

Notes to the financial statements
for the year ended 31 December 2018

1 ACTIVITIES

Majan Glass Company SAOG (the "Company") is an Omani Public Joint Stock Company. It was incorporated in the Sultanate of Oman on 17 May 1995 under commercial registration number 3/19456/6.

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

2 Basis of preparation

The principal accounting policies applied in the preparation of these financial statements are summarised below. These Policies have been consistently applied to each of the years presented, unless otherwise stated. This is the first set of the Company's annual financial statements in which IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments have been applied. Changes to significant accounting policies are described below in note 3.

The financial statements are been prepared in accordance with International Financial Reporting Standards, and applicable requirements of the Commercial Companies Law and the Capital Market Authority of the Sultanate of Oman. The financial statements are prepared under the historical cost convention,

These financial statements are presented in Rial Omani (RO), which is the Company functional currency.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. Management has used its judgments and made estimates in determining the amounts recognised in the financial statements. The areas involving a higher degree of judgment or complexity or areas where assumptions and estimates are significant to the financial statements are disclosed below. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised and in any future periods effected.

Changes in accounting policies:

Except as described below, the accounting policies applied in these financial statements are the same as those applied in the financial statements as at and for the year ended 31 December 2017.

The Company has initially applied IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments from 1 January 2018. A number of other new standards are effective from 1 January 2018 but they do not have a material impact on the Company's financial statements

Due to the transition methods chosen by the Company in applying these standards, comparative information throughout these financial statements has not been restated to reflect the requirements of the new standards, except for separately presenting reversal of impairment loss on trade receivables. The effect of initially applying these standards is mainly attributed to the decrease in impairment losses recognized on financial assets.

Notes to the financial statements
for the year ended 31 December 2018

3 Changes in accounting policies

IFRS 9 – Financial Instruments

As a result of the adoption of IFRS 9, the Company adopted consequential amendments to IAS 1 Presentation of Financial Statements which requires impairment of financial assets to be presented in a separate line item in the statement of profit or loss and other comprehensive income (OCI). Previously, the Company's approach was to include the impairment of trade receivables in other expenses. Additionally, the Company adopted consequential amendments to IFRS 7 Financial Instruments Disclosures.

As permitted by the transitional provisions of IFRS 9, the Company elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognised in the opening retained earnings of the current period.

The adoption of IFRS 9 has resulted in changes in Company's accounting policies for recognition, classification and measurement of financial assets and financial liabilities and impairment of financial assets. IFRS 9 also significantly amends other standards dealing with financial instruments such as IFRS 7 'Financial Instruments: Disclosures'.

Set out below are disclosures relating to the impact of the adoption of IFRS 9 on the Company. Further details on the specific IFRS 9 accounting policies applied to the current year (as well as the previous IAS 39 accounting policies applied in the comparative period) are described below.

Classification and measurement of financial instruments

The measurement category and the carrying amount of financial assets and liabilities in accordance with previous accounting policies under IAS 39 and IFRS 9 as at 1 January 2018 are compared as follows:

31 December 2017 IAS 39		1 January 2018 IFRS 9	
Measurement category	Carrying amount	Measurement Category	Carrying amount
Financial assets	RO		RO
Cash and bank balances	Amortised cost (loans and receivables)	Amortised cost	
	4,925		4,925
Trade and other receivables	Amortised cost (loans and receivables)	Amortised cost	
	1,296,052		1,296,052
Total financial assets	1,300,977		1,300,977
Financial Liabilities			
Bank borrowings	Amortised cost	Amortised cost	
	3,786,279		3,786,279

Notes to the financial statements
for the year ended 31 December 2018

3 Changes in significant accounting policies (continued)

Reconciliation of statement of financial position balances from IAS 39 to IFRS 9

The Company performed a detailed analysis of its business models for managing financial assets and analysis of their cash flow characteristics.

The following table reconciles the carrying amounts of financial assets, from their previous measurement category in accordance with IAS 39 to their new measurement categories upon transition to IFRS 9 on 1 January 2018.

	IAS 39 carrying amount 31 December 2017	Reclassifications	Remeasurements effect of change in impairment)	IFRS 9 carrying amount 1 January 2018
	RO	RO	RO	RO
Amortised cost				
Cash and bank balances	4,925	-	-	4,925
Trade and other receivables	1,296,052	-	-	1,296,052
Bank borrowings	3,786,279	-	-	3,786,279

Reconciliation of impairment allowance balance from IAS 39 to IFRS 9

The following table reconciles the prior period's closing impairment allowance measured in accordance with the IAS 39 incurred loss model to the new impairment allowance measured in accordance with the IFRS 9 expected loss model at 1 January 2018.

Impairment allowance at 01 January 2017 under IAS 39	RO 9,741
Impairment allowance on adoption of IFRS 9	20,885
Impact on deferred tax asset	3,133
Net impact on retained earnings at 1 January 2018 under IFRS 9	17,752

The Company has determined the impact of application of IFRS 9's impairment requirements on remaining financial assets, which has resulted in no material impact on the opening balances as of 1 January 2018. Accordingly, related impact of impairment has not been considered in these financial statements.

Notes to the financial statements
for the year ended 31 December 2018

3 Changes in accounting policies (continued)

IFRS 9 Financial Instruments introduces principle-based requirements for the classification of financial assets. The Standard contains two primary measurement categories for financial assets: amortised cost and fair value. The standard eliminates the existing IAS 39 categories of held to maturity, available for sale and loans and receivables. The classification of financial assets under IFRS 9 is generally based on the business model in which the financial asset is managed and contractual cash flow characteristics. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. The principal financial instruments of the Company include trade and other receivables, cash and cash equivalents, short term borrowings, term loan and trade and other

IFRS 15 Revenue from contracts with customer

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, on IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programs.

