>Income</u>	<u>31 Dec 2018</u>
		<u>RO</u>	<u>RO</u>
Accelerated depreciation	(53,541)	(94,282)	(147,823)
Provisions	(23,196)	(21,898)	(45,094)
Accumulated losses	(222,481)	(279,002)	(501,483)
	-----	-----	-----
	(299,218)	(395,182)	(694,400)
	-----	-----	-----

MAJAN GLASS COMPANY SAOG

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (continued)**

9 Inventories

	<u>2019</u>	<u>2018</u>
	<u>RO</u>	<u>RO</u>
Raw materials	350,265	222,180
Spares and consumables	1,200,257	1,231,663
Finished goods	1,571,942	2,501,113
Work in progress	662,450	19,110
Packing materials	108,486	97,643
Others	46,605	52,390
	<u>3,940,005</u>	<u>4,124,099</u>
Less: allowance for slow and non-moving inventories	(108,954)	(251,928)
	<u>3,831,051</u>	<u>3,872,171</u>

The movement in the allowance for slow and non-moving inventories is given below:

	<u>2019</u>	<u>2018</u>
	<u>RO</u>	<u>RO</u>
At the beginning of the year	251,928	144,896
Provided during the year	-	107,032
Written back during the year	(142,974)	-
	<u>108,954</u>	<u>251,928</u>

10 Accounts and other receivables

	<u>2019</u>	<u>2018</u>
	<u>RO</u>	<u>RO</u>
Accounts receivable	2,051,286	1,926,136
Less: allowance for credit losses on accounts receivables	(59,263)	(48,657)
	<u>1,992,023</u>	<u>1,877,479</u>
Advance to Suppliers	100,853	23,018
Other receivables	10,158	37,828
	<u>2,103,034</u>	<u>1,938,325</u>

a) At the end of the reporting period, the Company's accounts receivable amounting to RO 1,272,988 (2018: 996,235) are neither past due, nor impaired.

MAJAN GLASS COMPANY SAOG

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (continued)

10 Accounts and other receivables (continued)

b) At 31 December 2019, trade receivables amounting to RO 778,298 (2018: RO 929,901) are past due, but not impaired and are estimated collectible based on the historical experience of management.

The ageing analysis of these past due accounts receivable are as follows:

	<u>2019</u> <u>RO</u>	<u>2018</u> <u>RO</u>
Between 61-120 days	422,919	675,959
Between 121-150 days	157,010	136,169
More than 151 days	198,369	117,773
	<u>778,298</u>	<u>929,901</u>

c) Movement in allowance for credit losses on accounts receivable are :

	<u>2019</u> <u>RO</u>	<u>2018</u> <u>RO</u>
At 1 January	48,657	9,741
Transition adjustment on adoption of IFRS 9	-	20,885
	<u>48,657</u>	<u>30,626</u>
At 1 January (adjusted)	48,657	30,626
Charged during the year	10,606	19,547
Reversed during the year	-	(1,516)
	<u>59,263</u>	<u>48,657</u>

d) At the end of the reporting period, 8 customers account for 71% of the total accounts receivable and 40% of sales during the year (2018: 5 customers accounted for 70% of accounts receivable and 38% of sales).

11 Related party transactions

The Company has entered into transactions with the Directors, significant shareholders and key management personnel of the Company and entities in which Members / key management personnel have significant influence and control. 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, which the Board of Directors believe could be obtained on an arms' length basis from independent third parties.

MAJAN GLASS COMPANY SAOG

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (continued)

11 Related party transactions (continued)

a) The related party transactions during the year were as follows:

	<u>2019</u> <u>RO</u>	<u>2018</u> <u>RO</u>
Sales revenue	-	800,472
Cost of sales	-	21,349
Other income	-	26,200
Term loan	1,800,000	-
Finance charge	100,603	-

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

	<u>2019</u> <u>RO</u>	<u>2018</u> <u>RO</u>
Short term employment benefits	260,284	237,733
Employee end of service benefits	9,134	7,183
Directors' meeting attendance fees	20,500	21,800
	<u>289,918</u>	<u>266,716</u>

Director's meeting attendance fees

	<u>2019</u> <u>RO</u>	<u>2018</u> <u>RO</u>
Ali Bin Mohammed Said Tabuk	2,000	-
Ali Hamad Al Derai	3,200	3,400
Vivek Varadan	2,700	2,600
Ali Fida Hussain Mohd. Al Lawati	2,900	2,100
Mr. Talal Issa Mohd Al Harasi	3,200	2,900
Puneet Sardana	3,200	2,600
Arjun Subramanian	3,300	3,000
Ali Hassan Sulaiman	-	800
Ali Saif Al Hadi	-	800
Ali Mohd. Redha Jafar	-	800
Sami Salim Al Sahib	-	800
Mustafa Ahmed Salman	-	2,000
	<u>20,500</u>	<u>21,800</u>

