

REPORT OF THE BOARD OF DIRECTORS

Dear Shareholders,

On behalf of the Board of Directors, I welcome you to the 23rd Annual General Meeting of your Company to present and discuss the Annual Report and Audited Financial Statements for the year ended on 31st December 2018.

The world today is facing diverse challenges and slowdown in some of our markets. In these times of uncertainty, we are gearing up and management has taken decisive steps to face the challenges and reenergize our business.

Financial Results and Company Performance:

Strategy during 2018:-

The Year 2018 saw a major change on not only the ownership and shareholding of the company but also in the top executive management of the company

During March 2018 during the Annual General Meeting, Oman Investment Fund (a sovereign wealth fund of the Government of Oman) took over the majority shareholding of the company and bought in qualified and experienced professionals as Directors representing them. There on by July 2018 qualified professionals were inducted in the areas of Production, Quality Control, Marketing, Procurement and overall General Management.

The new management and the Board after reviewing the operational and market scenario took a strategic decision for the period July 2018 to Dec 2018 of synchronizing its production according to the sales, which resulted in slowing down of production but improving the cash flow position in terms of reduction in liabilities. However, there was an adverse impact on the bottom line due to under recovery of overheads.

In addition, the above step resulted in reduction in the volume of stocks from 117 million empty containers at the beginning of the year to 77 million empty containers at the year-end, a reduction of 34% in inventory volumes.

Performance Highlights:-

Sales Volume for the year 2018 were at 282.411 million of Empty Glass Containers as against Sales Volume of 203.267 million during year 2017, an increase in sales volume by 39%.

Sales volume during July 2018 to Dec 2018 was 165.211 million of empty containers as against 91.824 million empty containers for the same period in the previous year an increase by 80%

Sales Revenue recorded at RO 8.822 Million versus RO 6.612 Million during year 2017, an increase in sales by 33%.

The key reasons affecting the sales revenue are:

- Regaining of some of the premier customers during the 3rd quarter of the year.
- Addition of new customers during the second half of the year.
- Additional volumes because of positive customer audits.

During the period July 2018 to Dec 2018 the Sales Revenue recorded at RO 5.214 million against RO 2.824 million for the same period in the previous year an increase by 85%

Production for year 2018, was 260 million of Empty Glass Containers against production of 239 million during year 2017 (increase in production by 9%).

Earnings before Interest, Depreciation, Tax, and Amortization (EBIDTA)

The recurring Earnings before Interest, Depreciation, Tax and Amortization (EBIDTA) is RO 59K for the period ended 31st Dec 2018 as against RO 608 K same period last year. The financials has also certain adjustments pertaining to year 2017, which have been accounted in the year 2018 the total impact of the same is RO 160K. In addition, the company has changed its inventory provisioning policy from the year 2018, which has resulted in additional impact of 93K. Also during the month of October 2018 Stocks worth 375K were damaged due to rain for which insurance claim has been filed and the company is awaiting the decision of the insurance company on the claim amount. The cost of loss of goods have been booked in the current year financials. All the above has resulted in the final (LBIDTA) Loss before Interest, Depreciation, Tax and Amortization for the period ending 31 Dec 2018 to an amount of 569K as against EBIDTA of 608K in the same period in the previous year.

Net Loss before tax for the year is RO 2,611K as against a Loss before tax of RO 1,359K in the previous year 2017.

Net loss after Tax for the current year is RO 2,219K as against Loss after tax of RO 1.142 K for the same period in the previous year 2017.

Dividend

After taking into consideration the financial performance and taking account of the cash flow requirements of the company for various capital expenditure envisaged for the year 2019 your directors do not recommend any dividend for the financial year ended 31 December 2018.

Customers and Suppliers

The Company is currently catering for all of the Empty Glass Container requirements of the Sultanate and exporting its products to Middle East and Asia but is also in the process of expanding its demographical base with new customers.

Majan Glass gives utmost importance to the quality of its products and is committed to supply top quality Glass Containers to its customers and ensure that the customers' requirements are met with and fulfilled.

We support, encourage and develop suppliers within the Sultanate of Oman. Supply base is extended to other major international suppliers always targeting competitive pricing and high quality standards.

Future Outlook:-

I am happy to mention that the current year order booking is good enough to secure almost its entire manufacturing capacity for 2019. Given the recent shifts in Global trade scenario, many international customers and distributors are looking at developing alternate sources of supply and have shown great keenness to work with Majan Glass with active projects. They have been reasonably impressed with the technical and quality improvements which have been implemented.

We expect operational improvements including increased output and increased efficiency. Our furnace rebuild has been completed giving us a positive and continuous uninterrupted production output.

The company is also focusing on diversifying its product/customer/geographical mix to make itself more resilient to offset the challenges in many economies of Middle East, the introduction of regional VAT and excise tax for carbonated beverages.

Corporate Social Responsibility:-

Company believes that giving back to society is extremely important. We provide monetary as well as intangible support and guidance to the organisations that are dedicated to improve the quality of life for the concerned people in the society and will continue to do so.

Internal Control:-

The Management is regularly reviewing the effectiveness of internal controls in discussion with the Audit Committee, Statutory Auditors and External Internal Auditor, in line with the approved company policy and the charter. The company presently has an External Internal Audit agency and an in-house internal audit assistant, which keeps on reviewing internal controls in various areas of operations under the

guidance of the Audit Committee. The Board of Directors are pleased to inform the shareholders that, in their opinion, an adequate and effective internal control system is in place.

Omanisation :

The Company is committed to recruiting and providing training to Omani employees to enable them to undertake responsibilities in various areas of Operations and Administration. During the year, the company committed and hovered at an Omanization percentage of around 35 %, however the omanisation percentage as at the end of 31 December 2018 was at 35.68%. The company has been organizing various training programs (On the Job and Off the Job) to increase the knowledge of employees on various relevant areas of operation.

Acknowledgements :-

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

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



Ali Mohammed Said Tabuk
Chairman

Dated: 20 February 2019



Annexure to Directors' Report 2018

Statistical Table showing dividend declared and paid during past five years

Particulars	2018	2017	2016	2015	2014
Net Profit/(Loss) before taxation (in RO '000)	(2,611)	(1,359)	(1,687)	(1,853)	(111)
Net Profit/(Loss) after taxation (in RO '000)	(2,219)	(1,143)	(1,488)	(1,622)	(65)
Dividend declared %	0 %	Proposed 0%	0%	10%	0%
Cash Dividend Amount (in RO'000)		-	-	420	-
Stock Dividend Amount in the form of free bonus shares (in RO'000)		-	-	-	-
Net Equity ('000)	4,853	7,090	8,232	10,140	11,764

Performance highlights

Particulars	Year 2018 (Audited)	Year 2017 (Audited)	Year 2016 (Audited)	Year 2015 (Audited)	Year 2014 (Audited)	%Variance 2018 v/s Year 2017
Production(Million Bottles)	260.911	239.006	253.260	276.124	276.946	9%
Sales(Million Bottles)	282.411	203.269	204.983	282.042	294.853	39%
Sales (RO'000)	8,822	6,644	7,430	9.827	9,427	33%
(L)/PBT (RO'000)	(2,611)	(1,359)	(1,687)	(1,853)	(111)	-92%