IFRS 15 is effective from annual periods beginning on or after 1 January 2018. The Company has completed review of the potential impact of the adoption of IFRS15 on its financial statements. The company adopted IFRS 15 from 1 January 2018 and there is no significant impact on the adoption of IFRS 15.

Initial recognition

Financial assets

On initial recognition, a financial asset is classified as measured at amortised cost; fair value through other comprehensive income – debt instruments; fair value through other comprehensive income – equity instruments; or fair value through profit or loss.

Financial assets at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit or loss:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at fair value through other comprehensive income

Equity instruments which are not held for trading or issued as contingent consideration in business combination, and for which the Company has made an irrevocable election at initial recognition to recognise changes in fair value through other comprehensive income rather than profit or loss. This election is made on an investment-by-investment basis.

Debt instruments where the contractual cash flows are solely principal and interest and the objective of the Company's business model is achieved both by collecting contractual cash flows and selling financial assets.

**Notes to the financial statements
for the year ended 31 December 2018**

2 Summary of significant accounting policies (continued)

Changes in significant accounting policies (continued)

Initial recognition (continued)

Financial assets (continued)

Financial assets at fair value through profit or loss

All financial assets not classified as measured at amortised cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss.

Financial assets, at initial recognition, may be designated at fair value through profit or loss, if the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognizing gains or losses on them on a different basis.

Financial liabilities

Financial liabilities are classified as measured at amortised cost or fair value through profit or loss. A financial liability is classified as at fair value through profit or loss if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition.

Financial liabilities, at initial recognition, may be designated at fair value through profit or loss if the following criteria are met:

- a) The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognising gains or losses on them on a different basis;
- b) The liabilities are part of a Company of financial liabilities which are managed and their performance evaluated on fair value basis, in accordance with a documented risk management strategy; or
- c) The financial liability contains an embedded derivative that would otherwise need to be separately recorded.

Financial liabilities at fair value through profit or loss are measured at fair value and net gains and losses, including any interest expense, are recognised in the statement of profit or loss.

Subsequent measurement and gain or losses

Financial assets

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in the statement of profit or loss. Any gain or loss on derecognition is recognised in the statement of profit or loss.

Financial assets at fair value through other comprehensive income

a) Debt instruments

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in the statement of profit or loss. Other net gains and losses are recognised in the statement of other comprehensive income. On derecognition, gains and losses accumulated in the statement of other comprehensive income are reclassified to the statement of profit or loss.

**Notes to the financial statements
for the year ended 31 December 2018**

3 Changes in accounting policies (continued)

Subsequent measurement and gain or losses (continued)

b) Equity instruments

These assets are subsequently measured at fair value. Dividends are recognised as income in the statement of profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in the statement of other comprehensive income and are never reclassified to the statement of profit or loss.

Financial assets at fair value through profit or loss

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in the statement of profit or loss.

Financial liabilities

Financial liabilities are subsequently measured at amortised cost using the effective interest method, if applicable. The effective interest method is the method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability to the net carrying amount on initial recognition.

Interest expense and foreign exchange gains and losses are recognised in the statement of profit or loss. Any gain or loss on derecognition is also recognised in the statement of profit or loss.

Reclassification

Financial assets

Company only reclassify financial assets if, and only if, the objective of the business model for managing those financial assets is changed. Such changes are expected to be very infrequent as these changes must be significant to the Company's operations and demonstrable to external parties.

Company determines that its business model has changed in a way that is significant to its operations, than it reclassifies all affected assets prospectively from the first day of the next reporting period (the reclassification date). Prior periods are not restated.

**Notes to the financial statements
for the year ended 31 December 2018**

3 Changes in accounting policies (continued)

Financial liabilities

Company determines the classification of financial liabilities on initial recognition. Subsequent reclassification is not allowed.

Modifications of financial assets and financial liabilities

Financial assets

If the terms of a financial asset are modified, the Company evaluates whether the cash flows of the modified asset are substantially different. If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value.

If the cash flows of the modified asset carried at amortised cost are not substantially different, then the modification does not result in derecognition of the financial asset. In this case, the Company recalculates the gross carrying amount of the financial asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in the statement of profit or loss.

Financial liabilities

If the terms of a financial liability are modified and the cash flows of the modified liability are substantially different then, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in the statement of profit or loss.

Derecognition

Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a Company of similar financial assets) is derecognised when:

- a) The rights to receive cash flows from the asset have expired; or
- b) The Company retains the right to receive cash flows from the asset, but assumes an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or
- c) The Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

**Notes to the financial statements
for the year ended 31 December 2018**

3 Changes in accounting policies (continued)

Derecognition (continued)

Financial assets (continued)

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognized) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in the statement of other comprehensive income is recognised in the statement of profit or loss.

From 1 January 2017, any cumulative gain/loss recognised in the statement of other comprehensive income in respect of equity instrument designated as fair value through other comprehensive is not recognised in the statement of profit or loss on derecognition of such instrument. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Company is recognised as a separate asset or liability.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of the Company's continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Notes to the financial statements
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3 Changes in accounting policies (continued)

Impairment of financial asset

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' ('ECL') model. This requires considerable judgement about how changes in economic factors affect expected credit losses, which will be determined on a probability-weighted basis.

The Company recognises loss allowances for ECLs on financial assets measured at amortised cost.

