

GULF MUSHROOM PRODUCTS CO. SAOG

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2023**

Registered office and principal place of business:

PO Box 383, PC 320
Saqsooq, Barka
Sultanate of Oman

GULF MUSHROOM PRODUCTS CO. SAOG

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

<u>Contents</u>	<u>Pages</u>
Independent auditor's report	1 - 5
Statement of financial position	6
Statement of comprehensive income	7
Statement of changes in equity	8
Statement of cash flows	9
Notes to the financial statements	10 - 43

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF GULF MUSHROOM PRODUCTS CO. SAOG

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Gulf Mushroom Products Co. SAOG ('the Company'), which comprise the statement of financial position as at 31 December 2023, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2023, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ('IFRS Accounting Standards').

Basis for opinion

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

Key audit matters

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



**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
GULF MUSHROOM PRODUCTS CO. SAOG (continued)**

Report on the audit of the financial statements (continued)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Revenue recognition	
<p>We refer to the Company's material accounting policy information in note 3 and the revenue related disclosures in note 21 of the financial statements.</p> <p>International Standards on Auditing require us to consider the risk of fraud in revenue recognition. There is an inherent risk of fraud in revenue recognition given the voluminous revenue transactions and related discounts and rebates and consequently we have identified this as a key audit matter.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> • We obtained understanding of the Company's sales process and evaluated the design and implementation of the internal controls over revenue recognition and tested the operating effectiveness of controls. • We obtained understanding, compared and evaluated the Company's accounting policies against the requirements of IFRS Accounting Standards in relation to the nature of the business. • We reviewed the contracts that the Company has with its customers on a sample basis in order to understand their terms. • We performed test of details by verifying the supporting documents such as purchase orders, sales invoices, delivery notes acknowledged by the customers and payments received, to assess revenue recognition and recognition of trade receivables including transactions occurring at or near the year end. • We performed sales cut-off procedures by selecting a sample of invoices before and after year-end to determine whether revenue has been recognised in the appropriate period. • We obtained confirmations from customers of the balance owed by them at the reporting date, on a sample basis, and agreed the balances to the accounting records to ensure the completeness of the transactions recorded. • We evaluated the disclosures relating to revenue against the requirements of IFRS Accounting Standards.

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
GULF MUSHROOM PRODUCTS CO. SAOG (continued)**

Report on the audit of the financial statements (continued)

Other information included in the Company's 2023 Annual Report

Management is responsible for the other information. The other information comprises the information included in the Company's 2023 Annual Report, but does not include the financial statements and our auditor's report thereon.

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

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

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards, the disclosure requirements of the Capital Market Authority and the applicable provisions of the Commercial Companies Law of the Sultanate of Oman, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
GULF MUSHROOM PRODUCTS CO. SAOG (continued)**

Report on the audit of the financial statements (continued)

Auditor's responsibilities for the audit of the financial statements (continued)

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
GULF MUSHROOM PRODUCTS CO. SAOG (continued)**

Report on the audit of the financial statements (continued)

Auditor's responsibilities for the audit of the financial statements (continued)

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

We report that the financial statements of the Company as at and for the year ended 31 December 2023, in all material respects, comply with the applicable provisions of the Commercial Companies Law of the Sultanate of Oman, and the disclosure requirements for Public Joint Stock Companies, issued by the Capital Market Authority.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Jim Joseph Itty.

CROWE MAK GHAZALI LLC



Jim Joseph Itty
Engagement Partner

Muscat, Sultanate of Oman
15 February 2024




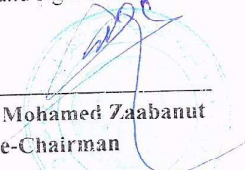
GULF MUSHROOM PRODUCTS CO. SAOG

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2023

	<u>Note</u>	<u>2023</u>	<u>2022</u>
		<u>RO</u>	<u>RO</u>
ASSETS			
Non-current assets			
Property, plant and equipment	5	13,944,428	12,579,229
Right-of-use asset	6	13,536	21,291
		<u>13,957,964</u>	<u>12,600,520</u>
Current assets			
Inventories	7	1,803,308	2,187,593
Trade and other receivables	8	1,873,997	1,600,816
Cash and bank balances	9	355,589	752,858
		<u>4,032,894</u>	<u>4,541,267</u>
		<u>17,990,858</u>	<u>17,141,787</u>
Total assets			
EQUITY AND LIABILITIES			
Equity			
Share capital	10	4,576,580	4,160,527
Legal reserve	11	1,175,076	1,036,548
Special reserve	12	12,405	12,405
Revaluation reserve	13	1,379,890	1,379,890
Retained earnings		2,997,317	2,582,667
		<u>10,141,268</u>	<u>9,172,037</u>
Total equity			
Liabilities			
Non-current liabilities			
Government soft loan	15.1	479,342	589,417
Deferred Government grant	15.1	38,845	46,313
Commercial loan	15.2	3,180,672	3,105,921
Lease liability	16	-	8,575
Deferred tax liability	27	638,377	590,993
Employees' end of service benefits	17	517,790	411,316
		<u>4,855,026</u>	<u>4,752,535</u>
Current liabilities			
Government soft loan	15.1	237,860	149,117
Commercial loan	15.2	1,144,232	1,071,766
Lease liability	16	8,575	8,168
Short term borrowings	18	-	250,000
Trade and other payables	19	1,406,925	1,489,635
Income tax payable	27	196,972	248,529
		<u>2,994,564</u>	<u>3,217,215</u>
		<u>7,849,590</u>	<u>7,969,750</u>
		<u>17,990,858</u>	<u>17,141,787</u>
Total liabilities			
Total equity and liabilities			
Net assets per share	20	<u>0.222</u>	<u>0.200</u>

These financial statements were approved by the Board of Directors on 15-02-2024 and signed on their behalf by:


Khamis Mubarak Al Kiyumi
Chairman


Ali Mohamed Zaabanut
Vice-Chairman

The notes on pages 10 to 43 form part of these financial statements.

GULF MUSHROOM PRODUCTS CO. SAOGSTATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2023

	<u>Note</u>	<u>2023</u> <u>RO</u>	<u>2022</u> <u>RO</u>
Income from operations	21	10,274,807	9,812,998
Cost of operations	22	(5,633,122)	(5,104,326)
Gross profit		<u>4,641,685</u>	<u>4,708,672</u>
Selling and distribution expenses	23	(768,281)	(724,480)
Administrative expenses	24	(1,410,598)	(1,261,130)
Other income	25	37,179	27,895
Depreciation on property, plant and equipment	5	(595,912)	(624,435)
Depreciation on right-of-use asset	6	(7,755)	(7,755)
Finance costs	26	(266,453)	(286,707)
Profit before income tax		<u>1,629,865</u>	<u>1,832,060</u>
Income tax	27	(244,581)	(274,021)
Total comprehensive income for the year		<u>1,385,284</u>	<u>1,558,039</u>
Earnings per share - basic and diluted	28	<u>0.030</u>	<u>0.034</u>

The notes on pages 10 to 43 form part of these financial statements.

