

**MUSCAT THREAD MILLS SAOG**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
31 DECEMBER 2024**

**Registered address:**

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Sultanate of Oman

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Sultanate of Oman

**MUSCAT THREAD MILLS SAOG**

**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2024**

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## **INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF MUSCAT THREAD MILLS SAOG**

### **Report on the audit of the financial statements**

#### **Opinion**

We have audited the financial statements of Muscat Thread Mills SAOG ('the Company'), which comprise the statement of financial position as at 31 December 2024, 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 2024, and its financial performance and its cash flows for the year then ended in accordance with 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 period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF  
MUSCAT THREAD MILLS SAOG (continued)**

**Key audit matters (continued)**

<b>Key audit matter</b>	<b>How our audit addressed the key audit matter</b>
<b><i>Allowance for expected credit losses (ECL) of trade receivables (refer note 9)</i></b>	
<p>As at 31 December 2024, the Company's gross trade receivables and the allowance for expected credit losses on these receivables amounted to RO 899,498 and RO 96,647 respectively. As disclosed in note 9, this represents a significant balance in the Company's statement of financial position.</p> <p>We considered the allowance for ECL of trade receivables as on 31 December 2024 as a key audit matter as it involves significant management judgement in assessing the ECL.</p>	<p>Our audit procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>▪ Obtaining an understanding of the Company's process for recovering the trade receivables.</li> <li>▪ Obtaining an understanding of the Company's process for estimating ECL.</li> <li>▪ For a sample of trade receivables, assessing the recoverability status by considering the subsequent receipts.</li> <li>▪ Testing the accuracy of the aging of trade receivables.</li> <li>▪ Assessing the appropriateness and reasonableness of assumptions and estimates made by the management for ECL, against the requirement of IFRS 9.</li> <li>▪ Considering the adequacy of the related disclosures and assessed whether these are in accordance with the applicable financial and reporting standards.</li> </ul>
<b><i>Inventories and provision for slow-moving and non-moving inventories (refer note 8)</i></b>	
<p>The value of inventories and the provision for slow-moving inventories at the end of the reporting period amounted to RO 1,741,312 and RO 187,432 respectively. The inventories consist of raw materials, spare parts and consumables, work-in-process and finished goods. Inventories are valued at lower of cost and net realizable value.</p> <p>We considered this area as a key audit matter owing to the materiality of the amounts involved. Further, the assessing of the net realizable value of the inventory and the provision for slow-moving inventories involves the use of significant judgment and estimation procedures by the management.</p>	<p>Our audit procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>▪ Understanding the process of physical storage of inventories and observing the physical inventory count as on the reporting date.</li> <li>▪ Obtaining understanding of the process and controls in place for valuation of inventories.</li> <li>▪ For a sample of inventory items, the reperforming of the cost calculation.</li> <li>▪ On a sample basis, comparing specific purchases and directly attributable cost with underlying supporting documents.</li> <li>▪ Ascertaining the NRV and comparing, on a sample basis, to the cost of inventories.</li> <li>▪ Testing the key controls established by the management to identify slow and non-moving inventories.</li> <li>▪ Assessing the reasonableness of management's estimate of provision for inventories.</li> </ul>

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF  
MUSCAT THREAD MILLS SAOG (continued)**

**Key audit matters (continued)**

	<ul style="list-style-type: none"><li>▪ Considering the adequacy of the related disclosures and assessed whether these are in accordance with the applicable financial and reporting standards.</li></ul>
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**Other matter**

The financial statements of Muscat Thread Mills SAOG for the year ended 31 December 2023, were audited by another auditor, who expressed an unmodified opinion on those statements on 5 February 2024.

**Other information included in the Company's 2024 Annual Report**

Management is responsible for the other information. The other information comprises the information included in the Company's 2024 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 and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**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 Financial Services 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.



**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF  
MUSCAT THREAD MILLS SAOG (continued)**

**Responsibilities of management and those charged with governance for the financial statements  
(continued)**

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.

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.

## INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF MUSCAT THREAD MILLS SAOG (continued)

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

- 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.

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 period 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 2024, comply in all material respects, with the applicable provisions of the Commercial Companies Law of the Sultanate of Oman, and the relevant disclosure requirements for Public Joint Stock Companies issued by the Financial Services Authority.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Tom C Mathew.

### CROWE MAK GHAZALI LLC



**Tom C Mathew**  
Engagement Partner

Muscat, Sultanate of Oman  
03 February 2025







**MUSCAT THREAD MILLS SAOG**

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2024**

	<u>Note</u>	<u>2024</u> <u>RO</u>	<u>2023</u> <u>RO</u>
Revenue	20	4,280,954	3,282,061
Cost of goods sold	21	(3,018,577)	(2,461,132)
<b>Gross profit</b>		<u>1,262,377</u>	<u>820,929</u>
Other income		7,658	3,490
Reversal of provision for slow moving inventories	8	-	14,726
Reversal of allowance for expected credit losses on trade and other receivables	9	18,835	1,020
		<u>1,288,870</u>	<u>840,165</u>
Selling and distribution expenses	22	(551,769)	(411,356)
Administrative and general expenses	23	(247,113)	(198,905)
Provision for slow-moving inventories	8	(19,150)	-
<b>Profit from operations</b>		<u>470,838</u>	<u>229,904</u>
Finance charges	24	(38,749)	(41,499)
<b>Profit for the year before taxation</b>		<u>432,089</u>	<u>188,405</u>
Income tax	19	(66,533)	(68,674)
<b>Profit and total comprehensive income for the year</b>		<u><u>365,556</u></u>	<u><u>119,731</u></u>
<b>Basic and diluted earnings per share (2023: restated)</b>	28	<u><u>0.022</u></u>	<u><u>0.007</u></u>

The notes on pages 10 to 41 form part of these financial statements.

**MUSCAT THREAD MILLS SAOG**

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2024**

	<u>Share capital</u> <u>RO</u>	<u>Legal reserve</u> <u>RO</u>	<u>General reserve</u> <u>RO</u>	<u>Retained earnings</u> <u>RO</u>	<u>Total</u> <u>RO</u>
At 1 January 2023	1,607,265	210,343	-	12,767	1,830,375
Profit for the year	-	-	-	119,731	119,731
Transfer to legal reserve	-	11,973	-	(11,973)	-
At 31 December 2023	<u>1,607,265</u>	<u>222,316</u>	<u>-</u>	<u>120,525</u>	<u>1,950,106</u>
At 1 January 2024	1,607,265	222,316	-	120,525	1,950,106
Profit for the year	-	-	-	365,556	365,556
Transfer to legal reserve	-	36,556	-	(36,556)	-
Transfer to free reserve	-	-	21,500	(21,500)	-
Bonus shares for the year 2023	32,146	-	-	(32,146)	-
Cash dividend for the year 2023	-	-	-	(80,363)	(80,363)
At 31 December 2024	<u>1,639,411</u>	<u>258,872</u>	<u>21,500</u>	<u>315,516</u>	<u>2,235,299</u>

The notes on pages 10 to 41 form part of these financial statements.