Measurement of loss allowances

The Company measures loss allowances on either of the following bases:

The financial assets at amortized cost consist of trade receivables and cash and cash equivalents. Under IFRS 9, loss allowances are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

The Company measures loss allowances for trade receivables at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since the initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

The Company assumes that the credit risk on a financial asset has significantly increased since initial recognition and while estimating expected credit loss, when there is objective evidence or indicator for the financial assets. Examples of such indicators include:

- Significant financial difficulty of the borrower or issuer;
- Delinquency by borrower;
- Restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a borrower or issuer will enter bankruptcy;
- The disappearance of an active market for a security (if any); or
- If it past due for more than 30 days.

IFRS 9 does not define the term 'default', but instead requires each entity to do so. The definition has to be consistent with that used for internal credit risk management purposes for the relevant financial instrument, and has to consider qualitative indicators – e.g. breaches of covenants – when appropriate.

The Company considers a financial asset to be in default when the counter party is unlikely to pay its credit obligations to the Company in full (based on indicator above), without recourse by the Company to actions such as realising security (if any is held); or the financial asset is more than 90 days past due.

Notes to the financial statements
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3 Changes in accounting policies (continued)

Measurement of loss allowances (continued)

Lifetime expected credit losses: These losses are the expected credit losses that result from all possible default events over the expected life of a financial instrument, if there is significant increase in credit risk or under simplified approach 12-month expected credit losses: These losses are the portion of expected credit losses that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Company is exposed to credit risk. An asset is credit-impaired if one or more events have actually occurred and have a detrimental impact on the estimated future cash flows of the asset.

The term 'significant increase in credit risk' is not defined in IFRS 9. An entity decides how to define it in the context of its specific types of instruments. An entity assesses at each reporting date whether the credit risk on a financial instrument has increased significantly since initial recognition. To make the assessment, an entity considers changes in the risk of default instead of changes in the amount of expected credit losses.

An entity assesses whether there has been a significant increase in credit risk at each reporting date. The impairment model in IFRS 9 is symmetrical, and assets can move into and out of the lifetime expected credit losses category.

To be 'significant', a larger absolute increase in the risk of default is required for an asset with a higher risk of default on initial recognition than for an asset with a lower risk of default on initial recognition. Expected credit losses are a probability-weighted estimate of credit losses.

Financial assets that are not credit-impaired at the reporting date

Measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive).

Financial assets that are credit-impaired at the reporting date

Measured as the difference between the gross carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. Any adjustment is recognised in the statement of profit or loss as an impairment gain or loss.

Presentation of expected credit losses

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets and is charged to the statement of profit or loss.

Write - off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

Notes to the financial statements
for the year ended 31 December 2018

3 Changes in accounting policies (continued)

Accounting policies applied until 31 December 2017

Impairment

At each reporting date, the Company reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment is recognised immediately in statement of profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount and the increase is recognised as income immediately, provided that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised earlier.

An assessment is made at each reporting date to determine whether there is an objective evidence that a specific financial asset may be impaired. If such evidence exists, any impairment loss is recognised in the statement of profit or loss. Impairment is determined as follows:

- (a) For assets carried at fair value, impairment is the difference between cost and fair value, less any impairment loss previously recognised in the statement of profit or loss;
- (b) For assets carried at cost, impairment is the difference between carrying value and the present value of future cash flows discounted at the current market rate of return for a similar financial asset;
- (c) For assets carried at amortised cost, impairment is the difference between carrying amount and the present value of future cash flows discounted at the original effective interest rate.

i. Financial assets:

A financial asset (or, where applicable a part of a financial asset or part of a Company of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired; or
- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and
- Either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

ii. Financial liabilities:

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in statement of profit or loss.

Notes to the financial statements
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3 Changes in accounting policies (continued)

Financial instruments

Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables. Cash and cash equivalents comprise cash balances and deposits with original maturity not greater than three months. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition, non-derivative financial instruments are measured at amortized cost using the effective interest method, less any impairment losses.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, on IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programs.

IFRS 15 is effective from annual periods beginning on or after 1 January 2018. The Company has completed review of the potential impact of the adoption of IFRS15 on its financial statements. The company adopted IFRS 15 from 1 January 2018 and there is no significant impact on the adoption of IFRS 15.

As the application of IFRS 15 has no impact on the financial statements, the Company has not made any adjustments to the statement of financial position as at 1 January 2018.

The Company applies IFRS 15 with effect from 1 January 2018. As a result, the Company has applied the following accounting policy in the preparation of its financial statements.

For contracts determined to be within the scope of revenue recognition, the Company is required to apply a five-step model to determine when to recognise revenue, and at what amount.

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.

Notes to the financial statements
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3 Changes in accounting policies (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.

Variable consideration

Variable consideration amounts are estimated at either their expected value or most likely amount and included in revenue to the extent that it is highly probable that the revenue will not reverse.

Significant financing component

Company evaluates significant financing component, if the period between customer payment and the transfer of goods/ services (both for advance payments or payments in arrears) is more than one year. Company adjusts the promised amount of consideration for the time value of money using an appropriate interest rate reflecting the credit risk.

Contract modification

A contract modification occurs when the Company and the customer approve a change in the contract that either creates new enforceable rights and obligations or changes the existing enforceable rights and obligations. Revenue related to a modification is not recognised until it is approved. Approval can be in writing, oral, or implied by customary business practices.