GULF MUSHROOM PRODUCTS CO. SAOG

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2023

	Share capital	Legal reserve	Special reserve	Revaluation reserve	Retained earnings	Total
	RO	RO	RO	RO	RO	RO
At 1 January 2022	4,160,527	880,744	12,405	1,379,890	1,471,669	7,905,235
Profit for the year	-	-	-	-	1,558,039	1,558,039
Transfer to legal reserve	-	155,804	-	-	(155,804)	-
Dividend paid during the year (note: 14)	-	-	-	-	(291,237)	(291,237)
At 31 December 2022	<u>4,160,527</u>	<u>1,036,548</u>	<u>12,405</u>	<u>1,379,890</u>	<u>2,582,667</u>	<u>9,172,037</u>
At 1 January 2023	4,160,527	1,036,548	12,405	1,379,890	2,582,667	9,172,037
Profit for the year	-	-	-	-	1,385,284	1,385,284
Transfer to legal reserve	-	138,528	-	-	(138,528)	-
Dividend paid during the year (note: 14)	-	-	-	-	(416,053)	(416,053)
Bonus shares issued during the year (note: 14)	416,053	-	-	-	(416,053)	-
At 31 December 2023	<u>4,576,580</u>	<u>1,175,076</u>	<u>12,405</u>	<u>1,379,890</u>	<u>2,997,317</u>	<u>10,141,268</u>

The notes on pages 10 to 43 form part of these financial statements.

GULF MUSHROOM PRODUCTS CO. SAOG

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2023

	<u>Note</u>	<u>2023</u> <u>RO</u>	<u>2022</u> <u>RO</u>
Cash flows from operating activities			
Cash receipts from customers		9,994,936	9,743,877
Cash paid to suppliers and employees		(7,337,318)	(8,006,858)
Cash from operations		<u>2,657,618</u>	<u>1,737,019</u>
Income tax paid		(248,754)	(107,110)
Net cash from operating activities		<u>2,408,864</u>	<u>1,629,909</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	5	(1,994,092)	(719,464)
Proceeds from disposal of property, plant and equipment		2,048	8,145
Net cash used in investing activities		<u>(1,992,044)</u>	<u>(711,319)</u>
Cash flows from financing activities			
Receipt of Government soft loan		137,866	326,514
Repayment of Government soft loan		(166,666)	(166,667)
Receipt of commercial term loan		1,217,576	225,368
Repayment of commercial term loan		(1,070,359)	(691,179)
Receipt of short term borrowings		2,850,000	1,200,000
Repayment of short term borrowings		(3,100,000)	(950,000)
Finance cost paid	26	(266,453)	(286,707)
Dividend paid		(416,053)	(291,237)
Net cash used in financing activities		<u>(814,089)</u>	<u>(633,908)</u>
Net change in cash and cash equivalents during the year		<u>(397,269)</u>	284,682
Cash and cash equivalents at the beginning of the year		<u>752,858</u>	<u>468,176</u>
Cash and cash equivalents at the end of the year	9	<u>355,589</u>	<u>752,858</u>

The notes on pages 10 to 43 form part of these financial statements.

GULF MUSHROOM PRODUCTS CO. SAOG

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

1 Legal status and principal activities

Gulf Mushroom Products Co. SAOG ("the Company") is registered in the Sultanate of Oman as a public joint stock company and commenced commercial operations from 1 October 1999. The registered office and the manufacturing facility is located at Saqsook, Barka, Sultanate of Oman. The Company is primarily engaged in the cultivation, processing and marketing of mushrooms.

The Company has a registered branch in the United Arab Emirates, the branch License no is 568319.

In 2017, the construction of a new compost plant was completed and the Company started producing its own compost for cultivation of mushrooms. The constructions of six new rooms are completed during the year and the Company is using its full capacity of the existing plant.

Management has, at the time of approving the financial statements, a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus, it continue to adopt the going concern basis of accounting in preparing the financial statements.

2 Adoption of new and amended International Financial Reporting Standards ('IFRS Accounting Standards')

New standards, amendments and interpretations to existing IFRS Accounting Standards effective 1 January 2023

The following new Standards and amendments to existing standards and interpretations have been published and are mandatory for accounting periods beginning on or after 1 January 2023:

- IFRS 17 and Amendment to IFRS 17: Insurance Contracts.
- Amendment to IAS 8: Definition of Accounting Estimates.
- Amendment to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies.
- Amendments to IAS 12: Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction.
- Amendments to IAS 12: International Tax Reform - Pillar Two Model Rules.

The Management has adopted these new Standards and amendments, and has assessed that this adoption does not have any significant impact on the amounts reported in financial statements of the Company for prior periods or the current period, nor such impact will be significant for foreseeable future periods. Further, the adoption of these new Standards and amendments does not require any changes in the accounting policies of the Company.

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

The forthcoming requirements of new standards and amendments to existing standards are applicable for future reporting periods.

Standards/ amendments to standards	Effective for the reporting periods starting on or after
- Amendments to IAS 1: Classification of Liabilities as Current or Non-current.	1 January 2024
- Amendments to IAS 1: Non-current Liabilities with Covenants.	1 January 2024

GULF MUSHROOM PRODUCTS CO. SAOG

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (continued)

2 Adoption of new and amended IFRS Accounting Standards (continued)

Standards, amendments and interpretations to existing IFRS Accounting Standards that are not yet effective (continued)

Standards/ amendments to standards	Effective for the reporting periods starting on or after
- Amendment to IFRS 16: Lease Liability in a Sale and Leaseback.	1 January 2024
- Amendments to IAS 7 and IFRS 7: Supplier Finance Arrangements.	1 January 2024
- Amendments to IAS 21: Lack of Exchangeability.	1 January 2025
- Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.	Deferred indefinitely

Management believes that adoption of the new standards, amendments and interpretations, which are in issue but not yet effective, is not likely to have any material impact, on the recognition, measurement, presentation and disclosure of items in the financial statements for current and future periods and foreseeable future transactions.

3 Material accounting policy information

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS Accounting Standards") issued for accounting standards, as promulgated by the International Accounting Standards Board (IASB) and the interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) of the IASB. The financial statements comply with the applicable requirements of the Commercial Companies Law of 2019, and the Capital Market Authority of the Sultanate of Oman.

Basis of preparation

These financial statements are prepared on the historical cost basis except for freehold land and certain inventories and financial instruments, which are stated at their revalued amounts or fair values at the end of reporting period as explained in accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis.

GULF MUSHROOM PRODUCTS CO. SAOG

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (continued)

3 Material accounting policy information (continued)

Basis of preparation (continued)

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

Level 3 inputs are unobservable inputs for the asset or liability. The Company's land carried under revaluation model and certain inventories are measured at level 3.

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, except as otherwise disclosed in this financial statement.

Financial instruments

Classification and measurement of financial assets and financial liabilities

Recognition and Initial measurement of financial instruments

All financial assets and liabilities are initially recognised on the trade date, i.e., the date that the Company becomes a party to the contractual provisions of the instrument. A financial asset or financial liability is measured initially at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. The principal financial instruments used by the Company, from which financial instrument risk arises, are as follows:

1. Trade and other receivables
2. Cash and cash equivalents
3. Borrowings
4. Trade and other payables

Initial recognition of 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 account:

GULF MUSHROOM PRODUCTS CO. SAOG

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (continued)

3 Material accounting policy information (continued)

Financial instruments (continued)

Initial recognition of financial assets (continued)

Financial assets at amortised cost (continued)

Business model test: The objective of the entity's business model is to hold the financial asset to collect the contractual cash flows (rather than to sell the instrument prior to its contractual maturity to realize its fair value changes).

Cash flow characteristics test: The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Business model assessment

The business model reflects how the Company manages the assets in order to generate cash flows. This is whether the Company objective is solely to collect contractual cash flows from the assets or is it to collect both the contractual cash flows and cash flows arising from the sale of the assets. If neither of these are applicable then the financial assets are classified as other business model. Factors considered by the Company in determining the business model for a Company of assets includes the past experience on how the cash flows for the asset were collected, how the assets performance was evaluated by the key management personnel, how risks are assessed and managed and how managers are compensated.