## MUSCAT THREAD MILLS SAOG

### STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2024

	<u>Note</u>	<u>2024</u> <u>RO</u>	<u>2023</u> <u>RO</u>
<b>Cash flows from operating activities</b>			
Profit for the year before taxation		432,089	188,405
Adjustments for:			
Depreciation on property, plant and equipment	5	66,447	58,213
Depreciation on right-of-use assets	6	10,657	10,704
Provision for slow moving inventories	8	19,150	-
Accrual of employees' end of service benefits	15	25,615	31,938
Loss on modification of leases	21	-	12,671
Reversal of provision for slow moving inventories	8	-	(14,726)
Reversal of impairment on trade and other receivables	9	(18,835)	(1,020)
Property, plant and equipment write offs	23	1,212	2,800
Foreign exchange loss	23	12,677	9,342
Finance charges	24	38,749	41,499
<b>Cash flows from operations before working capital changes</b>		<u>587,761</u>	<u>339,826</u>
<i>Working capital changes:</i>			
Inventories		(316,459)	(97,937)
Trade and other receivables		(72,295)	(59,939)
Trade and other payables		254,681	164,305
<b>Cash generated from operations</b>		<u>453,688</u>	<u>346,255</u>
Income tax paid		-	(13,479)
Employees' end of service benefits paid	15	(4,585)	(10,144)
<b>Net cash from operating activities</b>		<u>449,103</u>	<u>322,632</u>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	5	(191,559)	(50,119)
<b>Net cash used in investing activities</b>		<u>(191,559)</u>	<u>(50,119)</u>
<b>Cash flows from financing activities</b>			
Term loan repayments		(21,823)	(38,400)
Principal portion of lease liabilities paid		(3,602)	(4,850)
Finance charges on lease liabilities paid		(11,493)	(10,245)
Finance charges paid		(27,256)	(31,254)
Repayment of bank borrowings - net		(175,310)	(71,659)
Dividend paid		(80,363)	-
<b>Net cash used in financing activities</b>		<u>(319,847)</u>	<u>(156,408)</u>
<b>Net change in cash and cash equivalents during the year</b>		<u>(62,303)</u>	116,105
Cash and cash equivalents at the beginning of the year		211,051	94,946
<b>Cash and cash equivalents at the end of the year</b>	10	<u>148,748</u>	<u>211,051</u>

The notes on pages 10 to 41 form part of these financial statements.

## MUSCAT THREAD MILLS SAOG

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024

#### **1 Legal status and principal activities**

Muscat Thread Mills SAOG ("the Company") is a public joint stock company, which was incorporated on 1 August 1997, in the Sultanate of Oman, with its registered office in Rusayl Industrial Estate, PO Box 122, PC 124. The principal activity of the Company is manufacturing and marketing of sewing thread.

The Company holds 99% shareholding and a 100% beneficial ownership in Muscat Thread (BD) Limited (the subsidiary), which was incorporated in December 2012. The subsidiary, registered in Bangladesh, has not commenced commercial operations and is currently under liquidation.

The Company's Board of Directors in their meeting held on 23 December 2019 decided to change the legal status of the Company from public joint stock company (SAOG) to a closed joint stock company (SAOC) subject to approval of Shareholders, regulatory authorities and by complying with all required procedures. At the end of the reporting period, the Company is yet to complete the required procedures.

#### **2 Basis of preparation and adoption of new and amended IFRS Accounting Standards**

##### **Statement of compliance**

The financial statements have been prepared in accordance with IFRS Accounting Standards issued by the International Accounting Standards Board (IASB), interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) of the IASB, the disclosure requirements of the Financial Services Authority and the applicable provisions of the Commercial Companies Law of the Sultanate of Oman. These financial statements are prepared under the historical cost convention.

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent liabilities at the date of the financial statements, and reported amounts of revenues and expenses during the reporting period. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a high degree of judgment or complexity or areas where assumptions and estimates are significant to these financial statements are disclosed in Note 4.

##### **Functional and presentation currency**

The financial statements have been prepared in Rial Omani ("RO"), which is the functional and presentation currency of the Company. All the figures have been rounded off to the nearest RO, unless otherwise stated.

##### **New standards, amendments and interpretations to existing IFRS Accounting Standards that became effective on 01 January 2024**

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2023. However, the following new Standards, amendments to Standards and interpretations have become effective for the first time for the reporting periods beginning on or after 01 January 2024:

## MUSCAT THREAD MILLS SAOG

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (continued)

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

##### New standards, amendments and interpretations to existing IFRS Accounting Standards that became effective on 01 January 2024 (continued)

- Amendments to IAS 1 for:
  - (a) Classification of Liabilities as Current or Non-Current
  - (b) Non-Current Liabilities with Covenants
- Amendments to IFRS 16 for: Lease Liability in a Sale and Leaseback
- Amendments to IAS 7 and IFRS 7 for: Supplier Finance Arrangements
- Amendments to IAS 12 for: International Tax Reform - Pillar Two Model Rules

##### **Classification of Liabilities as Current and Non-current**

Classification of Liabilities as Current or Non-current has clarified a criterion in IAS 1 Presentation of Financial Statements for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period.

##### **Non-current Liabilities with Covenants**

Non-current Liabilities with Covenants has amended IAS 1 Presentation of Financial Statements. The amendments have improved the information an entity provides when its right to defer settlement of a liability for at least twelve months is subject to compliance with covenants. The amendments have also responded to stakeholders' concerns about the classification of such a liability as current or non-current.

##### **Lease Liability in a Sale and Leaseback**

Lease Liability in a Sale and Leaseback has amended IFRS 16 by adding subsequent measurement requirements for sale and leaseback transactions.

##### **Supplier Finance Arrangements**

Supplier Finance Arrangements has amended IAS 7 Statement of Cash Flows to require an entity to provide additional disclosures about its supplier finance arrangements. The amendments have also added supplier finance arrangements as an example within the liquidity risk disclosure requirements of IFRS 7 Financial Instruments: Disclosures.

##### **International Tax Reform—Pillar Two Model Rules**

International Tax Reform—Pillar Two Model Rules amends IAS 12 Income Taxes. The amendments have introduced a temporary exception to the requirements to recognise and disclose information about deferred tax assets and liabilities related to Pillar Two income taxes. The amendments have also introduced targeted disclosure requirements for affected entities.

The Company has adopted all of the above amendments for the first time in the reporting year and has accounted for and disclosed in the Financial Statements as far as these amendments were applicable to the Company. These amendments did not have any material impact on the presentation of the amounts and disclosures in the Financial Statements. The management does not expect the adoption of the Standards and Interpretations listed above to have a material impact on the financial statements of the Company in future periods.

## MUSCAT THREAD MILLS SAOG

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (continued)

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

##### **Standards, amendments and interpretations to existing IFRS Accounting Standards that have been issued but not yet effective**

At the time of authorization of these financial statements, the following IFRS Accounting Standards, amendments to Standards, and Interpretations have been issued but not yet effective. The Company will adopt these standards, amendments and interpretations in future reporting years as indicated below:

<b>Standard, Amendments to Standards and Interpretations</b>	<b>Effective for the annual periods beginning on or after</b>
Amendments to IAS 21 for: Lack of Exchangeability and consequential amendments of other related standards	01 January 2025
IFRS 18: Presentation and Disclosures in Financial Statements (new standard) and consequential amendments of other related standards	01 January 2027
IFRS 19: Subsidiaries without Public Accountability: Disclosures (new standard)	01 January 2027

The management of the Company believes that the adoption of the above new standards and amendments may have impact on the presentation of the amounts and disclosures in the financial statements of the future periods, when such standards or amendments shall be adopted. For the new standard IFRS 18, applicable to annual reporting periods beginning on or after 1 January 2027, the Company is currently performing an impact assessment.