Company treats the contract modification as a separate contract if it results in the addition of a separate performance obligation and the price reflects the standalone selling price of that performance obligation. Otherwise, a modification (including those that only affect the transaction price) is accounted for as an adjustment to the original contract, either prospectively or through a cumulative catch-up adjustment.

Company accounts for a modification prospectively if the goods or services in the modification are distinct from those transferred before the modification. Conversely, the Company accounts for a modification through a cumulative catch-up adjustment if the goods or services in the modification are not distinct and are part of a single performance obligation that is only partially satisfied when the contract is modified.

Notes to the financial statements
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3 Changes in accounting policies (continued)

Cost of obtainment and fulfilment

Company capitalises incremental costs to obtain a contract with a customer except if the amortisation period for such costs is less than one year.

If the costs incurred in fulfilling a contract with a customer are not in the scope of other guidance - e.g. inventory, intangibles, or property, plant and equipment - then the Company recognises an asset only if the fulfilment costs meet the following criteria:

- Relate directly to an existing contract or specific anticipated contract;
- Generate or enhance resources that will be used to satisfy performance obligations in the future; and
- Are expected to be recovered.

If the costs incurred to fulfil a contract are in the scope of other guidance, then Company accounts for such costs using the other guidance.

Company amortises the asset recognised for the costs to obtain and/or fulfil a contract on a systematic basis, consistent with the pattern of transfer of the good or service to which the asset relates. In the case of an impairment, Company recognises these losses to the extent that the carrying amount of the asset exceeds the recoverable amount.

Revenue from sale of goods

The Company manufactures and sells steel products which are used in various industries. Sales are recognised when control of the products is transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Revenue from the sale is recognised in the statement of profit or loss on when the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

Accounting policies applied until 31 December 2017

Revenue represents income from services provided. Revenue from services is recognised when the services are rendered and are spread over the period of the contract.

3 New standards and interpretations not yet adopted

IFRS 16 Leases

The Company is required to adopt IFRS 16 Leases from 1 January 2019. The Company has assessed the estimated impact that initial application of IFRS 16 will have on its financial statements.

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

IFRS 16 replaces existing leases guidance, including 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.

**Notes to the financial statements
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4 New standards and interpretations not yet adopted (continued)

i. Leases in which the Company is a lessee

The Company will recognise new assets and liabilities for its operating leases of production site facilities. The nature of expenses related to those leases will now change because the Company will recognise a depreciation charge for right-of-use assets and interest expense on lease liabilities. Previously, the Company recognised as an expense in the statement of profit or loss on a systematic basis representing the time pattern of the Company's benefit. In addition, the Company will no longer recognise provisions for operating leases that it assesses to be onerous. Instead, the Company will include the payments due under the lease in its lease liability.

The Company is assessing the potential impact of the above stated new standards, amendments and the improvements.

ii. Transition

The Company plans to apply IFRS 16 initially on 1 January 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information.

The Company plans to apply the practical expedient to grandfather the definition of a lease on transition. This means that it will apply IFRS 16 to all contracts entered into before 1 January 2019 and identified as leases in accordance with IAS 17 and IFRIC 4.

5 Critical accounting 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

***Impairment allowance - Measurement of the expected credit losses allowance applicable
From 1 January 2018***

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.

Notes to the financial statements
for the year ended 31 December 2018

5 Critical accounting estimates and judgments (continued)

Impairment allowance - Measurement of the expected credit losses allowance
Until 31 December 2018

An estimate of the collectible amount of trade 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.

i. 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.

ii. 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.

iii. 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.

iv. 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.

Notes to the financial statements
for the year ended 31 December 2018

6 SIGNIFICANT ACCOUNTING POLICIES

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

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 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 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 income on a straight-line basis over the estimated useful lives of property, plant and equipment as follows:

	Years
Buildings	40
Plant and machinery	1 to 25
Office equipment, furniture and fittings	6 to 10
Vehicles	4

Moulds are depreciated by applying an average rate based on the number of bottles attempted per mould with the maximum life of 5 years.

Intangible assets

Cost of software are stated at cost and amortised in equal instalments over the estimated period of benefit of 4 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.

Notes to the financial statements
for the year ended 31 December 2018

6 SIGNIFICANT ACCOUNTING POLICIES (continued)

Accounts and other receivables

Accounts and other receivables are stated at amortised cost less impairment losses. An allowance for credit losses for accounts or other 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.

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 borrowings.

Foreign currency transactions

Foreign currency transactions are translated into Omani Rials at the exchange rate prevailing on the transaction date. Foreign currency monetary assets and liabilities are translated into Rials Omani at the exchange rate prevailing at the end of the reporting period. Exchange differences arising are taken to the statement of income.

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 under Royal Decree number 35 / 2003 applicable to non-Omani employees' accumulated periods of service at the end of the reporting period.

Accounts payable and accruals

Liabilities are recognised for amounts to be paid for goods and service received, whether or not billed to the Company.

Operating leases

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

Notes to the financial statements
for the year ended 31 December 2018

6 SIGNIFICANT ACCOUNTING POLICIES (continued)

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 in relation to carry forward losses or timing differences are recognized to the extent that it is probable that future taxable profits will be achieved.

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, 1974 (as amended) 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, 1974 (as amended), and other relevant directives issued by CMA, in regard to determination of the amount to be paid as Directors' remuneration and meeting attendance fees. Directors' remuneration and meeting attendance fees are charged to the statement of income in the year to which they relate.

Notes to the financial statements
for the year ended 31 December 2018

7 PROPERTY, PLANT AND EQUIPMENT

The balances and movements of property, plant and equipment are set out on pages 44 and 45.