Contractual cash flows comprise solely payments of principal and interest

Where the Company has a business model to collect contractual cash flows, the Company assesses whether the financial instrument cash flows represents solely payments of principal and interest (SPPI). 'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset. Interest is defined as consideration for time value of money and for the credit risk associated with the principal and for other basic lending risks and costs as well as a profit margin.

In making this assessment, the Company considers whether the contractual cash flows are consistent with the basic lending agreement which means the interest paid only includes the consideration for time value of money and credit risk. Financial instruments whose cash flows characteristics include elements other than time value of money and credit risk do not pass the test and are classified and measured at fair value through profit or loss.

Financial assets at fair value through other comprehensive income

Equity instrument 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 payments of principal and interest and the objective of the Company's business model is achieved both by collecting contractual cash flows and selling financial assets.

GULF MUSHROOM PRODUCTS CO. SAOG

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (continued)

3 Material accounting policy information (continued)

Financial instruments (continued)

Initial recognition of 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 categories 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 at amortised cost or fair value through profit or loss

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:

- 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;
- The liabilities are part of a Company's financial liabilities which are managed and their performance evaluated on fair value basis, in accordance with a documented risk management strategy; or
- 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 profit or loss.

Subsequent measurement and gain or losses of 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 profit or loss. Any gain or loss on derecognition is recognised in the 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 profit or loss account. 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 profit or loss account.

GULF MUSHROOM PRODUCTS CO. SAOG

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023 (continued)

3 Material accounting policy information (continued)

Financial instruments (continued)

Subsequent measurement and gain or losses of financial assets (continued)

Financial assets at fair value through other comprehensive income (continued)

b) Equity instruments

These assets are subsequently measured at fair value. Dividends are recognised as income in the profit or loss account 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 profit or loss account.

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 profit or loss account.

Subsequent measurement and gain or losses of 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 profit or loss account. Any gain or loss on derecognition is also recognised in the profit or loss account.

Reclassification of financial assets

The Company will 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.

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

Reclassification of financial liabilities

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

Modifications of 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.

GULF MUSHROOM PRODUCTS CO. SAOG

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (continued)

3 Material accounting policy information (continued)

Financial instruments (continued)

Modifications of financial assets (continued)

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 profit or loss account.

Modifications of 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 profit or loss account.

Derecognition of 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.

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 profit or loss account.

Any cumulative gain/loss recognised in the statement of other comprehensive income in respect of equity instrument designated as fair value through other comprehensive income is not recognised in the profit or loss account 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.

GULF MUSHROOM PRODUCTS CO. SAOG

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (continued)

3 Material accounting policy information (continued)

Financial instruments (continued)

Derecognition of financial assets (continued)

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.

Derecognition of 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 profit or loss account.

Offsetting

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if:

- there is a currently enforceable legal right to offset the recognised amounts; and
- there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Impairment of financial assets

Expected credit loss to financial assets measured at amortized cost, contract assets receivables, lease receivables and debt investments at FVOCI, but not on investments in equity instruments. The financial assets at amortized cost consist of trade receivables and cash and cash equivalents.

Expected credit loss allowance are measured on either of the following bases:

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

The Company measures loss allowance at an amount equal to lifetime ECLs, except for the following, which are measured as 12- month ECLs:

- Financial assets that are determined to have low credit risk at the reporting date; and
- Finance assets for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

GULF MUSHROOM PRODUCTS CO. SAOG

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (continued)

3 Material accounting policy information (continued)

Financial instruments (continued)

Impairment of financial assets (continued)

General approach

The Company applies three-stage approach to measuring ECL. Assets migrate through the three stages based on the change in credit quality since initial recognition. Financial assets with significant increase in credit risk since initial recognition, but not credit impaired, are transitioned to stage 2 from stage 1 and ECL is recognized based on the probability of default (PD) of the counter party occurring over the life of the asset. All other financial assets are considered to be in stage 1 unless it is credit impaired and an ECL is recognized based on the PD of the customer within next 12 months. Financial assets are assessed as credit impaired when there is a detrimental impact on the estimated future cash flows of the financial asset. The Company applies general approach to all financial assets except trade receivables without significant financing component.

Significant increase in credit risk

When determining whether the credit risk of a financial asset has increased significantly since 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.

Default

The Company considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held) or based on the certain delinquency period (days past due).

Simplified approach

The Company applies simplified approach to measuring credit losses, which mandates recognition of lifetime expected loss allowance for trade receivables without significant financing component. Under simplified approach, there is no need to monitor for significant increases in credit risk and the company will be required to measure lifetime expected credit losses at all times.

Measurement of ECLs

ECLs are a probability weighted estimate of credit losses. Credit losses are 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). ECLs are discounted at the effective interest rate of the financial asset. The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

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.

GULF MUSHROOM PRODUCTS CO. SAOG

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (continued)

3 Material accounting policy information (continued)

Financial instruments (continued)

Impairment of financial assets (continued)

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.

Presentation of impairment

Loss allowance for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. Impairment losses related to financial assets are presented separately in the statement of profit or loss and other comprehensive income.

Property, plant and equipment

Property, plant and equipment are initially recorded at cost and carried at cost less accumulated depreciation and impairment losses, except for land which is carried at revalued amount. Revaluation of freehold land is performed after every three years to ensure that the fair value does not differ materially from its carrying amount. The cost of property, plant and equipment is their purchase cost, together with any incidental expenses of acquisition. Expenditure incurred to replace a component of an item of property, plant and equipment that is accounted for separately is capitalized. Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the item of property, plant and equipment and can be measured reliably.

Any revaluation increase arising on the revaluation of land is credited to the revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of property, plant and equipment is charged to profit or loss to the extent that it exceeds the balance, if any, held in the revaluation reserve relating to a previous revaluation of that asset. Revaluations are carried out by a registered independent valuer having an appropriate experience in the location and category of the properties being valued. Revaluations take place regularly.

The cost of property, plant and equipment is written down to residual value in equal instalments over the estimated useful lives of the assets. The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at each reporting date. The estimated useful lives are as follows:

	Years
Buildings	10 - 50
Plant and machinery	5 - 25
Furniture and fixtures	5
Computers and office equipment	5
Motor vehicles	5

GULF MUSHROOM PRODUCTS CO. SAOG

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (continued)

3 Material accounting policy information (continued)

Property, plant and equipment (continued)

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Capital work-in-progress is not depreciated until it is transferred into one of the above categories, at the time when it is available for use.

Leases

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements other than the two exempted leases such as short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these exempted leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the lessee uses its incremental borrowing rate.

The right-of-use assets and the lease liabilities are presented as separate line items in the statement of financial position.

The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'impairment of non-financial assets' policy.

Inventories

Finished goods

Finished goods inventories comprise fresh mushrooms at the point of harvest. Inventories of fresh mushrooms at the point of harvest are measured at their fair value less estimated point-of-sale costs. Fair value is determined by reference to the latest selling price.

Others

Inventories of raw materials, packing materials and spares are measured at the lower of cost or net realizable value. Cost of inventories is determined on a First-in-First-Out (FIFO) basis. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

GULF MUSHROOM PRODUCTS CO. SAOG

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (continued)

3 Material accounting policy information (continued)

Inventories (continued)

Others (continued)

Mushrooms under work-in-process are valued at their fair value less estimated cost of completion and point-of-sale costs except mushroom at initial stage and compost which are valued at cost and accounted using activity based costing.