#### 3 Material accounting policy information

The material accounting policy information related to the preparation of the financial statements is set out below. The accounting policies included in this information, have been consistently applied by the Company to all the years presented, unless otherwise stated.

##### **Property, plant and equipment**

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Where an item of property, plant and equipment comprises major components having different useful lives, they are accounted for as separate items of property, plant and equipment. Following initial recognition at cost, expenditure incurred to replace a component of an item of property, plant and equipment which increases the future economic benefits embodied in the item of property, plant and equipment is capitalised. All other expenditures are recognised in the statement of comprehensive income as an expense as incurred.

## MUSCAT THREAD MILLS SAOG

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (continued)

#### 3 Material accounting policy information (continued)

##### Property, plant and equipment (continued)

Items of property, plant and equipment are derecognised upon disposal or when no future economic benefit is expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset is included in the statement of income in the year the item is derecognized. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount with gains or losses being recognised within the statement of comprehensive income.

Depreciation is charged on property, plant and equipment so as to write off their cost less their estimated residual values over their estimated useful lives using the straight-line method. The estimated useful lives of the major classes of depreciable assets are as follows:

	Years
Buildings on leasehold land	10-20
Plant and machinery	3-20
Furniture, fixtures and office equipment	3-5
Motor vehicles	4

The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. The carrying values of assets are written down to their recoverable amount when the carrying value is greater than their estimated recoverable amount.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. Subsequent costs such as repairs and maintenance are recognised as expenses as incurred.

##### *Capital work-in-progress*

Capital work-in-progress is stated at cost less impairment losses if any. All the expenditure connected with specific assets incurred during installation and construction period are carried under capital work-in-progress. Cost also includes applicable borrowing costs. Capital work-in-progress is transferred to the specific assets as and when the assets are available for use. Capital work in progress is not depreciated.

##### **Investment in a subsidiary**

An entity over which the Company exercises control is classified as a subsidiary. Control is achieved where the Company has power over the investee, that exposes or gives rights to variable returns from its involvement with the investee, and the Company is able to use its power to affect the amount of returns from the investee. Generally, control is achieved with a shareholding of more than one half of the voting rights over the relevant activities of the investee.

## MUSCAT THREAD MILLS SAOG

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (continued)

#### 3 Material accounting policy information (continued)

##### **Inventories**

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Cost for inventories of raw materials, packing materials, spare parts and consumables is determined by the weighted average method and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In respect of finished goods and work-in-process, costs comprise direct materials, direct labor and applicable overheads, but exclude the borrowing costs. Provision is made, where necessary, for slow and non-moving inventories.

##### **Cash and cash equivalents**

For the purpose of statement of cash flows, cash and cash equivalents consist of bank balances and cash in hand, net of short term borrowings. Cash equivalents are held for the purpose of meeting short-term cash commitments (maturity of three months or less from the date of acquisition) and are subject to an insignificant risk of changes in value. Bank borrowings that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

##### **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 in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these 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.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date, initial direct costs and estimates of cost to put the underlying asset in the appropriate condition. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability.

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, which is defined as the interest rate that the Company would have to pay to borrow, over a similar term and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

All lease payments on leases are presented as part of cash flows from financing activities, except for the short-term and low-value leases cash flows which are booked under operating activities.



## MUSCAT THREAD MILLS SAOG

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (continued)

#### 3 Material accounting policy information (continued)

##### Employees' benefit liabilities

In respect of Omani employees, contributions are made in accordance with the Oman Social Insurance Law and recognised as an expense in the statement of comprehensive income as incurred. The Company makes contributions to the Oman Government Social Security Scheme for its Omani employees calculated as a percentage of the employees' salaries. The Company's obligations are limited to these contributions, which are expensed when due.

The Company provides end of service benefits to its expatriate employees in accordance with the new Oman labour law issued on 25th July 2023. The entitlement to these benefits is based upon the employees' final salary and length of service at the end of the reporting period. The expected costs of these benefits are accrued over the period of employment. A provision is made in the financial statements for covering the expected costs of these benefits and this provision is classified as a non-current liability.

Employee entitlements to annual leave and air passage are recognised when they accrue to the employees and an accrual is made for the estimated liability for annual leave and air passage as a result of services up to the reporting date. The accruals relating to annual leave and air passage are disclosed as a part of current liabilities.

##### Taxation

Income tax is provided for in accordance with the fiscal regulations of the Sultanate of Oman. The income tax expense represents the sum of the tax currently payable and deferred tax.

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

Deferred taxation is provided on all temporary differences at the end of the reporting period. It is calculated adopting a tax-rate that is the rate that is expected to apply to the periods when it is anticipated the liabilities will be settled, and which is based on tax-rates (and laws) that have been enacted at the end of the reporting period.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and credits can be utilised. The carrying amount of deferred tax assets is reviewed at each reporting date and the deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefits will be realised.

## **MUSCAT THREAD MILLS SAOG**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (continued)**

#### **3 Material accounting policy information (continued)**

##### **Foreign currency transactions and balances**

Transactions denominated in foreign currencies are translated into Rial Omani at the foreign exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are translated into Rial Omani at the foreign exchange rates prevailing at that date. Foreign exchange differences arising on translation are recognised in the statement of comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the date when the carrying value was determined.

##### **Revenue from contracts with customers**

The principal activity of the Company is manufacturing and marketing of sewing thread. The Company has the status of acting as principal in all its revenue arrangements because the Company typically controls the goods before transferring them to the customers. Revenue from contracts with customers is recognised when control of the goods is transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods.

Revenue is recognised at a point-in-time i.e. when control of the products has been transferred, generally on their delivery, the recovery of the consideration is probable and there is no unfulfilled obligation that could affect the customer's acceptance of the products. However, generally there are no additional performance obligations that are distinct to a certain customer. A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional in so far as only the passage of time is required before the payment is due. The average credit term is 90 days upon delivery.

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. Therefore, the Company does not adjust any of the transaction prices for the time value of the money.

##### **Contract liabilities**

A contract liability is the obligation of the Company to transfer goods or services to a customer for which the Company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognized when the payment is made. Contract liabilities are recognized as revenue when the Company satisfies the performance obligation under the contract.

## MUSCAT THREAD MILLS SAOG

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (continued)

#### 3 Material accounting policy information (continued)

##### Other income

Other income earned by the Company is recognised on the accrual basis, or when the Company's right to receive payment is established, unless recovery is doubtful, and it is probable that the economic benefits will flow to the Company. Other income comprises income that is incidental to the operations of the Company and is recognized as follows:

- Interest income is recognized using the effective interest rate method, which allocates interest over the relevant period to achieve a constant periodic rate of return on the carrying amount of the
- Gains arising on the disposal of property, plant, and equipment or other assets are recognized at the time control is transferred to the buyer.
- Net gains arising from the translation of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss as incurred.