MAJAN GLASS COMPANY SAOG

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (continued)

11 Related party transactions (continued)

- c) The amount due from/to related parties are on normal terms of credit and are not subject to interest.
- d) The Board of Directors' meeting attendance fees and remuneration are subject to Shareholders' approval at forthcoming Annual General Meeting.
- e) The details of related party balances at the end of the reporting period are as follows:

	<u>2019</u>	<u>2018</u>
	<u>RO</u>	<u>RO</u>
i.) Amount due from related parties:		
AATCO Food Industries LLC	-	169,323
AATCO Food Industries	-	35,005
	-----	-----
	-	204,328
	-----	-----

	<u>2019</u>	<u>2018</u>
	<u>RO</u>	<u>RO</u>
ii.) Amount due to related parties:		
Towell Auto Centre LLC	-	17,760
	-----	-----

12 Prepayments and deposits

	<u>2019</u>	<u>2018</u>
	<u>RO</u>	<u>RO</u>
Prepayments	62,236	161,530
Deposits	40,155	-
	-----	-----
	102,391	161,530
	-----	-----

13 Cash and bank balances

	<u>2019</u>	<u>2018</u>
	<u>RO</u>	<u>RO</u>
Cash in hand	3,262	3,349
Cash at bank	680,129	548
	-----	-----
	683,391	3,897
	-----	-----

MAJAN GLASS COMPANY SAOG

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (continued)

14 Share capital

- a) The Company's authorised share capital consist of RO 5,000,000 comprising 50,000,000 shares of 100 baiza each (2018 : RO 5,000,000 comprising 50,000,000 shares of 100 baiza each). The issued and fully paid up share capital is RO 4,202,330 (2018: RO 4,202,330) comprising 42,023,300 shares of 100 baiza each (2018 : 42,023,300 shares of 100 baiza each).
- b) At the end of the reporting period, shareholders of the Company who own 10% or more of the shares, and the number of shares they hold are shown as below:

	<u>2019</u>		<u>2018</u>	
	<u>Number of shares held</u>	<u>Share Holding</u>	<u>Number of shares held</u>	<u>Share Holding</u>
Oman Investment Fund	31,625,000	75.26%	31,625,000	75.26%

15 Legal reserve

As per the Commercial Companies Law of Sultanate of Oman, annual appropriation of 10% of a Company's net profit is to be made to a non-distributable legal reserve, until the amount of legal reserve becomes equal to one-third of the amount of issued share capital. No transfer has been made during the year as the Company has incurred a loss for the year.

Legal reserve includes the excess of "share expenses" amounting to RO 9,335 (2018: RO 9,335) received from public subscription over expenses incurred in accordance with the Company's Articles of Association.

16 Employees' end of service benefits

	<u>2019</u>	<u>2018</u>
	<u>RO</u>	<u>RO</u>
Movement in expatriate employees' end of service benefits:		
At 1 January	281,284	280,381
Charge for the year	44,006	40,027
Paid during the year	(28,559)	(39,124)
	<u>296,731</u>	<u>281,284</u>

MAJAN GLASS COMPANY SAOG

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (continued)

17 Lease liabilities

	<u>2019</u>	<u>2018</u>
	<u>RO</u>	<u>RO</u>
Lease liabilities	365,875	-
Less: current maturity	(87,684)	-
	<u>278,191</u>	<u>-</u>
Non-current liabilities		-

a) The movement in lease liabilities is as follows :

	<u>2019</u>	<u>2018</u>
	<u>RO</u>	<u>RO</u>
At the beginning of the year	477,148	-
Less: repayments during the year	(111,273)	-
	<u>365,875</u>	<u>-</u>

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>2019</u>	<u>2018</u>
	<u>RO</u>	<u>RO</u>
Due less than 1 year	87,684	-
Due between 1 and 2 years	94,699	-
Due between 2 and 4 years	183,492	-
	<u>365,875</u>	<u>-</u>

The Company has leased a plot of land for factory premises at Sohar Industrial Estate from the Public Establishment for Industrial Estates for a period of 25 years until 13 September 2023, which is renewable thereafter for a further period of 25 years.