Deferred Government grant

Interest subsidy is recognised in the statement of financial position initially as a deferred Government grant when there is a reasonable assurance that it will be received and that the Company will comply with the conditions attached to it. This deferred Government grant is amortised over the life of the loan to which it relates on a systematic basis in the same periods in which the interest expense is incurred. Amortisation of the deferred Government grant is recognised in the profit or loss.

Employees' end of service benefits

The provision for employees' terminal benefits is based upon the liability accrued in accordance with the terms of employment of the Company's employees at the reporting date with regard to the requirements of the Oman Labour Law and the Social Security Law, issued by the way of Royal Decree 53/2023, dated 25 July 2023.

Contributions to a defined contribution retirement plan for Omani employees is in accordance with the Omani Social Insurance Scheme are recognised as an expense in the profit or loss as incurred.

Up to the previous reporting period, the provision for end of service benefits for non-Omani employees was made in accordance with the requirements of the Oman Labour Law of 2003, wherein, employees were entitled to end of service benefits calculated at the rate of 15 days basic salary for each of the first three years of continuous service and at a rate of 30 days basic salary for each year of continuous service following the first three years.

During the year, the provision is made as per the requirements of the Oman Labour Law of 2023. Accordingly, the employees are entitled to end of service benefits calculated at the rate of 30 days basic salary for each of the year of continuous service following the date of joining.

Employee entitlements to annual leave are recognized when they accrue to employees and an accrual is made for the estimated liability for annual leave as a result of services up to the reporting date. The accrual relating to annual leave and leave passage is disclosed as a current liability, while that relating to end-of-service benefits is disclosed as a non-current liability.

Provisions

Provisions are recognised when the Company has a present obligation as a result of a past event, and it is probable that the Company will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

GULF MUSHROOM PRODUCTS CO. SAOG

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (continued)

3 Material accounting policy information (continued)

Provisions (continued)

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Revenue recognition

Revenue is measured at an amount that reflects the considerations, to which an entity expects to be entitled in exchange for transferring goods or services to customer, excluding amounts collected on behalf of third parties. Revenue is adjusted for expected discounts and volume discounts, which are estimated based on the historical data or forecast and projections. The Company recognizes revenue on satisfaction of performance obligation when it transfers control over goods or services to its customers. The Company's revenue from its customer for sale of good is recognized at a point in time.

The standalone selling prices are determined on the basis of the observable price at which the Company sells the products and services on a standalone basis. For items that are not sold separately the Company estimates standalone selling prices using other methods.

The Company principally obtains revenue from sale of goods and recognises revenue when all conditions for revenue recognition are met.

Other income

The other income is accounted under the accrual basis of accounting and the Interest income is accounted using effective interest method.

Interest expense

Interest expense is accounted using effective interest method.

Foreign currencies

Items included in the financial statements of the Company are measured and presented in Rials Omani which is the functional and presentation currency of the Company.

Foreign currency transactions are translated into Rials Omani at the exchange rate prevailing on the transaction date. Foreign currency assets and liabilities are translated into Rials Omani at the exchange rate prevailing at the reporting date. Differences on exchange rates are dealt with in the profit or loss as they arise.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

GULF MUSHROOM PRODUCTS CO. SAOG

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (continued)

3 Material accounting policy information (continued)

Borrowing costs (continued)

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Cash and cash equivalents

For the purpose of the statement of cash flows, all bank balances, including deposits with a maturity of three months or less from the date of placement, are considered to be cash equivalents.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is calculated as per the fiscal regulations of the Sultanate of Oman, based on taxable profits for the year. Taxable profits differ from profit as reported in the statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible.

The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Dividend distribution

The Board of Directors ("the Board") of the Company recommends to the Shareholders the dividend to be paid out of the Company's profits. The Directors take into account appropriate parameters including the requirements of the Commercial Companies Law of 2019 and other relevant directives issued by CMA while recommending the dividend. Dividends are recognised as a liability when declared and approved by the share holders of the Company.

GULF MUSHROOM PRODUCTS CO. SAOG

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (continued)

3 Material accounting policy information (continued)

Earnings and net assets per share

The Company presents earnings per share (“EPS”) and net assets per share data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

Net assets per share is calculated by dividing the net assets attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

4 Critical accounting estimates and judgments

In the application of the Company’s accounting policies, which are described in note 3, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Estimated useful lives of property, plant and equipment

The costs of items of property, plant and equipment are depreciated on a systematic basis over the estimated useful lives of the assets. Management has determined the estimated useful lives of each asset and / or category of assets based on the following factors:

- Expected usage of the assets,
- Expected physical wear and tear, which depends on operational and environmental factors; and
- Legal or similar limits on the use of the assets.

Management has not made estimates of residual values for any items of property, plant and equipment at the end of their useful lives as these have been deemed to be insignificant.

GULF MUSHROOM PRODUCTS CO. SAOG

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (continued)

4 Critical accounting estimates and judgments (continued)

Key sources of estimation uncertainty (continued)

Fair value measurements

The Company lands are measured at fair value for financial reporting purposes. In estimating the fair value of the Company's land, the Company uses market-observable data to the extent it is available. The Company engages qualified external valuers to perform the valuation. The management works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. Information about the valuation techniques and inputs used in determining the fair value of lands are disclosed in respective notes.

Impairment of financial assets

The impairment provisions for financial assets are based on assumptions about risk of default and expected loss rates. The Company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Company's past history, existing market conditions as well as forward-looking estimates at the end of each reporting period.

Allowance for slow-moving inventories - spare parts

Allowance for slow moving inventories is based on management's assessment of various factors such as the usability, maintenance programs, and normal wear and tear using best estimates.

Valuation of work-in-process inventory

Inventory in work-in-process are going through at various stages of production. The Company is applying activity-based costing to value its inventory at each stage of production and it requires judgement and estimation by management.

GULF MUSHROOM PRODUCTS CO. SAOG

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023 (continued)

5 Property, plant and equipment

	Freehold land RO	Building RO	Plant and machinery RO	Furniture and fixtures RO	Computer and office equipment RO	Motor vehicles RO	Capital work-in- progress RO	Total RO
Cost / valuation								
At 1 January 2022	1,830,000	9,683,986	8,023,886	178,517	150,243	281,260	47,996	20,195,888
Additions	-	-	223,587	6,355	13,984	-	475,538	719,464
Transfer	-	85,847	8,538	-	-	-	(94,385)	-
Disposals / written off	-	(4,760)	(370,002)	-	-	(21,195)	-	(395,957)
At 31 December 2022	<u>1,830,000</u>	<u>9,765,073</u>	<u>7,886,009</u>	<u>184,872</u>	<u>164,227</u>	<u>260,065</u>	<u>429,149</u>	<u>20,519,395</u>
At 1 January 2023	1,830,000	9,765,073	7,886,009	184,872	164,227	260,065	429,149	20,519,395
Additions	-	7,530	175,712	21,184	22,358	15,380	1,751,928	1,994,092
Transfer	-	970,427	1,146,246	-	-	-	(2,116,673)	-
Disposals / written off	-	-	(368,499)	-	(26,192)	(7,500)	-	(402,191)
At 31 December 2023	<u>1,830,000</u>	<u>10,743,030</u>	<u>8,839,468</u>	<u>206,056</u>	<u>160,393</u>	<u>267,945</u>	<u>64,404</u>	<u>22,111,296</u>

GULF MUSHROOM PRODUCTS CO. SAOG

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023 (continued)