The accounting policies for revenue recognition are applied consistently to all items of other income in accordance with IFRS 15 *Revenue from Contracts with Customers*, where applicable.

##### Dividend

The Board of Directors recommends to the Shareholders the dividend to be paid out of profits. The Directors take into account appropriate parameters including the requirements of the Commercial Companies Law of the Sultanate of Oman, and other relevant directives issued by FSA while recommending the dividend. Dividend distribution to the Shareholders is recognized as a liability in the Company's financial statements only in the period in which the dividends are approved by the Shareholders.

##### Operating segments

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses and whose operating results are regularly reviewed by the Management and Board of Directors to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. The Company has only one operating segment of manufacturing sewing threads.

##### Directors' remuneration

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

## MUSCAT THREAD MILLS SAOG

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (continued)

#### 3 Material accounting policy information (continued)

##### **Financial instruments**

Financial instruments are recognised when the Company becomes a party to the contractual provisions of the instrument. A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in the statement of profit or loss.

##### **Financial assets**

The Company determines the classification of its financial assets at initial recognition. The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows.

##### *Classification*

The financial assets are classified in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss); and
- those to be measured at amortised cost.

For assets measured at fair value, gains and losses are recorded in the Company's statement of profit and loss or other comprehensive income. For investments in equity instruments, the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income. Investments in equity instruments are not held for trading and are considered to be strategic in nature.

##### *Measurement*

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the statement of comprehensive income as incurred.

The Company has classified fair value measurements on a recurring basis using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e., derived from prices) (Level 2); and

## MUSCAT THREAD MILLS SAOG

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (continued)

#### 3 Material accounting policy information (continued)

##### Financial instruments (continued)

##### Financial assets (continued)

##### *Measurement (continued)*

- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

The Company classifies all financial assets as subsequently measured at amortised cost.

##### *Debt instruments*

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. The Company classifies debt instruments at amortised cost based on the below:

- the asset is held within a business model with the objective of collecting the contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the Effective Interest Rate (EIR). Investment in fixed deposits and bonds are carried at amortised cost.

##### *Equity instruments*

If the Company elects to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss. Dividends from such investments shall continue to be recognised in the statement comprehensive income when the Company's right to receive payments is established, it is probable that the economic benefits associated will flow to the Company, and amount of dividend can be measured reliably. Changes in fair value of investments at fair value through other comprehensive income are recorded in other comprehensive income. Changes in the fair value of fair value through profit or loss investments is recognised in the profit or loss.

##### *De-recognition of financial assets*

The Company derecognises a financial asset when the contractual rights to the cash flows from the assets expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of the transferred financial asset, the Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

## MUSCAT THREAD MILLS SAOG

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (continued)

#### 3 Material accounting policy information (continued)

##### Impairment of financial assets

The Company applies the Expected Credit Loss (ECL) model for measurement and recognition of impairment loss on the financial assets and credit risk exposure that are debt instruments and are measured at amortised cost e.g., loans, deposits and trade receivables.

ECL is the probability-weighted estimate of credit losses (i.e., present value of all cash shortfalls) over the expected life of the financial asset. A cash shortfall is the difference between the cash flows that are due in accordance with the contract and the cash flows that the Company expects to receive. The ECL considers the amount and timing of payments and hence a credit loss arises even if the Company expects to receive the payment in full but later than when contractually due. The ECL method requires assessing credit risk, default and timing of collection since initial recognition. This requires recognising allowance for ECL in the statement of comprehensive income even for receivables that are newly originated or acquired.

Impairment of financial assets is measured as either 12-months ECL or lifetime ECL, depending on whether there has been a significant increase in credit risk since initial recognition. '12-months ECL' represents the ECL resulting from default events that are possible within 12 months after the reporting date. 'Lifetime ECL' represent the ECL that result from all possible default events over the expected life of the financial asset.

Trade receivables are of a short duration, normally less than 12 months and hence the loss allowance measured as lifetime ECL does not differ from that measured as 12-months ECL. The Company uses the practical expedient in IFRS 9 for measuring ECL for trade receivables using a provisioning matrix based on ageing of the trade receivables.

The Company uses historical loss experience and derived loss rates based on the past twelve months and adjusts the historical loss rates to reflect the information about current conditions and reasonable and supportable forecasts of future economic conditions. The loss rates differ based on the ageing of the amounts that are past due and are generally higher for those with the higher ageing. The Company assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

- (1) The financial instrument has a low risk of default,
- (2) The borrower has a strong capacity to meet its contractual cash flow obligations in the near term,
- (3) Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

## MUSCAT THREAD MILLS SAOG

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (continued)

#### 3 Material accounting policy information (continued)

##### **Financial liabilities**

The Company determines the classification of its financial liabilities at initial recognition. The classification depends on the business model for managing the financial liabilities and the contractual terms of the cash flows.

##### *Classification*

The financial liabilities are classified in the following measurement categories:

- those to be measured as financial liabilities at fair value through profit or loss; and
- those to be measured at amortised cost.

##### *Measurement*

All financial liabilities are recognised initially at fair value. Financial liabilities accounted at amortised cost like borrowings are accounted at the fair value determined based on the EIR after considering the directly attributable transaction costs.

The Company classifies all financial liabilities as subsequently measured at amortised cost, except for financial liabilities at fair value through profit or loss. Such liabilities, including derivatives that are liabilities, and subsequently measured at fair value.

The EIR method calculates the amortised cost of a debt instrument by allocating interest charged over the relevant EIR period. The EIR is the rate that exactly discounts estimated future cash outflows (including all fees and points paid or received that form an integral part of the EIR, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. This category generally applies to borrowings, trade payables, etc.

The Company's financial liabilities include bank borrowings, trade and other payables and lease liabilities.

## MUSCAT THREAD MILLS SAOG

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (continued)

#### 3 Material accounting policy information (continued)

##### **Financial liabilities (continued)**

###### *Derecognition of financial liabilities*

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

##### **Impairment of non-financial assets**

The carrying amount of the Company's assets or its cash generating unit, other than financial assets, are reviewed at the end of each reporting period to determine whether there is any indication of impairment. A cash generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other asset and groups. If any such indication exists, the asset's recoverable amount is estimated. The recoverable amount of an asset or a cash generating unit is the greater of its value in use or fair value less costs to sell. An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in the statement of comprehensive income. Impairment losses are reversed only if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount.

##### **Provisions**

A provision is recognized in the statement of financial position when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. The amount recognised 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. If the effect is material, provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

##### **Trade and other payables**

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



## MUSCAT THREAD MILLS SAOG

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (continued)

#### 3 Material accounting policy information (continued)

##### **Earnings and net assets per share**

The Company presents basic and diluted earnings per share (EPS) 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 year. Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion 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 number of shares outstanding at the reporting date.

#### 4 Critical accounting estimates and key source of estimation uncertainty

The preparation of financial statements in accordance with IFRS Accounting Standards requires the Company's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the end of the reporting period, and the reported amounts of revenue and expenses during the reporting period. The determination of estimates requires judgments which are based on historical experience, current and expected economic conditions, and all other available information. Actual results could differ from those estimates.