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

	2018 RO	2017 RO
Direct depreciation	1,734,939	1,777,354
Expenses	34,377	50,358
	1,769,316	1,827,712

b) The factory premises are located on land leased from the Public Establishment for Industrial Estate, Sohar [refer note 26)].

c) Certain plant and machinery have been mortgaged with the local commercial bank against term loan and other facilities obtained (note 11 and 12).

8 INTANGIBLE ASSETS

The intangible assets pertain to cost of software purchased during the year.

	2018 RO	2017 RO
Cost		
Additions during the year and at the end of the year	19,111	22,965
Amortisation		
Charge for the year and at the end of the year	6,016	3,854
Net book value		
At the end of the year	15,495	19,111

9 INVENTORIES

	2018 RO	2017 RO
Raw materials	222,180	267,786
Spares and consumables	1,231,663	1,232,419
Finished goods	2,501,113	3,718,751
Work in progress	19,111	13,216
Packing materials	97,643	86,170
Others	52,390	88,780
	4,124,099	5,407,122
Less: Provision for slow and non-moving inventories	(251,928)	(144,896)
Total	3,872,171	5,262,226

Notes to the financial statements
for the year ended 31 December 2018

9 INVENTORIES (continue)

The following notes apply:

- a) The movement in the provision for slow and non-moving inventories is given below:

	2018 RO	2017 RO
At the beginning of the year	144,896	939,813
Provided during the year	107,032	(638,758)
Written back during the year (note 19)	-	(156,159)
At the end of the year	251,928	144,896

- b) During the year the Company have written off inventory amounting to RO 375,741, which have been become absolute due to the rains.

10 ACCOUNTS AND OTHER RECEIVABLES

	2018 RO	2017 RO
Accounts receivable	1,926,136	863,580
Amounts due from related parties (note 17)	204,328	123,259
Less: allowance for expected credit losses [see note a) below]	(48,657)	(9,741)
	2,081,807	977,098
Advances to suppliers	23,018	26,739
Advance for capital purchases	--	184,344
Other receivables	37,828	107,871
Total	2,142,653	1,296,052

- a) The movement in allowance for expected credit losses is given below:

	2018 RO	2017 RO
As at 1 January 2018 as previously reported	9,741	14,709
Adjustment from adoption of IFRS 9	20,885	--
Adjusted balance as at 1 January 2018	30,626	14,709
Provided during the year (note 20)	19,547	1,215
Written back during the year (note 19)	(1,516)	(6,183)
At the end of the year	48,657	9,741

- a) At the end of the reporting period, 5 customers account for 70% of the total accounts receivable and 38% of sales during the year (2017 – 5 customers accounted for 71% of accounts receivable and 41% of sales).

Notes to the financial statements
for the year ended 31 December 2018

10 ACCOUNTS AND OTHER RECEIVABLES (continue)

- b) The amounts are considered by the Company to be due after 60 days from the date of invoice. The age analysis of gross trade receivables is as follows:

	2018 RO	2017 RO
Less than 60 days	1,200,563	661,870
Between 61-120 days	675,959	183,285
Between 121-150 days	136,169	19,851
More than 151 days	117,773	121,833
	<u>2,130,464</u>	<u>986,839</u>

- c) As at 31 December 2018, 2017 the entire accounts and other receivables are unsecured.

11 BANK BALANCES AND CASH

	2018 RO	2017 RO
Cash in hand	3,349	4,492
Bank balances	548	433
Total	<u>3,897</u>	<u>4,925</u>

12 SHARE CAPITAL

- a) The authorized share capital is RO 5,000,000 comprising 50,000,000 shares of 100 baiza each (2017 – RO 5,000,000 comprising 50,000,000 shares of 100 baiza each). The issued and paid up share capital is RO 4,202,330 (2017 – RO 4,202,330) comprising 42,023,300 shares of 100 baiza each (2017 – 42,023,300 shares of 100 baiza each).
- b) At the end of the year, shareholders of the Company who own 10% or more of the shares, and the number of shares they hold are shown as below:
- c) During the year 2018, the shares held by Ministry of Finance transferred 31,625,000 shares with a percentage ownership of 75.26% to Oman investment fund

	2018		2017	
	Number of shares	% holding	Number of shares	% holding
Oman investment fund	31,625,000	75.26%	--	--
Ministry of Finance	--	--	31,625,000	75.26%

Notes to the financial statements
for the year ended 31 December 2018

13 LEGAL RESERVE

The Commercial Companies Law of the Sultanate of Oman, 1974 (as amended) requires 10% of the net profit for the year to be transferred to the legal reserve. The Company may resolve to discontinue such annual transfers when the reserve equals one third of the Company's paid up capital. The reserve is not available for distribution. No transfer to legal reserve has been made during the year, since the Company has incurred a loss for the year.

Legal reserve includes the excess of "share expenses" amounting to RO 9,335 (2017 – RO 9,335) received from public subscription over expenses incurred in accordance with the Company's Articles of Association.