5 Property, plant and equipment (continued)

	<u>Freehold land RO</u>	<u>Building RO</u>	<u>Plant and machinery RO</u>	<u>Furniture and fixtures RO</u>	<u>Computer and office equipment RO</u>	<u>Motor vehicles RO</u>	<u>Capital work-in- progress RO</u>	<u>Total RO</u>
Depreciation and impairment								
At 1 January 2022	-	2,767,115	4,414,832	163,994	113,078	248,245	-	7,707,264
Charge for the year	-	249,099	340,747	8,922	13,527	12,140	-	624,435
Relating to disposals / written-off	-	(2,191)	(368,147)	-	-	(21,195)	-	(391,533)
At 31 December 2022	-	3,014,023	4,387,432	172,916	126,605	239,190	-	7,940,166
At 1 January 2023	-	3,014,023	4,387,432	172,916	126,605	239,190	-	7,940,166
Charge for the year	-	257,710	303,767	7,709	13,894	12,832	-	595,912
Relating to disposals / written-off	-	-	(335,517)	-	(26,193)	(7,500)	-	(369,210)
At 31 December 2023	-	3,271,733	4,355,682	180,625	114,306	244,522	-	8,166,868
Net book value								
At 31 December 2023	1,830,000	7,471,297	4,483,786	25,431	46,087	23,423	64,404	13,944,428
At 31 December 2022	1,830,000	6,751,050	3,498,577	11,956	37,622	20,875	429,149	12,579,229

- a) Property, plant and equipment are mortgaged as security against loans (note: 15).
- b) Land was revalued at its open market value by an independent professional valuer. If the land had been carried at historical cost, the carrying amount at 31 December 2023 would have been RO 200,777 (2022: RO 200,777).
- c) Capital work-in-progress mainly includes the construction of building and plant at Barka.

GULF MUSHROOM PRODUCTS CO. SAOG

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023 (continued)

6 Right-of-use asset	<u>Leasehold land</u>	
	<u>2023</u>	<u>2022</u>
Cost	<u>RO</u>	<u>RO</u>
At 1 January and at 31 December	52,312	52,312
	-----	-----
Accumulated depreciation		
At 1 January	31,021	23,266
Charge for the year	7,755	7,755
At 31 December	38,776	31,021
	-----	-----
Net book value		
At 31 December	13,536	21,291
	=====	=====
a) The Company has leasehold land in Thumrait for a period up to September 2025.		
b) During the year, depreciation on right-of-use assets amounted to RO 7,755 (2022: RO 7,755) and the finance charges on lease liabilities amounted to RO 721 (2022: RO 1,109).		
7 Inventories	<u>2023</u>	<u>2022</u>
	<u>RO</u>	<u>RO</u>
Finished goods	67,555	43,698
Compost	38,255	133,821
Work-in-process	413,681	415,764
Raw materials	738,958	1,033,917
Packing materials	211,244	205,677
Spare parts	346,040	366,375
Other materials	38,307	39,073
	-----	-----
	1,854,040	2,238,325
Less: allowance for slow-moving inventory	(50,732)	(50,732)
	-----	-----
	1,803,308	2,187,593
	=====	=====
8 Trade and other receivables	<u>2023</u>	<u>2022</u>
	<u>RO</u>	<u>RO</u>
Trade receivables	1,742,495	1,427,495
Less: allowance for expected credit losses	(8,080)	(8,080)
	-----	-----
	1,734,415	1,419,415
Advances to suppliers	18,573	64,116
Prepayments and other receivables	121,009	117,285
	-----	-----
	1,873,997	1,600,816
	=====	=====

GULF MUSHROOM PRODUCTS CO. SAOG

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (continued)

8 Trade and other receivables (continued)

The movement in allowance for expected credit losses are as follows:	<u>2023</u>	<u>2022</u>
	<u>RO</u>	<u>RO</u>
At 1 January	8,080	7,291
Charge for the year (note: 24)	-	789
At 31 December	<u>8,080</u>	<u>8,080</u>

At the reporting date, 54% (2022: 52%) of the trade debtors are receivable from four customers.

9 Cash and bank balances

	<u>2023</u>	<u>2022</u>
	<u>RO</u>	<u>RO</u>
Balances with banks - current and call accounts	345,710	744,541
Cash in hand	9,879	8,317
	<u>355,589</u>	<u>752,858</u>

Cash at call in bank in local currency carries interest at the rate of up to 0.25% per annum (2022: 0.25% per annum). The Company maintains its bank accounts in local currency, US Dollar, Arab Emirates Dirham and Euros.

10 Share capital

	<u>2023</u>	<u>2022</u>
	<u>RO</u>	<u>RO</u>
Authorised capital	5,000,000	5,000,000
Issued and fully paid up capital	4,576,580	4,160,527
Issued and fully paid up capital (numbers of shares)	45,765,798	41,605,271

The Company has one class of ordinary shares of 100 Baisa each (2022: 100 Baisa each). The Company has issued 4,160,527 bonus shares during the year (2022: Nil) (note: 14).

Shareholders who own 10% or more of the Company's share capital at the reporting date are:

	<u>2023</u>		<u>2022</u>	
	<u>Number of shares</u>	<u>Shareholding percentage</u>	<u>Number of shares</u>	<u>Shareholding percentage</u>
Muscat Overseas Company LLC	18,911,759	41.32%	17,192,509	41.32%
Al Hosn Investment Co. SAOC	9,381,985	20.50%	8,529,078	20.50%
Ajitsinh Gokaldas Khimji	4,767,268	10.42%	4,333,881	10.42%

GULF MUSHROOM PRODUCTS CO. SAOG

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (continued)

11 Legal reserve

As per the Commercial Companies Law of the 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. This reserve is not available for distribution.

12 Special reserve

The excess of share issue expenses received from public subscription over expenses incurred has been transferred to a special reserve in accordance with the Company's Articles of Association.

13 Revaluation reserve

The revaluation reserve represents the surplus on the revaluation of land net of deferred tax and is not available for distribution.

14 Dividend

The Board of Directors have recommended final cash dividend at 15% or RO 0.015 per share (2022: at 10% or RO 0.010 per share), the proposed distribution of cash dividend is subject to approval of appropriate authorities and shareholders. No bonus shares have been recommended for the year (2022: at 10% or 1 share for every 10 share).

15 Borrowings

15.1 Government soft loan

	<u>2023</u>	<u>2022</u>
	<u>RO</u>	<u>RO</u>
Non-current		
Government soft loan	518,187	635,730
Deferred Government grant	(38,845)	(46,313)
	<u>479,342</u>	<u>589,417</u>
Current portion		
Government soft loan	237,860	149,117
	<u>717,202</u>	<u>738,534</u>

The Company obtained a soft loan of RO 1 million during August 2018 from Development Bank which carries a subsidized interest rate of 3% per annum and is repayable in 24 equal quarterly instalments of RO 41,666 each, which started from November 2019.

The Company obtained another soft loan of RO 0.50 million during December 2022 from Development Bank which carries a subsidized interest rate of 3% per annum and is repayable in 20 equal quarterly instalments after a moratorium period of 1 year. Further, as at the reporting date, the Company has withdrawn an amount equivalent to RO 0.46 million.

The above loans are secured by a pari-passu commercial mortgage on the Company's assets with the value of the loan in favor of the bank, second priority pari-passu legal mortgage of Company's own land and constructed building located in Barka and a second priority usufruct legal mortgage of the Company's leased land and constructed building in Thumrait.