The most significant areas requiring the use of management estimates and assumptions in these financial statements relate to:

##### *Useful lives of property, plant and equipment*

Estimation of useful lives of the property, plant and equipment is based on Management's assessment of various factors such as the operating cycles, the maintenance programs and normal wear and tear using its best estimates.

##### *Impairment of inventories*

The management reviews the inventory levels, especially finished goods and spares, on a periodic basis and estimates impairment for slow and non-moving inventories based on various factors including obsolescence, damages and write-downs. For finished goods, the estimate of net realisable value is also based on review of current market conditions and future sales trend.

##### *Allowance for expected credit losses (ECLs)*

Loss allowances for trade receivables are based on assumptions about risk of default and expected loss rates. The Company uses judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the Company's past experience and historical data, existing market conditions as well as forward looking estimates at the end of each reporting period.

## MUSCAT THREAD MILLS SAOG

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (continued)

#### 4 Critical accounting estimates and key source of estimation uncertainty (continued)

##### *Estimation of lease term and right-of-use asset*

The Management determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Management applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease by considering all relevant factors that create an economic incentive for it to exercise either the renewal or termination.

##### *Contingencies*

By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of such contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events.

##### *Going concern*

The management of the Company reviews the financial position of the Company on a periodical basis and assesses the requirement of any additional funding to meet the working capital requirements and estimated funds required to meet the liabilities as and when they become due.

##### *Taxation*

Uncertainties exist with respect to the interpretation of tax regulations and the amount and timing of future taxable income. Given the wide range of business relationships and nature of the existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to the assumptions, could necessitate future adjustments to taxable income and expenses already recorded. The Company establishes provisions, based on reasonable estimates, for possible consequences of finalisation of tax assessments of the Company. The amount of such provisions is based on various factors, such as experience of previous tax assessments and differing interpretations of tax regulations by the taxable entity and the responsible Tax Authority.

**MUSCAT THREAD MILLS SAOG**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2024 (continued)**

**5 Property, plant and equipment**

Cost	Buildings on leasehold land		Plant and machinery		Furniture, fixtures and office equipment		Motor vehicles		Capital work in progress		Total	
	RO	RO	RO	RO	RO	RO	RO	RO	RO	RO	RO	RO
At 1 January 2023	572,675	2,433,267	91,088	38,195	-	-	-	-	-	-	3,135,225	
Additions	-	12,619	-	-	-	-	-	37,500	-	-	50,119	
Write offs	-	(4,800)	-	-	-	-	-	-	-	-	(4,800)	
At 31 December 2023	<u>572,675</u>	<u>2,441,086</u>	<u>91,088</u>	<u>38,195</u>	<u>91,088</u>	<u>38,195</u>	<u>37,500</u>	<u>3,180,544</u>	<u>37,500</u>	<u>3,180,544</u>	<u>3,180,544</u>	
At 1 January 2024	572,675	2,441,086	91,088	38,195	1,008	21,800	163,910	191,559	37,500	37,500	3,180,544	
Additions	-	4,841	4,735	-	4,735	-	(196,180)	-	-	-	191,559	
Transfers	7,056	184,389	(26,166)	-	(26,166)	-	-	-	-	-	(32,272)	
Write offs	-	(6,106)	70,665	-	70,665	-	-	-	-	-	(32,272)	
At 31 December 2024	<u>579,731</u>	<u>2,624,210</u>	<u>70,665</u>	<u>59,995</u>	<u>70,665</u>	<u>59,995</u>	<u>5,230</u>	<u>3,339,831</u>	<u>5,230</u>	<u>3,339,831</u>	<u>3,339,831</u>	
<b>Accumulated depreciation</b>												
At 1 January 2023	386,952	2,007,282	84,216	38,186	-	-	-	-	-	-	2,516,636	
Charge for the year	14,421	42,521	1,271	-	-	-	-	-	-	-	58,213	
Relating to write offs	-	(2,000)	-	-	-	-	-	-	-	-	(2,000)	
At 31 December 2023	<u>401,373</u>	<u>2,047,803</u>	<u>85,487</u>	<u>38,186</u>	<u>85,487</u>	<u>38,186</u>	<u>2,572,849</u>	<u>2,572,849</u>	<u>2,572,849</u>	<u>2,572,849</u>	<u>2,572,849</u>	
At 1 January 2024	401,373	2,047,803	85,487	38,186	85,487	38,186	2,572,849	2,572,849	-	-	2,572,849	
Charge for the year	14,432	47,919	1,725	2,371	1,725	2,371	66,447	66,447	-	-	66,447	
Relating to write offs	-	(4,894)	(26,166)	-	(26,166)	-	-	(31,060)	-	-	(31,060)	
At 31 December 2024	<u>415,805</u>	<u>2,090,828</u>	<u>61,046</u>	<u>40,557</u>	<u>61,046</u>	<u>40,557</u>	<u>2,608,236</u>	<u>2,608,236</u>	<u>2,608,236</u>	<u>2,608,236</u>	<u>2,608,236</u>	
<b>Net book value</b>												
At 31 December 2024	<u>163,926</u>	<u>533,382</u>	<u>9,619</u>	<u>19,438</u>	<u>9,619</u>	<u>19,438</u>	<u>5,230</u>	<u>731,595</u>	<u>5,230</u>	<u>731,595</u>	<u>731,595</u>	
At 31 December 2023	<u>171,302</u>	<u>393,283</u>	<u>5,601</u>	<u>9</u>	<u>5,601</u>	<u>9</u>	<u>37,500</u>	<u>607,695</u>	<u>37,500</u>	<u>607,695</u>	<u>607,695</u>	

**MUSCAT THREAD MILLS SAOG**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2024 (continued)**

**5 Property, plant and equipment (continued)**

- a) Buildings are constructed on two plots of land leased from the Public Establishment for Industrial Estates - Rusayl Industrial Estate under lease agreements which expire on 31 December 2049 [note 6 a)].
- b) The property, plant and equipment (except buildings) are mortgaged against credit facilities obtained from a local commercial bank (note 17).
- c) Capital work in progress at the end of the reporting period, relates to costs incurred towards equipment and machinery pending installation. Capital commitments have been disclosed in Note 29 of these financial statements.
- d) Depreciation amounting to RO 47,918 (2023: RO 42,521) is charged to 'cost of goods sold' and the balance depreciation of RO 18,529 (2023: RO 15,692) is allocated to 'administrative and general expenses'.

**6 Right of use assets**

	<b>Factory land RO</b>	<b>Staff accommodation RO</b>	<b>Total RO</b>
<b>Year 2024:</b>			
At the beginning of the year	142,123	24,813	166,936
Less: depreciation for the year	(5,466)	(5,191)	(10,657)
At the end of the year	<u>136,657</u>	<u>19,622</u>	<u>156,279</u>
<b>Year 2023</b>			
At the beginning of the year	158,521	4,112	162,633
Modifications during the year	(10,932)	25,939	15,007
Less: depreciation for the year	(5,466)	(5,238)	(10,704)
At the end of the year	<u>142,123</u>	<u>24,813</u>	<u>166,936</u>

The Company leases several assets including land and buildings.

- a) The Company has entered into a leasing agreement with the Public Establishment for Industrial Estates for two plots of land on which the factory building is constructed [note 5 a)]. The lease term for the land is 30 years.