18 Term Loans

	<u>2019</u>	<u>2018</u>
	<u>RO</u>	<u>RO</u>
Term loan I	1,800,000	-
Term Loan II	1,229,000	1,334,000
Term Loan III	590,845	984,742
Less: current portion of the term loan	(552,897)	(498,897)
	<u>3,066,948</u>	<u>1,819,845</u>
Non current term loans		-

MAJAN GLASS COMPANY SAOG

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (continued)

18 Term Loan (continued)

- a) During the year, the Company signed a convertible loan agreement amounting to RO 1.8 million with Oman Investment Fund. The loan carries interest at 12% per annum and is repayable in 24 equal quarterly instalments commencing from March 2021.

On conversion these shares will be credited as fully paid and rank pari passu with all other shares of the Company then in issue.

The loan is convertible at the option of lender, either upon occurrence of the event of default as specified in agreement or at any time at the sole discretion of the lender. The conversion price is equal to the prevailing market share price of the Company at the time of conversion.

- b) During the year 2018, the Company availed a term loan amounting to RO 1.35 million from a local commercial bank. The loan carries interest at 7.75% per annum and is repayable in 72 equal monthly instalments. The loan is secured by: usufruct mortgage of RO 1.5 million on lease hold property located at plot no. 61,62,63,152,153,154,113 and 114 (8 plots merge to one plot no. 61), phase I A, located at Sohar industrial estate. Commercial mortgage in pari-passu with other local bank of RO. 1.5 million on the existing plant and machinery.
- c) During the year 2017, term loan amounting to RO 1.5 million was obtained from local commercial bank. The loan carries interest at 6% per annum and is repayable in 36 equal monthly instalments which started from July 2018. The loan is secured against irrevocable assignment of payments / receivables from the Company's major existing customers, commercial mortgage over machinery, equipment and other assets (with book value/residual value of RO 1.5 million, to cover the term loan), the insurance of the assets financed in favour to the bank.
- d) The term loan agreements with banks contain certain covenants pertaining to maintaining current, leverage and debt coverage ratios. Although the actual ratios were not within the covenanted level at 31 December 2019, the Management believes that the bank is unlikely to demand for the immediate settlement of the dues or withdraw facilities.

- e) Undiscounted cash flow for the term loans is as follows:

	<u>2019</u>	<u>2018</u>
	<u>RO</u>	<u>RO</u>
Between 1 and 2 years	856,948	852,897
Between 2 and 5 years	2,210,000	966,948
	<u>3,066,948</u>	<u>1,819,845</u>

19 Bank borrowings

	<u>2019</u>	<u>2018</u>
	<u>RO</u>	<u>RO</u>
Loan against trust receipts	686,403	870,358
Bill discounting	274,174	68,000
Bank overdrafts	980,253	968,410
	<u>1,940,830</u>	<u>1,906,768</u>

MAJAN GLASS COMPANY SAOG

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (continued)**

19 Bank borrowings (continued)

Bank borrowings are obtained from local commercial banks and carry interest at prevailing commercial rates.

These borrowings are secured against assignment of certain accounts receivable, commercial mortgage over machinery and other assets as well as assignment of the insurance policies of the assets financed in favor of the bank.

20 Accounts and other payables

	<u>2019</u> <u>RO</u>	<u>2018</u> <u>RO</u>
Accounts payable	1,566,288	2,451,696
Creditors for capital purchases	-	14,085
Accruals	250,838	449,309
Advance from customers	278,712	207,816
Other payables	257,045	355,508
	<u>2,352,883</u>	<u>3,478,414</u>

21 Net assets per share

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

	<u>2019</u> <u>RO</u>	<u>2018</u> <u>RO</u>
Net assets (RO)	4,244,663	4,853,139
Number of shares outstanding	42,023,300	42,023,300
Net assets per share (RO)	0.101	0.115

22 Income from operations (Segment wise)

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

a) Primary geographical markets	<u>2019</u> <u>RO</u>	<u>2018</u> <u>RO</u>
Sultanate of Oman	1,650,410	2,243,184
GCC	4,025,010	2,416,270
Others	5,240,380	4,163,117
	<u>10,915,800</u>	<u>8,822,571</u>