GULF MUSHROOM PRODUCTS CO. SAOG

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (continued)

15 Borrowings (continued)

15.1 Government soft loan (continued)

In accordance with the Oman Capital Market Authority (CMA) Circular 1 of 2002 and IFRS 9, the difference between the carrying value and fair value of the loan is shown as “deferred Government grant” and is recognized in the statement of profit and loss each year over the loan period as necessary to match with the related costs, which it is intended to compensate on a systematic basis. Market weighted average interest rate at the inception was considered for this calculation. As the recognized deferred government income is equivalent to the related interest cost, hence, there is no impact on the net profit of the Company.

The maturity profile of the loans is as follows:

	<u>Total</u> <u>RO</u>	<u>Within 1 year</u> <u>RO</u>	<u>1 - 2 years</u> <u>RO</u>	<u>2 - 5 years</u> <u>RO</u>	<u>Above 5 years</u> <u>RO</u>
31 December 2023					
Government soft loan	<u>756,047</u>	<u>254,414</u>	<u>214,977</u>	<u>286,656</u>	<u>-</u>
31 December 2022					
Government soft loan	<u>784,847</u>	<u>166,667</u>	<u>231,967</u>	<u>320,910</u>	<u>65,303</u>

Reconciliations of liabilities arising from financing activity:

	<u>1 January</u> <u>RO</u>	<u>New</u> <u>borrowings</u> <u>RO</u>	<u>Deferred</u> <u>Government</u> <u>grant</u> <u>RO</u>	<u>Cash flows</u> <u>(principal</u> <u>paid, net)</u> <u>RO</u>	<u>31 December</u> <u>RO</u>
31 December 2023					
Government soft loan	<u>784,847</u>	<u>137,866</u>	<u>(38,845)</u>	<u>(166,666)</u>	<u>717,202</u>
31 December 2022					
Government soft loan	<u>625,000</u>	<u>326,514</u>	<u>(46,313)</u>	<u>(166,667)</u>	<u>738,534</u>

15.2 Commercial term loan

	<u>2023</u> <u>RO</u>	<u>2022</u> <u>RO</u>
Commercial term loan	<u>4,324,904</u>	<u>4,177,687</u>
Less: current portion	<u>(1,144,232)</u>	<u>(1,071,766)</u>
Non current portion	<u><u>3,180,672</u></u>	<u><u>3,105,921</u></u>

The Company has availed commercial term loan facility (diminishing musharaka) of RO 6.8 million during November 2015 from the Islamic banking division of a bank in Oman which carry a competitive profit rate as per prevailing market conditions. This loan is repayable over a maximum period of six years after the initial moratorium period of 2 years.

GULF MUSHROOM PRODUCTS CO. SAOG

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (continued)

15 Borrowings (continued)

15.2 Commercial term loan (continued)

The Company has availed another commercial term loan facility (diminishing musharaka) of RO 1.62 million during June 2022 from the Islamic banking division of a bank in Oman which carry a competitive profit rate as per prevailing market conditions. This loan is repayable over a maximum period of 6 years after the initial moratorium period of 2 years.

The above loans are secured by a pari-passu legal mortgage on the Company land and building in Barka which has been also mortgaged against government soft loan as mentioned in note 15.1. The loan is also secured by usufruct legal mortgage of Company's leased land in Thumrait.

The maturity profile of the carrying amounts of the commercial term loans as mentioned above are as follows:

	<u>Total</u> <u>RO</u>	<u>Within 1 year</u> <u>RO</u>	<u>1 - 2 years</u> <u>RO</u>	<u>2 - 5 years</u> <u>RO</u>	<u>Above 5 years</u> <u>RO</u>
31 December 2023					
Commercial term loans	4,324,904	1,144,232	2,030,228	668,429	482,015
31 December 2022					
Commercial term loans	4,177,687	1,071,766	1,128,438	1,864,799	112,684

Reconciliations of liabilities arising from financing activity:

	<u>1 January</u> <u>RO</u>	<u>Non cash</u> <u>changes</u> <u>(interest)</u> <u>RO</u>	<u>Cash flows</u> <u>(principal</u> <u>paid, net)</u> <u>RO</u>	<u>31 December</u> <u>RO</u>
31 December 2023				
Commercial term loans	4,177,687	-	147,217	4,324,904
31 December 2022				
Commercial term loans	4,643,498	-	(465,811)	4,177,687

16 Lease liability

Lease liability relates to usufruct agreement in respect of leasehold land in Thumrait for a contract up to 2025. The Company uses its incremental borrowing rate at 5% (2022: 5%) per annum to discount the lease payments.

	<u>2023</u> <u>RO</u>	<u>2022</u> <u>RO</u>
Gross lease liability	8,889	17,777
Future finance charges on finance leases	(314)	(1,034)
Present value of lease liability	<u>8,575</u>	<u>16,743</u>

GULF MUSHROOM PRODUCTS CO. SAOG

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023 (continued)

16 Lease liability (continued)

a) The movement in lease liabilities is as follows:

	<u>2023</u>	<u>2022</u>
	<u>RO</u>	<u>RO</u>
At 1 January	16,743	24,522
Add: interest charged during the year (note: 26)	721	1,109
Less: repayments during the year	(8,889)	(8,888)
At 31 December	<u>8,575</u>	<u>16,743</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>2023</u>	<u>2022</u>
	<u>RO</u>	<u>RO</u>
Due less than 1 year	8,575	8,168
Due between 1 and 2 years	-	8,575
	<u>8,575</u>	<u>16,743</u>

c) The maturity profile of the undiscounted lease liabilities, based on the remaining period to maturity from the end of the reporting period is as follows:

	<u>2023</u>	<u>2022</u>
	<u>RO</u>	<u>RO</u>
Due less than 1 year	8,888	8,889
Due between 1 and 2 years	-	8,888
	<u>8,888</u>	<u>17,777</u>

17 Employees' end of service benefits

	<u>2023</u>	<u>2022</u>
	<u>RO</u>	<u>RO</u>
At 1 January	411,316	359,517
Charge for the year	111,053	53,275
Payments during the year	(4,579)	(1,476)
At 31 December	<u>517,790</u>	<u>411,316</u>

GULF MUSHROOM PRODUCTS CO. SAOG

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (continued)

18 Short term borrowings

	<u>2023</u>	<u>2022</u>
	<u>RO</u>	<u>RO</u>
Short term loans	-	250,000
	-----	-----

The Company has obtained a short-term commercial loan facility of RO 1.50 million (2022: RO 1.20 million) from an Islamic banking division of a bank in Oman which carried a competitive profit rate as per prevailing market conditions. The Company has repaid the above short term loan completely during the year.

19 Trade and other payables

	<u>2023</u>	<u>2022</u>
	<u>RO</u>	<u>RO</u>
Trade payables	430,738	531,481
Due to related parties (note: 29)	656	16,395
Accrued interest	68,025	100,497
Directors' remuneration (note: 29)	140,000	140,000
Employee related payables	565,650	545,806
Other payables and accruals	201,856	155,456
	<u>1,406,925</u>	<u>1,489,635</u>

20 Net assets per share

Net assets per share is calculated by dividing the net assets or net equity as at the reporting date by the number of shares outstanding as follows:

	<u>2023</u>	<u>2022</u>
Net assets or net equity at 31 December (RO)	10,141,268	9,172,037
	-----	-----
Total number of ordinary shares (note: 10)	45,765,798	45,765,798
	-----	-----
Net assets per share (RO)	0.222	0.200
	-----	-----

21 Income from operations

	<u>2023</u>	<u>2022</u>
	<u>RO</u>	<u>RO</u>
Disaggregation of revenue from contracts with customers with respect to:		
<i>a) Product line</i>		
Sale of mushrooms	10,274,807	9,812,998
	-----	-----
<i>b) Timing of revenue recognition</i>		
Point in time	10,274,807	9,812,998
	-----	-----

Revenue have been shown as net of discount in the amount of RO 296,171 (2022: RO 293,676).