14 ACCOUNTS AND OTHER PAYABLES

	2018 RO	2017 RO
Accounts payable	2,451,696	1,664,596
Creditors for capital purchases	14,085	721,703
Amounts due to related parties (note 17)	17,760	61,292
Accruals	449,309	256,159
Advance from customers	207,816	108,447
Other payables	355,808	219,901
Total	3,496,474	3,032,098

15 TERM LOAN

	2018 RO	2017 RO
Term loan	2,318,742	300,370
Less: current portion of term loan	(498,897)	(46,335)
Non-current portion of term loan	1,819,845	254,035

Notes to the financial statements
for the year ended 31 December 2018

15 TERM LOAN (continued)

The following further notes apply:

- a) During the year, The Company signed a term loan agreement amounting to RO 1.35 million with a local commercial bank. The loan carries interest at 7.75% per annum and is repayable in 72 equal yearly instalments. The loan is secured by leased 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 and the loan is secured also in pari-passu with other local bank of RO. 1.5 million on existing plant and machinery.
- b) During the year 2017, The Company signed a term loan agreement amounting to RO 1.5 million with a 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 irrevocable assignment of payments / receivables from the Company's existing major customers, and a commercial mortgage over machinery, equipment with book value of RO 1.5 million, also the insurance of the assets financed shall continue in the favour to the bank.
- c) 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 2018, the Management believes that the bank is unlikely to demand for the immediate settlement of the dues or withdraw facilities.

- d) The undiscounted cash flow for the term loan is as follows:

	2018 RO	2017 RO
Between 1 and 2 years	1,017,436	102,752
Between 2 and 5 years	926,650	166,525
	1,944,086	269,277

16 BANK BORROWINGS

	2018 RO	2017 RO
Loan against trust receipts	870,358	879,700
Bill discounting	68,000	1,127,177
Bank overdrafts	968,410	1,525,367
Total	1,906,768	3,532,244

The following further notes apply:

- a) Bank borrowings are obtained from local commercial banks and carry interest at commercial rates.
- b) Bank borrowings are secured by the following:
 - Assignment of certain accounts receivable and amounts due from a related party;
 - Commercial mortgage over machinery and other assets; and
 - Assignment of the insurance policies of the assets financed in favor of the bank.

Notes to the financial statements
for the year ended 31 December 2018

17 RELATED PARTY TRANSACTIONS

- a) 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.

The related party transactions during the year were as follows:

	2018 RO	2017 RO
Sales	800,472	1,046,442
Cost of sales	21,349	54,501
Other income	26,200	25,100

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

	2018 RO	2017 RO
Short term employment benefits	237,733	197,658
Employees' end of service benefits	7,183	6,502
Directors' remuneration	—	26,200
Directors' meeting attendance fees	21,800	23,800
	<u>266,716</u>	<u>254,160</u>

- c) During 2018, 2017 the amount due from related parties and amounts due 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:

	2018 RO	2017 RO
<i>Due from related parties:</i>		
AATCO Food Industries LLC	169,323	88,560
AATCO Food Industries	35,005	34,699
	<u>204,328</u>	<u>123,259</u>
<i>Due to related parties:</i>		
AATCO Food Industries	—	—
Towell Auto Centre LLC	17,760	35,092
Directors' remuneration [refer note d) above]	—	26,200
	<u>17,760</u>	<u>61,292</u>

Notes to the financial statements
for the year ended 31 December 2018

18 COST OF SALES

	2018 RO	2017 RO
Materials and spares consumed	3,858,319	1,586,998
Fuel, electricity and water	1,665,924	1,589,341
Salaries and employee related costs [note 23 a)]	1,509,959	1,499,591
Rent	116,955	116,955
Provision for slow and non-moving inventories [note 9 b)]	107,032	--
Depreciation	1,734,939	1,777,354
Repairs and maintenance	63,622	127,416
Hire charges	360	3,566
Total	9,057,110	6,701,221

19 OTHER INCOME

	2018 RO	2017 RO
Amounts no longer payable reversed to income	72,064	91,189
Provision for slow and non-moving inventories written back [note 9 b)]	--	156,159
Sale of scrap	36,000	36,145
Income from insurance claim	2,217	32,563
Allowance for credit losses written back [note 10 a)]	1,516	6,183
Gain on disposal of property, plant and equipment	1,100	5,347
Directors' remuneration no longer payable reversed	26,200	25,100
Foreign exchange gain	24,118	--
Total	163,215	352,686

20 GENERAL AND ADMINISTRATION

	2018 RO	2017 RO
Salaries and employee related costs [note 21 a)]	604,697	546,378
Insurance	89,274	66,531
Foreign exchange loss	--	43,113
Directors' meeting attendance fees [note 17 d)]	21,800	23,800
Travelling	48,064	23,290
Professional fees	32,675	22,245
Communication	23,468	19,253
Receivables written off	--	12,994
Information technology	15,702	8,886
Vehicle expenses	6,757	6,644
Allowance for credit losses [note 10 a)]	19,547	1,215
Recruitment expenses	15,571	516
Directors' remuneration [note 17 d)]	--	26,200
Rent	--	--
Miscellaneous expenses	83,805	50,775
Total	961,360	851,840

Notes to the financial statements
for the year ended 31 December 2018

21 SELLING AND DISTRIBUTION

	2018 RO	2017 RO
Freight charges	711,692	449,422
Sales commission	87,185	41,528
Site inspection expenses	23,000	714
Other expenses	13,024	6,424
Total	834,901	498,088

22 FINANCE COSTS

	2018 RO	2017 RO
Interest on bank borrowings	188,240	135,408
Interest on term loan	78,525	370
Letter of credit charges	1,813	541
Bank charges	59,259	42,351
Total	327,837	178,670

23 SALARIES AND EMPLOYEE RELATED COSTS

- a) Salaries and employee related costs are allocated as follows:

	2018 RO	2017 RO
Cost of sales (note 18)	1,509,959	1,499,591
General and administration (note 20)	604,697	546,378
Total	2,114,656	2,045,969

Salaries and employee related costs allocation for the year 2018 is based on cost centres as compared to cost centres for the year 2017.