During the year 2023, a loss of RO 12,671 was recognized in the statement of income due to the modification of the factory land lease term (note 21).

- b) The Company has also entered into a leasing arrangement for staff accommodation. The lease term for the staff accommodation is 5 years.
- c) During the year, the depreciation on right-of-use assets amounted to RO 10,657 (2023: RO 10,704) and the finance charges on lease liabilities amounted to RO 11,493 (2023: RO 10,245).
- d) Depreciation on right-of-use assets is charged to cost of goods sold.

**MUSCAT THREAD MILLS SAOG**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2024 (continued)**

**7 Investment in a subsidiary**

	<u>2024</u>	<u>2023</u>
	<u>RO</u>	<u>RO</u>
Cost of investment	19,654	19,654
Impairment recognised	<u>(19,654)</u>	<u>(19,654)</u>
	-	-

a) The details of investment in a subsidiary are as follows:

Name of company	<u>2024 and 2023</u>		
	Number of shares	% Holding	<u>RO</u>
Muscat Thread (BD) Limited	400,000	100%	19,654

b) The Company holds 99% shareholding and a 100% beneficial ownership in Muscat Thread (BD) Limited (the subsidiary), which was incorporated in December 2012. The subsidiary is registered in Bangladesh and has not commenced commercial operations and is in the process of liquidating. At 31 December 2024, the assets, liabilities and results of the subsidiary are not material and hence not consolidated with the Parent Company in view of the subsidiary not having commenced commercial operations and therefore there is no material effect of the assets, liabilities and results of the Group.

c) The Board of Directors and the Management have assessed the investment as impaired in accordance with IAS 36 'Impairment of Assets'. Accordingly, an impairment to the extent of the cost was recognised against the investment in subsidiary in a prior year.

**8 Inventories**

	<u>2024</u>	<u>2023</u>
	<u>RO</u>	<u>RO</u>
Raw materials	1,011,054	877,225
Work-in-process	33,942	41,813
Finished goods	259,331	171,109
Spare parts and consumables	132,497	105,682
Goods in transit	304,488	229,024
	<u>1,741,312</u>	<u>1,424,853</u>
Less: provision for slow-moving inventories	<u>(187,432)</u>	<u>(168,282)</u>
	<u>1,553,880</u>	<u>1,256,571</u>

The movement in provision for slow-moving inventories is as below:

	<u>2024</u>	<u>2023</u>
	<u>RO</u>	<u>RO</u>
At 1 January	168,282	183,008
Provision recognised during the year	19,150	-
Reversal of provision during the year	-	(14,726)
At 31 December	<u>187,432</u>	<u>168,282</u>

**MUSCAT THREAD MILLS SAOG**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2024 (continued)**

**9 Trade and other receivables**

	<u>2024</u>	<u>2023</u>
	<u>RO</u>	<u>RO</u>
Trade receivables	899,498	884,370
Less: allowance for expected credit losses	(96,647)	(121,077)
	<u>802,851</u>	<u>763,293</u>
Due from the subsidiary	107,352	107,352
Less: allowance for expected credit losses	(107,352)	(107,352)
	<u>-</u>	<u>-</u>
Other receivables	37,119	42,929
Less: allowance for expected credit losses	(11,367)	(11,367)
	<u>25,752</u>	<u>31,562</u>
Advance to suppliers	102,649	41,253
Prepayments	21,814	25,828
	<u>953,066</u>	<u>861,936</u>

- a) Total trade and other receivables at the end of the reporting period, 51% of the Company's trade receivables are due from 5 customers (2023: 56% due from 4 customers).
- b) At the end of the reporting period, RO 69,193 (2023: RO 591,055) of the Company's trade receivables are secured against ECGA, letters of credit and documents against acceptances.
- c) At 31 December 2024, the aging and lifetime expected credit losses for trade receivables is as follows:

	<u>Current</u>	<u>Past due</u>	<u>Past due</u>	<u>Total</u>
	<u>Not yet due</u>	<u>0-180 Days</u>	<u>&gt;180 Days</u>	<u>RO</u>
	<u>RO</u>	<u>RO</u>	<u>RO</u>	<u>RO</u>
Weighted loss rate	1.12%	4.59%	98.71%	10.74%
Gross carrying amount	681,227	134,362	83,909	899,498
Expected credit losses	(7,653)	(6,167)	(82,827)	(96,647)
	<u>673,574</u>	<u>128,195</u>	<u>1,082</u>	<u>802,851</u>

At 31 December 2023, the aging and lifetime expected credit losses for trade receivables is as follows:

	<u>Current</u>	<u>Past due</u>	<u>Past due</u>	<u>Total</u>
	<u>Not yet due</u>	<u>0-180 Days</u>	<u>&gt;180 Days</u>	<u>RO</u>
	<u>RO</u>	<u>RO</u>	<u>RO</u>	<u>RO</u>
Weighted loss rate	1.00%	5.37%	64.11%	13.69%
Gross carrying amount	528,240	191,575	164,555	884,370
Expected credit losses	(5,282)	(10,291)	(105,504)	(121,077)
	<u>522,958</u>	<u>181,284</u>	<u>59,051</u>	<u>763,293</u>

**MUSCAT THREAD MILLS SAOG**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2024 (continued)**

**9 Trade and other receivables (continued)**

c) Allowance for expected credit losses at the end of the reporting period comprise:

	<u>2024</u>	<u>2023</u>
	<u>RO</u>	<u>RO</u>
Allowance for expected credit losses on trade receivables	96,647	121,077
Allowance for expected credit losses on due from the subsidiary	107,352	107,352
Allowance for expected credit losses on other receivables	11,367	11,367
	<u>215,366</u>	<u>239,796</u>

d) The movement in allowance for expected credit losses is as follows:

	<u>2024</u>	<u>2023</u>
	<u>RO</u>	<u>RO</u>
At 1 January	239,796	504,997
Reversal during the year	(18,835)	(1,020)
Written off during the year	(5,595)	(264,181)
At 31 December	<u>215,366</u>	<u>239,796</u>

**10 Cash and bank balances**

	<u>2024</u>	<u>2023</u>
	<u>RO</u>	<u>RO</u>
Cash in hand	272	340
Cash at bank	148,476	210,711
	<u>148,748</u>	<u>211,051</u>

**11 Share capital**

a) The authorised share capital of the Company comprises 25,000,000 ordinary shares of 100 Baizas each (2023: 25,000,000 ordinary shares of 100 Baizas each). The issued and fully paid-up share capital is RO 1,639,411 (2023: RO 1,607,265) comprising 16,394,106 shares of 100 Baizas each (2023: 16,072,653 shares of 100 baizas each ).

b) At the end of the reporting period, shareholders who own 10% or more of the Company's share capital, and the number of shares they hold are as follows:

	<u>2024</u>		<u>2023</u>	
	Number of shares	Shareholding percentage %	Number of shares	Shareholding percentage %
Qais Omani Establishment LLC	3,108,014	18.96	3,047,073	18.96
Muscat Overseas Company LLC	2,877,396	17.55	2,820,977	17.55
Al Barij International LLC	2,041,453	12.45	2,001,425	12.45
Masterbaker Marketing Limited	1,944,125	11.86	1,906,005	11.86

## MUSCAT THREAD MILLS SAOG

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (continued)

#### 12 Legal reserve

As per the Commercial Companies Law of the Sultanate of Oman, an annual appropriation of 10% of a company's net profit has been made to a non-distributable legal reserve. Such appropriation shall continue in future years until the amount of legal reserve becomes equal to one-third of the amount of issued share capital.