GULF MUSHROOM PRODUCTS CO. SAOG

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023 (continued)

22 Cost of operations

	<u>2023</u>	<u>2022</u>
	<u>RO</u>	<u>RO</u>
Cost of raw materials	2,029,923	1,936,814
Movement in stock of finished goods	(23,857)	(26,241)
Movement in stock of compost	95,376	(73,034)
Movement in stock of work-in-process	2,082	(67,703)
Cost of materials consumed	<u>2,103,524</u>	<u>1,769,836</u>
Salary and related costs	1,816,782	1,683,593
Packing material	768,434	819,002
Repairs and maintenance - plant	316,039	256,141
Utilities	569,018	517,418
Other direct costs	59,325	58,336
	<u>5,633,122</u>	<u>5,104,326</u>

23 Selling and distribution expenses

	<u>2023</u>	<u>2022</u>
	<u>RO</u>	<u>RO</u>
Freight and transportation expenses	563,281	545,899
Salary and related costs	175,482	155,630
Sales promotion expenses	29,518	22,951
	<u>768,281</u>	<u>724,480</u>

24 Administrative expenses

	<u>2023</u>	<u>2022</u>
	<u>RO</u>	<u>RO</u>
Salary and related costs	823,543	748,709
Director sitting fees and remuneration (note: 29)	210,000	209,200
Repairs and maintenance	40,144	40,637
Travelling expenses	40,411	50,515
Legal and professional charges	78,947	50,816
Communication costs	31,494	30,034
Insurance	102,290	92,732
Allowance for expected credit loss (note: 8)	-	789
Loss on disposal of property, plant and equipment	32,983	-
Miscellaneous expenses	50,786	37,698
	<u>1,410,598</u>	<u>1,261,130</u>

GULF MUSHROOM PRODUCTS CO. SAOG

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023 (continued)

25 Other income

	<u>2023</u>	<u>2022</u>
	<u>RO</u>	<u>RO</u>
Gain on disposal of property, plant and equipment	2,050	3,721
Miscellaneous income	35,129	24,174
	<u>37,179</u>	<u>27,895</u>

26 Finance cost

	<u>2023</u>	<u>2022</u>
	<u>RO</u>	<u>RO</u>
Interest on commercial loans	206,126	224,070
Interest on Government soft loan	24,064	16,898
Interest on short term loan	25,048	23,246
Finance charge on leases (note: 16)	721	1,109
Bank charges	10,494	21,384
	<u>266,453</u>	<u>286,707</u>

27 Taxation

The Company is subject to income tax at the rate of 15% (2022: 15%) on the taxable profit.

a) *Recognized in the statement of comprehensive income:*

	<u>2023</u>	<u>2022</u>
	<u>RO</u>	<u>RO</u>
Current year tax	196,972	248,529
Prior year short / (excess) tax provision	225	(781)
Deferred tax	47,384	26,273
	<u>244,581</u>	<u>274,021</u>
Income tax payable	<u>196,972</u>	<u>248,529</u>

b) *Deferred tax asset is attributable to the following:*

	Changes recognized in the profit or loss / equity		
31 December 2023	<u>1 January</u>	<u>loss / equity</u>	<u>31 December</u>
	<u>RO</u>	<u>RO</u>	<u>RO</u>
<i>Changes recognized in equity</i>			
Land revaluation reserve (note: 13)	(244,383)	-	(244,383)
<i>Changes recognized in profit or loss</i>			
Provisions	8,822	-	8,822
Property, plant and equipment	(355,432)	(47,384)	(402,816)
Net deferred tax liability	<u>(590,993)</u>	<u>(47,384)</u>	<u>(638,377)</u>

GULF MUSHROOM PRODUCTS CO. SAOG

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (continued)

27 Taxation (continued)

b) *Deferred tax asset is attributable to the following (continued):*

Deferred tax assets / (liabilities)	<u>1 January</u> <u>RO</u>	Changes recognized in the profit or <u>loss / equity</u> <u>RO</u>	<u>31 December</u> <u>RO</u>
31 December 2022			
<i>Changes recognized in equity</i>			
Land revaluation reserve (note: 13)	(244,383)	-	(244,383)
<i>Changes recognized in profit or loss</i>			
Provisions	8,703	119	8,822
Property, plant and equipment	(329,040)	(26,392)	(355,432)
Net deferred tax liability	<u>(564,720)</u>	<u>(26,273)</u>	<u>(590,993)</u>

c) *Status of assessments*

Tax assessments of the Company have been completed up to the year 2019. Management is of the view that, additional taxes, if any, which may become payable on the completion of assessments of the open years, would not be significant to the financial position of the Company at the reporting date.

28 Earnings per share - basic and diluted

The calculation of basic earnings per share is based on net profit attributable to ordinary shareholders and the weighted average ordinary number of shares outstanding during the year as follows:

	<u>2023</u>	<u>2022</u>
Net profit for the year (RO)	<u>1,385,284</u>	<u>1,558,039</u>
Weighted average number of ordinary shares	<u>45,765,798</u>	<u>45,765,798</u>
Earnings per share - basic (RO)	<u>0.030</u>	<u>0.034</u>

Bonus shares issued during the year with no corresponding increase in resources, therefore, earnings per share is calculated as if bonus shares were issued at the beginning of the earliest period presented in accordance with IAS 33 *Earning per share*.

As the Company has not issued any instruments which would have a dilution impact on earnings per share accordingly the earnings per share - basic and diluted are the same.

29 Related parties

Related parties comprise of shareholders, key business persons and business entities in which they have the ability to control or exercise significant influence in financial and operating decisions.

The Company maintains balances with these related parties which arise in the normal course of business from the commercial transactions, and are entered into at agreed terms and conditions.

GULF MUSHROOM PRODUCTS CO. SAOG

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (continued)

29 Related parties (continued)

a) Below are the balances which are due to related parties at the reporting date:

	<u>2023</u>	<u>2022</u>
	<u>RO</u>	<u>RO</u>
<i>Due to related parties</i>		
Muscat Overseas Engineering Services Co. LLC	66	13,915
Muscat Overseas Equipment Trading Co. LLC	590	2,480
	<u>656</u>	<u>16,395</u>

The amounts due to related parties are unsecured, interest free and repayable on demand.

b) Transactions with related parties for the year ended:	<u>2023</u>	<u>2022</u>
	<u>RO</u>	<u>RO</u>
Purchase of goods and services	23,482	118,160
	<u>2023</u>	<u>2022</u>
c) Key management compensation	<u>RO</u>	<u>RO</u>
Short term employment benefits	434,694	428,551
Social security costs	3,195	3,138
End of service benefits	23,373	14,112
	<u>461,262</u>	<u>445,801</u>
Sitting fees paid to the Directors	70,000	69,200
Directors' remuneration*	140,000	140,000

*The Board of Directors have recommended directors remuneration of RO 140,000 (2022: RO 140,000), which is subject to approval of shareholders.

30 Capital commitments

At 31 December 2023, the Company's capital commitments in respect of capital work-in-progress were RO 132,089 (2022: RO 1,394,710).

31 Contingent liabilities

At 31 December 2023, the Company had contingent liabilities amounting to RO 75,238 (2022: RO 77,333) in respect of bank guarantees and acceptances entered into in the normal course of business.