- b) Salaries and employee related costs comprise:

	2018 RO	2017 RO
Salaries and wages	1,738,445	1,654,161
Contributions to defined retirement plan for Omani employees	55,910	54,172
Cost of end of service benefits for expatriate employees	40,027	56,255
Other employee related costs	280,273	281,381
Total	2,114,656	2,045,969

- c) End of service benefits as at 31 December 2018 is as follows:

	2018 RO	2017 RO
At the beginning of the year	280,380	246,756
Charge during the year	40,027	56,255
Paid during the year	(39,124)	(22,631)
At the end of the year	281,284	280,380



Notes to the financial statements
for the year ended 31 December 2018

24 TAXATION

	2018 RO	2017 RO
Statement of income		
Current tax:		
- Current year	-	-
- Prior year charge	-	2,436
Deferred tax credit	(392,049)	(218,849)
Taxation credit	(392,049)	(216,413)
	2018 RO	2017 RO
Statement of financial position		
<i>Non-current asset</i>		
Deferred taxation	691,267	299,218
Statement of changes in equity		
Equity	3,133	-
<i>Current liability</i>		
Current taxation	-	-

The following further notes apply:

- Taxation is provided at 15% (2017 – 15%) on the profit for the year adjusted for taxation purposes.
- The Tax assessment has been agreed with the Secretariat General for Taxation ('SGT') for all periods up to 31 December 2014. The assessments for tax years 2015 to 2017 have not been completed up by the SGT. The Management considers that the amount of additional taxes, if any, that may become payable on finalisation of the open tax years would not be material to the Company's financial position as on 31 December 2018.

Notes to the financial statements
for the year ended 31 December 2018

24 TAXATION (Continued)

- c) The deferred tax asset and the deferred tax credit in the statement of income are attributable to the following items:

	Carried forward losses RO	Provisions RO	Accelerated capital allowances RO	Total RO
At 1 January 2017	--	(114,542)	34,173	(80,369)
Credited to the statement of income	(222,481)	91,346	(87,714)	(218,849)
At 31 December 2017	(222,481)	(23,196)	(53,541)	(299,218)
	(222,481)	(23,196)	(53,541)	(299,218)
At 1 January 2018				
Credited to the statement of income	(279,002)	(18,765)	(94,282)	(392,049)
Credited to the equity	--	(3,133)	--	(3,133)
At 31 December 2018	(501,483)	(45,094)	(147,823)	(694,400)

- d) The deferred tax impact in the statement of income for the year attributable to change in tax rate is not applicable (2017 – RO 20,092).

25 LOSS PER SHARE AND NET ASSETS PER SHARE

a) Loss per share

Loss per share is calculated by dividing the net loss for the year by the weighted average number of shares outstanding during the year as follows:

	2018	2017
Net loss for the year (RO)	(2,219,507)	(1,142,606)
Number of shares outstanding at 31 December 2018	42,023,300	42,023,300
Loss per share (RO)	(0.053)	(0.027)

As there are no dilutive potential shares, the diluted loss per share is identical to the loss per share.

b) 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 as follows:

	2018	2017
Net assets (RO)	4,853,139	7,090,402
Number of shares outstanding at 31 December 2018	42,023,300	42,023,300
Net assets per share (RO)	0.115	0.169

Notes to the financial statements
for the year ended 31 December 2018

26 COMMITMENTS

- a) 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 18 December 2021, which is renewable thereafter for a further period of 25 years. Accordingly, at the end of the reporting period, the lease commitments were as follows:

	2018 RO	2016 RO
Due within one year	116,955	116,955
Due after one year but within five years	214,418	331,373
	<u>331,373</u>	<u>448,328</u>

- b) At the end of the reporting period, the Company had no outstanding capital commitments (2017 - RO 111,538)

27 FINANCIAL RISKS AND CAPITAL MANAGEMENT

Financial instruments carried on the statement of financial position comprise cash and cash equivalents, trade and other receivables, trade and other payables and bank borrowings.

Financial risk factors

Overview

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

The Company's overall risk Management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Company. Risk management is carried out by the Management under policies approved by the Board of Directors ("the Board").

(i) 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.

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:

	2018 RO	2017 RO
Trade receivables (net) and other receivables	2,142,653	1,296,052
Bank balances	3,897	4,925
	<u>2,146,550</u>	<u>1,300,977</u>

Notes to the financial statements
for the year ended 31 December 2018

27 FINANCIAL RISKS AND CAPITAL MANAGEMENT (continued)

Financial risk factors (continued)

(i) Credit risk (continued)

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.

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

Oman	Weighted average loss rate %	Gross amount RO	Loss allowance RO	Net carrying amount RO	Credit impaired
31 December 2018					
Less than 60 days	0.07%	195,069	130	194,939	No
Between 61-90 days	0.17%	136,360	235	136,125	Yes
Between 91-300 days	4.07%	3,555	145	3,410	Yes
More than 300 days	0.00%	-	-	-	Yes
		334,984	510	334,474	

Notes to the financial statements
for the year ended 31 December 2018

Financial risk factors (continued)

(i) Credit risk (continued)

GCC	Weighted average loss rate %	Loss carrying amount RO	Loss allowance RO	Net carrying amount RO	Credit impaired
31 December 2018					
Less than 60 days	1.94%	342,765	6,638	336,127	No
Between 61-90 days	3.80%	426,838	16,220	410,618	Yes
Between 91-300 days	12.94%	11,943	1,545	10,398	Yes
More than 300 days	39.74%	56,710	22,539	34,171	Yes
		838,256	46,942	791,314	

Others	Weighted average loss rate %	Loss carrying amount RO	Loss allowance RO	Net carrying amount RO	Credit impaired
31 December 2018					
Less than 60 days	0.11%	662,503	725	661,778	No
Between 61-90 days	0.32%	248,930	796	248,134	Yes
Between 91-300 days	2.63%	45,791	1,200.00	44,591	Yes
More than 300 days	0.00%	-	-	-	Yes
		957,224	2,721	954,503	

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

Notes to the financial statements
for the year ended 31 December 2018

(ii) 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.