MAJAN GLASS COMPANY SAOG

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (continued)**

b) Timing of revenue recognition	<u>2019</u> <u>RO</u>	<u>2018</u> <u>RO</u>
Products transferred at a point in time	10,915,800	8,822,571
	-----	-----
c) Product lines		
Sale of empty glass containers	10,915,800	8,822,571
	-----	-----
23 Cost of operations		
	<u>2019</u> <u>RO</u>	<u>2018</u> <u>RO</u>
Materials and spares consumed	4,552,156	3,858,313
Employee related costs [note 26 b)]	1,714,786	1,509,959
Rent	-	116,955
Fuel, electricity and water	1,730,112	1,665,924
Repairs and maintenance	100,674	63,622
Hire charges	6,108	360
Allowance for slow and non-moving inventories [note 9)]	(142,974)	107,032
Depreciation on property plant and equipment	1,618,606	1,734,945
	-----	-----
	9,579,468	9,057,110
	-----	-----
24 Other income		
	<u>2019</u> <u>RO</u>	<u>2018</u> <u>RO</u>
Amounts no longer payable reversed to income	26,784	72,064
Sale of scrap	25,087	36,000
Income from insurance claim	339,884	2,216
Allowance for credit losses written back [note 10 c)]	-	1,516
Profit on disposal of property, plant and equipment	1,148	1,100
Directors' remuneration no longer payable reversed	-	26,200
Foreign exchange gain	13,145	24,119
Miscellaneous income	9,365	-
	-----	-----
	415,413	163,215
	-----	-----

MAJAN GLASS COMPANY SAOG

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (continued)

25 General and administrative expenses

	<u>2019</u>	<u>2018</u>
	<u>RO</u>	<u>RO</u>
Salaries and employee related costs [note 26 b]	584,633	604,697
Insurance	116,699	89,274
Directors' meeting attendance fees [note 11]	20,500	21,800
Travelling expenses	21,283	48,064
Legal and professional charges	92,372	32,675
Communication	33,176	23,468
Information technology	19,490	15,702
Vehicle expenses	14,212	6,757
Recruitment expenses	9,616	15,571
Miscellaneous expenses	28,599	83,805
	<u>940,580</u>	<u>941,813</u>

26 Employee related costs

a) Salaries and employee related costs comprise:

	<u>2019</u>	<u>2018</u>
	<u>RO</u>	<u>RO</u>
Salaries and wages	1,913,160	1,738,445
Contributions to defined retirement plan for Omani employees	61,825	55,910
Cost of end of service benefits for expatriate employees	44,207	40,027
Other employee related costs	280,227	280,274
	<u>2,299,419</u>	<u>2,114,656</u>

b) Salaries and employee related costs

	<u>2019</u>	<u>2018</u>
	<u>RO</u>	<u>RO</u>
Cost of operations (note 23)	1,714,786	1,509,959
General and administration (note 25)	584,633	604,697
	<u>2,299,419</u>	<u>2,114,656</u>

Salaries and employee related costs allocation are made based on cost centres.

MAJAN GLASS COMPANY SAOG

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (continued)**

27 Selling and distribution expenses

	<u>2019</u>	<u>2018</u>
	<u>RO</u>	<u>RO</u>
Freight charges	905,320	711,692
Sales commission	37,768	87,185
Site inspection expenses	5,800	23,000
Other expenses	28,612	13,024
	<u>977,500</u>	<u>834,901</u>

28 Finance costs

	<u>2019</u>	<u>2018</u>
	<u>RO</u>	<u>RO</u>
Interest on bank borrowings	95,050	188,240
Interest on term loan	249,136	78,525
Letter of credit charges	3,562	1,813
Bank charges	49,709	59,259
	<u>397,457</u>	<u>327,837</u>

29 Basic loss per share

Basic loss per share is calculated by dividing the net loss for the year after income tax by the weighted average number of shares outstanding during the year.

	<u>2019</u>	<u>2018</u>
	<u>RO</u>	<u>RO</u>
Net loss for the year (RO)	(608,476)	(2,219,507)
Weighted average number of shares outstanding	42,023,300	42,023,300
Basic loss per share (RO)	(0.014)	(0.053)

30 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 products and services commensurate with the level of risk.

The Company also ensures compliance with externally imposed capital requirements.

In the context of managing capital (equity), the Company has covenanted with banks providing external debt to maintain specified ratios. At the end of the reporting period, certain ratios were not within the covenanted level and the Company intends to comply with the requirements of the banks in the near future.

MAJAN GLASS COMPANY SAOG

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (continued)

31 Financial instruments and related risk management

The Company's financial assets include accounts and other receivables, amount due from related parties, cash and bank balances. Financial liabilities include term loans, bank borrowings, finance lease liabilities, trade and other payables.