#### 13 General reserve

During the year, the Board of Directors approved the creation of an additional free reserve to cover the possible impacts, if any, of the provision related to trade receivables. This decision was made as a proactive measure to strengthen the Company's financial position, ensuring availability of reserve in case of future bad debts.

#### 14 Lease liabilities

	<u>2024</u> <u>RO</u>	<u>2023</u> <u>RO</u>
Lease liabilities	188,426	192,028
Less: current maturity	(5,289)	(4,646)
Non-current liabilities	<u>183,137</u>	<u>187,382</u>

a) The movement in lease liabilities is as follows:

	<u>2024</u> <u>RO</u>	<u>2023</u> <u>RO</u>
At the beginning of the year	192,028	169,200
Modifications during the year	-	27,678
Finance charges on lease liabilities (note 24)	11,493	10,245
Payments during the year	(15,095)	(15,095)
At 31 December	<u>188,426</u>	<u>192,028</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>2024</u> <u>RO</u>	<u>2023</u> <u>RO</u>
Due up to 1 year	5,289	4,646
Due between 1 and 5 years	16,818	21,665
Due above 5 years	166,319	165,717
	<u>188,426</u>	<u>192,028</u>



**MUSCAT THREAD MILLS SAOG**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2024 (continued)**

**14 Lease liabilities (continued)**

- 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>2024</u>	<u>2023</u>
	<u>RO</u>	<u>RO</u>
Due up to 1 year	16,459	15,095
Due between 1 and 5 years	58,336	64,337
Due above 5 years	300,306	310,764
	<u>375,101</u>	<u>390,196</u>

**15 Employees' end of service benefits**

	<u>2024</u>	<u>2023</u>
	<u>RO</u>	<u>RO</u>
Movement in expatriate employees' end of service benefits:		
At 1 January	143,109	121,315
Charge for the year	25,615	31,938
Paid during the year	(4,585)	(10,144)
At 31 December	<u>164,139</u>	<u>143,109</u>

**16 Term loan**

	<u>2024</u>	<u>2023</u>
	<u>RO</u>	<u>RO</u>
Term loan	-	21,823
Less: current maturity	-	(21,823)
Non-current liabilities	<u>-</u>	<u>-</u>

The term loan was obtained from a local commercial bank and was subject to interest at 6.5% to 7% per annum (2023 – 6.5% to 7% per annum) and was repayable in quarterly instalments of varying amounts. The Company has fully repaid the term loan during the current year.

**17 Bank borrowings**

	<u>2024</u>	<u>2023</u>
	<u>RO</u>	<u>RO</u>
Loan against trust receipts	12,603	166,765
Credit card	134	21,282
	<u>12,737</u>	<u>188,047</u>

- a) Bank borrowings are obtained from local commercial banks which carry interest at commercial rates (2023 – same terms). The interest rates are subject to re-negotiation with the banks upon renewal of the facilities, which generally takes place annually.

**MUSCAT THREAD MILLS SAOG**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2024 (continued)**

**17 Bank borrowings (continued)**

b) The facilities are secured by the following:

- First and comprehensive commercial charge on the Company's fixed assets (except building);
- Assignment of joint insurance over the Company's assets;
- Commercial charge over the Company registration documents; and
- Adequate insurance cover over the assets held as security.

**18 Trade and other payables**

	<u>2024</u>	<u>2023</u>
	<u>RO</u>	<u>RO</u>
Trade payables	484,380	350,127
Accrued expenses	210,878	128,080
Other payables	200,357	150,050
	<u>895,615</u>	<u>628,257</u>

**19 Income tax**

	<u>2024</u>	<u>2023</u>
	<u>RO</u>	<u>RO</u>
<i>Statement of comprehensive income</i>		
The tax charge for the year comprises:		
Current year tax	62,906	29,084
Deferred tax charge	3,627	39,590
	<u>66,533</u>	<u>68,674</u>

	<u>2024</u>	<u>2023</u>
	<u>RO</u>	<u>RO</u>
<i>Statement of financial position</i>		
Current liability		
Current year tax	62,906	29,084
Prior period tax	36,378	7,294
	<u>99,284</u>	<u>36,378</u>
Non-current asset		
Deferred tax asset	<u>51,932</u>	<u>55,559</u>

- a) The Company is liable to income tax at the rate of 15%, on the taxable profit (2023: tax at the rate of 15%).
- b) The Company's tax assessments up to tax year 2020 have been completed by the Tax Authority. Management is of the opinion that the amount of additional taxes, if any, that may become payable on finalization of the pending tax assessments would not be material to the Company's financial position as at 31 December 2024.

**MUSCAT THREAD MILLS SAOG**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2024 (continued)**

**19 Income tax (continued)**

c) The reconciliation of tax on the accounting profit with the taxation charge for the year is as follows:

	<u>2024</u>	<u>2023</u>
	<u>RO</u>	<u>RO</u>
Tax charge on accounting profit at applicable rates	64,813	28,261
Net effect of depreciation and other disallowances	(1,907)	823
	<u>62,906</u>	<u>29,084</u>

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

	<u>01 Jan 2024</u>	<b>Recognized in the Statement of Comprehensive Income</b>	<u>31 Dec 2024</u>
	<u>RO</u>	<u>RO</u>	<u>RO</u>
Accelerated depreciation	12,365	3,893	16,258
Provisions	(64,160)	792	(63,368)
Others	(3,764)	(1,058)	(4,822)
	<u>(55,559)</u>	<u>3,627</u>	<u>(51,932)</u>

	<u>01 Jan 2023</u>	<b>Recognized in the Statement of Comprehensive Income</b>	<u>31 Dec 2023</u>
	<u>RO</u>	<u>RO</u>	<u>RO</u>
Accelerated depreciation	12,038	327	12,365
Provisions	(106,202)	42,042	(64,160)
Others	(985)	(2,779)	(3,764)
	<u>(95,149)</u>	<u>39,590</u>	<u>(55,559)</u>

## MUSCAT THREAD MILLS SAOG

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (continued)

#### 20 Revenue

*Disaggregation of revenue from contracts with customers:*

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

a) Disaggregation by primary geographical regions

	<u>2024</u>	<u>2023</u>
	<u>RO</u>	<u>RO</u>
Local sales - Oman	629,437	453,683
South Asia	1,096,914	826,440
Middle East countries	2,133,660	1,622,425
Others	420,943	379,513
	<u>4,280,954</u>	<u>3,282,061</u>

b) Disaggregation by product line

	<u>2024</u>	<u>2023</u>
	<u>RO</u>	<u>RO</u>
Sewing thread	4,280,954	3,282,061

c) Disaggregation by timing of revenue recognition

	<u>2024</u>	<u>2023</u>
	<u>RO</u>	<u>RO</u>
Products transferred at a point in time	4,280,954	3,282,061