The table below analyses the Company's financial liabilities into relevant maturity based on the remaining year at the reporting date to the contractual maturity date:

At 31 December 2018	Carrying amount RO	Contractual amount		
		Within 6 month RO	7 to 1 year RO	more than 1 year RO
Bank borrowings	4,225,510	2,405,665	--	1,819,845
Trade and other payables	3,496,474	3,496,474	--	--
	7,721,984	5,902,139	--	1,819,845

At 31 December 2017	Carrying amount RO	Contractual amount		
		Within 6 month RO	7 to 1 year RO	more than 1 year RO
Bank borrowings	3,832,614	3,532,244	46,335	254,035
Trade and other payables	3,032,098	3,032,098	-	--
	6,864,712	6,564,342	46,335	254,035

(iii) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange 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.

Foreign exchange 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.

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 profit or loss will be approximately to RO 3,500 (31 December 2017: RO 200) based on the level of borrowing net of call deposits at the reporting date.

Notes to the financial statements
for the year ended 31 December 2018

28 OPERATING SEGMENT

The Company has only one reportable segment that of manufacturing and sale of empty glass containers. The geographical information for the sales and accounts receivable and due from related parties for the reportable segment is as follows:

	2018		2017	
	Accounts receivable and due		Accounts receivable and due	
	Sales RO	from related parties RO	Sales RO	from a related parties RO
Local	2,243,184	334,984	2,230,965	436,884
GCC	2,416,270	838,256	1,527,572	415,228
Others	4,163,117	957,224	2,853,887	134,728
	8,822,571	2,130,463	6,612,424	986,839

29 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.

30 Subsequent event

On 20 January 2019, during the Ordinary General Meeting, shareholders approved the audit committee and the board of director's resolution for Shareholder loan of 1.80 Million Rial Omani at from Oman Investment fund.

31 COMPARATIVES

The following comparative figure has been reclassified to conform to the current year presentation adopted in these financial statements.

Description	Amount in RO	Head of account in financial statements for the year ended 31 December 2018	Head of account in financial statements for the year ended 31 December 2017
Profit and loss account			
Provision for impairment	9,741	Provision for impairment	General and administrative expenses

Notes to the financial statements
for the year ended 31 December 2018

7 PROPERTY, PLANT AND EQUIPMENT (Continued)

Year 2018	Buildings RO	Plant and machinery RO	Office equipment, furniture and fittings RO	Vehicles RO	Moulds RO	Capital work in progress RO [note 5 e)]	Total RO
Cost							
At 31 December 2017	1,463,337	19,994,301	356,916	96,894	1,001,387	333,322	23,246,157
Additions during the year	15,787	3,075	10,052	--	259,373	242,571	530,858
Transfers during the year	141,875	434,018	--	--	--	(575,893)	--
Disposal during the year	--	--	--	(16,960)	--	--	(16,960)
At 31 December 2018	1,620,999	20,431,394	366,968	79,934	1,260,760	--	23,760,055
Depreciation							
At 31 December 2017	313,602	14,629,315	284,853	76,260	737,403	--	16,041,433
Charge for the year	38,980	1,455,495	26,874	7,503	240,470	--	1,769,321
Relating to disposal	--	--	--	(16,960)	--	--	(16,960)
At 31 December 2018	352,582	16,084,810	311,727	66,803	977,869	--	17,793,794
Net book values							
At 31 December 2018	1,268,417	4,346,584	55,241	13,131	282,891	--	5,966,261
At 31 December 2017	1,149,735	5,364,986	72,063	20,634	263,984	333,322	7,204,724

**Notes to the financial statements
for the year ended 31 December 2018**

7 PROPERTY, PLANT AND EQUIPMENT (Continued)

Year 2017	Buildings RO	Plant and machinery RO	Office equipment, furniture and fittings RO	Vehicles RO	Moulds RO	Capital work in progress RO [note 5 e)]	Total RO
Cost							
At 31 December 2016	1,463,337	17,382,228	297,518	87,860	811,751	1,159,411	21,202,105
Additions during the year	--	141,992	18,723	20,834	206,491	1,685,917	2,073,957
Transfers during the year	--	2,470,081	41,925	--	--	(2,512,006)	--
Disposal during the year	--	--	(1,250)	(11,800)	(16,855)	--	(29,905)
At 31 December 2017	1,463,337	19,994,301	356,916	96,894	1,001,387	333,322	23,246,157
Depreciation							
At 31 December 2016	277,019	13,102,045	249,905	73,877	527,078	--	14,229,924
Charge for the year	36,583	1,527,270	36,175	14,183	213,501	--	1,827,712
Relating to disposal	--	--	(1,227)	(11,800)	(3,176)	--	(16,203)
At 31 December 2017	313,602	14,629,315	284,853	76,260	737,403	--	16,041,433
Net book values							
At 31 December 2017	1,149,735	5,364,986	72,063	20,634	263,984	333,322	7,204,724
At 31 December 2016	1,186,318	4,280,183	47,613	13,983	284,673	1,159,411	6,972,181