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

a) Market risk

Market risk is the risk that changes in market prices such as foreign exchange rates and interest rates affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk. It is managed by continuous review and adjustments in sales strategy.

i) Currency risk

The Company operates in international markets, however, the Company is substantially independent of changes in foreign currency rates as its foreign currency dealings are principally in US Dollars (USD), Saudi Rials (SAR) and UAE Dirhams (AED) which are effectively pegged to the Rials Omani.

ii) Interest rate risk

The Company has call deposits and bank borrowings. The deposits with banks and borrowings carry interest on commercial terms. The Company is exposed to interest rate risk resultant from its borrowings. The risk is managed by maintaining an appropriate mix between fixed and floating interest rate balances at the start of the financial year, if required. A major portion of the Group's borrowing arrangements are of short term in nature.

For every 0.5% change in interest rate, the impact on the statement of comprehensive income will be approximately to RO 4,200 (31 December 2018: RO 3,500) based on the level of borrowing net of call deposits at the reporting date.

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 the trade receivables from customers.

MAJAN GLASS COMPANY SAOG

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019 (continued)

31 Financial instruments and related risk management (continued)

b) Credit risk (continued)

Exposure to credit risk

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

	<u>2019</u>	<u>2018</u>
	<u>RO</u>	<u>RO</u>
Trade receivables (net) and other receivables	2,103,034	2,142,653
Bank balances	683,391	3,897
	<u>2,786,425</u>	<u>2,146,550</u>

Credit risk on trade receivables is limited to their carrying values as Management regularly reviews these balances to assess recoverability and makes provision for balances whose recoverability is in doubt. Credit risk is managed mainly through credit terms to customers backed by confirmed letters of credit. There is no concentration of credit risk with respect to trade receivables as the Company has a large number of customers, internationally dispersed.

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

As for each potential customer there is no independent rating, the Company's credit committee assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board. The utilisation of credit limits is regularly monitored. Relevant details about the trade receivables.

MAJAN GLASS COMPANY SAOG

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (continued)

31 Financial instruments and related risk management (continued)

b) Credit risk (continued)

The age of trade receivables and related impairment loss at the reporting date is:

	Weighted average loss rate %	Gross amount	Loss allowance	Net carrying amount	Credit impaired
31 December 2019					
Less than 60 days	0.79%	1,272,988	10,063	1,262,925	No
Between 61-90 days	3.33%	579,929	19,320	560,609	Yes
Between 91-300 days	13.91%	195,411	27,190	168,221	Yes
More than 300 days	90.94%	2,958	2,690	268	Yes
		<u>2,051,286</u>	<u>59,263</u>	<u>1,992,023</u>	
31 December 2018					
Less than 60 days	0.68%	995,783	6,763	989,020	No
Between 61-90 days	2.03%	812,128	16,455	795,673	Yes
Between 91-300 days	4.72%	61,289	2,890	58,399	Yes
More than 300 days	39.74%	56,710	22,539	34,171	No
		<u>1,925,910</u>	<u>48,647</u>	<u>1,877,263</u>	

The Company did not identify any material impairment loss on other financial assets as at the reporting date.

c) Liquidity Risk

Liquidity risk is the risk that the Company will be unable to meet its net funding requirements. Liquidity risk may arise from market disruptions or credit downgrades, which may result in unavailability of certain sources of funding.

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding from an adequate amount of committed credit facilities. Management maintains flexibility in funding by maintaining availability under committed credit lines.

MAJAN GLASS COMPANY SAOG

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019 (continued)

31 Financial instruments and related risk management (continued)

c) Liquidity Risk (continued)

Based on the contractual maturity date, the analysis of financial liabilities is as follows:

	<u>Less than 6 months</u> <u>RO</u>	<u>6 months to 1 year</u> <u>RO</u>	<u>More than 1 year</u> <u>RO</u>	<u>Total</u> <u>RO</u>
At 31 December 2019				
Term Loans	226,624	326,273	3,066,948	3,619,845
Bank borrowings	1,940,830	-	-	1,940,830
Accounts and other payables	2,352,883	-	-	2,352,883
Lease liabilities	87,684	-	278,191	365,875
	<u>4,608,021</u>	<u>326,273</u>	<u>3,345,139</u>	<u>8,279,433</u>
	<u>Less than 6 months</u> <u>RO</u>	<u>6 months to 1 year</u> <u>RO</u>	<u>More than 1 year</u> <u>RO</u>	<u>Total</u> <u>RO</u>
At 31 December 2018				
Term Loans	498,897	-	1,819,845	2,318,742
Bank borrowings	1,906,768	-	-	1,906,768
Accounts and other payables	3,496,474	-	-	3,496,474
Amount due to related parties	17,760	-	-	17,760
	<u>5,919,899</u>	<u>-</u>	<u>1,819,845</u>	<u>7,739,744</u>

The notes on pages 10 to 39 form part of these financial statements.

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