32 Segment information

Management has determined the Company's operating segments based on the reports reviewed by the Chief Executive Officer that are used to make strategic decisions.

The Chief Executive Officer identifies operating segments based on a business perspective. The reportable operating segments derive their revenue primarily from the sale of mushrooms. Sale of mushrooms represent the most significant component of revenue for the Company (for 2023 and 2022) and no other segments are significant.

GULF MUSHROOM PRODUCTS CO. SAOG

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (continued)

33 Financial instruments and financial risk management

The Company's Board of Directors has the overall responsibility for the management of Company's exposure to financial risk. It has constituted an Audit Committee within the Board of the Company who are required to review and assess the risk management process. It ensures that internal risk management framework is effective and that a sound system of risk management is in place to safeguard shareholder's interests.

Financial instruments carried on the statement of financial position comprise cash and bank balances, trade and other receivables, commercial and government soft loans, bank borrowings and trade and other payables.

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

a) Credit risk

Credit risk is the risk of financial loss to the Company if a customer fails to meet its contractual obligations and arises principally from the Company's receivables.

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Most of the Company's sales are on credit terms ranging from 15 days to 60 days from date of invoice. Credit evaluations are performed on all customers requiring credit. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position. The Company has significant concentrations of credit risk, details of which are provided below. The Company manages concentration of its credit risk by monitoring collections within the credit period. The Company's bank accounts are placed with reputed financial institutions.

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

	<u>2023</u>	<u>2022</u>
	<u>RO</u>	<u>RO</u>
Trade receivables	1,734,415	1,419,415
Other receivables	21,889	32,909
Bank balances	345,710	744,541
	<u>2,102,014</u>	<u>2,196,865</u>

Exposure to credit risk

54% of trade receivables are due from four customers at the reporting date (2022: 52% due from four customers). About 61% (2022: 67%) of the Company's customers have been transacting with the Company for more than five years. Cash is placed with reputable banks and the risk of default is considered remote. The carrying amount of financial assets represents the maximum credit exposure. Credit risk is further mitigated by taking credit insurance for credit sales from a reputed Omani insurer.

GULF MUSHROOM PRODUCTS CO. SAOG

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023 (continued)

33 Financial instruments and financial risk management (continued)

a) Credit risk (continued)

Age analysis of trade receivables is as under:

Days	2023			2022		
	Gross RO	Impairment RO	ECL ratio %	Gross RO	Impairment RO	ECL ratio %
1 to 30	939,614	-	-	867,149	-	-
31 to 60	700,560	-	-	453,197	-	-
61 to 90	83,538	-	-	98,626	-	-
91 to 120	222	-	-	443	-	-
More than 120	18,561	8,080	44	8,080	8,080	100
	<u>1,742,495</u>	<u>8,080</u>	<u>0.46</u>	<u>1,427,495</u>	<u>8,080</u>	<u>0.57</u>

Receivables past due but not impaired are expected, on the basis of past experience, to be fully recoverable. It is not the practice of the Company to obtain collateral over receivables. The Company has obtained credit insurance covering all outstanding receivables.

b) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, in so far as it is reasonably possible, that it will always have sufficient liquidity to meet its liabilities when they become due without incurring unacceptable losses or risking damage to the Company's reputation. The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans and credit facilities.

GULF MUSHROOM PRODUCTS CO. SAOG

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023 (continued)

33 Financial instruments and financial risk management (continued)

b) Liquidity risk (continued)

The following are the contractual maturities of the Company's financial liabilities:

	Carrying	Gross					
	amount	contractual	6 months	6 - 12	1 - 2	2 - 5	More than
	RO	cash flows	or less	months	years	years	5 years
31 December 2023	RO	RO	RO	RO	RO	RO	RO
Government soft loan	756,047	802,237	137,568	136,349	227,231	301,089	-
Commercial term loan	4,324,904	4,821,492	671,628	694,555	2,148,913	798,915	507,481
Lease liability	8,575	8,888	-	8,888	-	-	-
Trade payables	430,738	430,738	430,738	-	-	-	-
Due to related parties	656	656	656	-	-	-	-
Accrued interest	68,025	68,025	68,025	-	-	-	-
Other payables and accruals	907,506	907,506	627,968	279,538	-	-	-
	<u>6,496,451</u>	<u>7,039,542</u>	<u>1,936,583</u>	<u>1,119,330</u>	<u>2,376,144</u>	<u>1,100,004</u>	<u>507,481</u>
31 December 2022							
Government soft loan	784,847	841,003	94,732	93,600	247,943	338,198	66,530
Commercial term loan	4,177,687	4,615,646	639,730	638,688	1,277,377	1,938,035	121,816
Lease liability	16,743	17,777	-	8,889	8,888	-	-
Trade payables	531,481	531,481	531,481	-	-	-	-
Due to related parties	16,395	16,395	16,395	-	-	-	-
Accrued interest	100,497	100,497	100,497	-	-	-	-
Other payables and accruals	841,262	841,262	581,323	259,939	-	-	-
	<u>6,468,912</u>	<u>6,964,061</u>	<u>1,964,158</u>	<u>1,001,116</u>	<u>1,534,208</u>	<u>2,276,233</u>	<u>188,346</u>

GULF MUSHROOM PRODUCTS CO. SAOG

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023 (continued)

33 Financial instruments and financial risk management (continued)

c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will 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 optimizing the return.

Foreign currency risk

The Company is exposed to foreign currency risk on purchases denominated in foreign currencies, other than those which are pegged with US Dollar.

Foreign currency trade payables

The Company has foreign currency trade and other payables (other than those pegged with U.S. Dollar) as follows:

	<u>2023</u>	<u>2022</u>
	<u>RO</u>	<u>RO</u>
Euro	<u>85,840</u>	<u>103,573</u>

Foreign currency bank balances

The Company has foreign currency bank balances as mentioned below:

	<u>2023</u>	<u>2022</u>
	<u>RO</u>	<u>RO</u>
Euro	<u>3,018</u>	<u>58,432</u>

The above have been placed with reputable banks.

Interest rate risk

The Company places deposits at commercial rates of interest with a commercial bank and has Government soft loans bearing a subsidized interest rate and commercial loan at market interest rate. The Company manages the risk by maintaining an approximate mix between fixed and floating interest rates balances at the start of the financial year.

34 Fair value of financial instruments

The fair value of the financial assets and liabilities approximates their carrying value as stated in the statement of financial position.

35 Capital management

The Company's capital consists of share capital, legal reserve, special reserve, revaluation reserve and retained earnings. The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support future development of the business and maximize shareholder value. Minimum capital requirement is prescribed by Commercial Companies Law of Sultanate of Oman.

GULF MUSHROOM PRODUCTS CO. SAOG

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023 (continued)

35 Capital management (continued)

The capital structure of the Company includes, share capital, reserves and retained earnings. The Company monitors the gearing ratio and other parameters for effective capital management. During the year, there is no change in the capital management policy of the Company.

Gearing ratio

Gearing ratio at the end of the reporting period was as follows:

	<u>2023</u>	<u>2022</u>
	<u>RO</u>	<u>RO</u>
Debt (i)	5,089,526	5,229,277
Equity	10,141,268	9,172,037
Net debt to equity ratio	0.502	0.570

(i) Debt includes long-term and short-term loans, including lease liabilities, outstanding as at the reporting date.

36 Comparative figures

Certain previous year figures have been regrouped or reclassified, wherever necessary, so that they conform to those of the current year.