#### 21 Cost of goods sold

	<u>2024</u>	<u>2023</u>
	<u>RO</u>	<u>RO</u>
Cost of materials consumed	2,080,572	1,710,930
Employee costs (note 25)	452,663	399,930
Utilities	189,481	125,146
Labour charges	140,377	84,932
Depreciation on property, plant and equipment (note 5)	47,918	42,521
Loss on modification of leases (note 6)	-	12,671
Depreciation on right-of-use assets (note 6)	10,657	10,704
Other factory overheads	96,909	74,298
	<u>3,018,577</u>	<u>2,461,132</u>

**MUSCAT THREAD MILLS SAOG****NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2024 (continued)****22 Selling and distribution expenses**

	<u>2024</u>	<u>2023</u>
	<u>RO</u>	<u>RO</u>
Freight and export handling	245,643	166,189
Employee costs (note 25)	151,926	115,576
Commission and rebates	65,600	54,971
Advertisement and promotion	29,237	22,419
Vehicle rent, repair and maintenance	14,663	13,037
Export insurance	4,827	12,761
Courier charges	17,483	8,829
Travelling and conveyance	11,891	7,822
Utilities	4,462	4,001
Miscellaneous	6,037	5,751
	<u>551,769</u>	<u>411,356</u>

**23 Administrative and general expenses**

	<u>2024</u>	<u>2023</u>
	<u>RO</u>	<u>RO</u>
Employee costs (note 25)	117,883	113,919
Legal and professional charges	34,863	28,695
Directors' meeting attendance fees	17,100	17,200
Directors' remuneration	25,000	-
Depreciation on property, plant and equipment (note 5)	18,529	15,692
Foreign exchange loss	12,677	9,342
Printing and stationery	5,591	3,382
Property, plant and equipment written off	1,212	2,800
Utilities	2,996	2,670
Miscellaneous	11,262	5,205
	<u>247,113</u>	<u>198,905</u>

**24 Finance charges**

	<u>2024</u>	<u>2023</u>
	<u>RO</u>	<u>RO</u>
Bank charges	20,112	19,106
Finance charges on lease liabilities (note 14)	11,493	10,245
Interest on bank borrowings	6,783	9,857
Interest on term loan	361	2,291
	<u>38,749</u>	<u>41,499</u>

**MUSCAT THREAD MILLS SAOG**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2024 (continued)**

**25 Employee costs**

- a) Total employee costs included under cost of goods sold (note 21), selling and distribution expenses (note 22) and administrative and general expenses (note 23) comprise:

	<u>2024</u>	<u>2023</u>
	<u>RO</u>	<u>RO</u>
Salaries and wages	478,884	445,966
Employees' end of service benefits (note 15)	25,615	31,938
Contribution to defined contribution plan	19,776	14,445
Other benefits	198,197	137,076
	<u>722,472</u>	<u>629,425</u>

- b) Employee costs are allocated as follows:

	<u>2024</u>	<u>2023</u>
	<u>RO</u>	<u>RO</u>
Cost of goods sold (note 21)	452,663	399,930
Selling and distribution expenses (note 22)	151,926	115,576
Administrative and general expenses (note 23)	117,883	113,919
	<u>722,472</u>	<u>629,425</u>

**26 Related party transactions and balances**

- a) The Company enters into transactions in the ordinary course of business with key management personnel (including Board of Directors), subsidiary and entities in which the key management personnel / significant Shareholders of the Company have significant influence or control. Prices and terms of payment for these transactions are approved by the Management and the Board of Directors. These transactions are entered into on terms and conditions approved by the Management and Board of Directors and subject to Shareholders' approval at the Annual General Meeting.
- b) The amounts due from a subsidiary (note 9) are interest free and repayable on demand (2023 – same terms). The Management has assessed the amount to be impaired and have accordingly established an allowance for expected credit loss against the entire amount in a prior year.
- c) Key management personnel compensation for the year comprises:

	<u>2024</u>	<u>2023</u>
	<u>RO</u>	<u>RO</u>
Short term employment benefits	62,364	49,753
Employees' end of service benefits	2,647	4,937
Directors' meeting attendance fee (note 23)	17,100	17,200
Directors' remuneration (note 23)	25,000	-
	<u>107,111</u>	<u>71,890</u>

**MUSCAT THREAD MILLS SAOG**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2024 (continued)**

**27 Net assets per share**

Net assets per share are calculated by dividing the shareholders equity at the end of the reporting period by the number of shares outstanding at the end of the reporting date, as follows:

	<u>2024</u>	<u>2023</u>
Shareholders' equity (RO)	<u>2,235,299</u>	<u>1,950,106</u>
Number of issued and fully paid-up shares outstanding at the reporting date (number)	<u>16,394,106</u>	<u>16,072,653</u>
Net assets per share (RO)	<u>0.136</u>	<u>0.121</u>

**28 Basic and diluted earnings per share**

Basic and diluted earnings per share is calculated by dividing the net profit after tax for the year with the weighted average number of shares issued and outstanding during the year.

	<u>2024</u>	<u>2023</u>
Net profit attributable to shareholders (RO)	<u>365,556</u>	<u>119,731</u>
Weighted average number of ordinary shares outstanding during the year (numbers) (2023: restated)	<u>16,394,106</u>	<u>16,394,106</u>
Basic and diluted earnings per share (RO) (2023: restated)	<u>0.022</u>	<u>0.007</u>

Bonus shares were issued during the year with no corresponding increase in resources, therefore, earnings per share (basic and diluted) for the year 2023 has been restated and is calculated as if bonus shares were issued at the beginning of the earliest period presented in accordance with IAS 33 Earning per share.

There is no dilution effect on the earnings per share of the Company as the Company does not have any convertible instruments in issue which would have any effect on the earnings per share.

**29 Contingencies and commitments**

	<u>2024</u> <u>RO</u>	<u>2023</u> <u>RO</u>
Contingencies:		
Bank guarantees	<u>35,000</u>	<u>30,000</u>
Commitments:		
Purchase commitments	<u>330,508</u>	<u>382,668</u>
Capital commitments	<u>17,166</u>	<u>12,816</u>
	<u>347,674</u>	<u>395,484</u>

## MUSCAT THREAD MILLS SAOG

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (continued)

#### 30 Capital management

The Company's policy is to maintain an optimum capital base to maintain investor, creditor and market confidence to sustain future growth of business as well as return on capital.

The Company's objectives when managing capital is to enable the entity to continue as a going concern, so that it can continue to provide adequate returns to the shareholders. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to the shareholders, return capital to shareholders or issue additional capital.

##### *Capital Risk Management*

Consistent with others in the industry, the Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as equity, as shown in the statement of financial position, plus net debt.

	<u>2024</u>	<u>2023</u>
	<u>RO</u>	<u>RO</u>
The gearing ratio of the Company as at the reporting date is as		
Total borrowings including lease liabilities (note 17 and 14)	201,163	380,075
Less: Cash and bank balances (note 10)	<u>(148,748)</u>	<u>(211,051)</u>
Net debt	52,415	169,024
Total equity	2,235,299	1,950,106
Total capital employed	2,287,714	2,119,130
Gearing ratio	2.29%	7.98%

#### 31 Financial instruments and related risk management

Financial assets include trade and other receivables, bank balances and cash. Financial liabilities include bank borrowings, lease liabilities, trade and other payables. Management believes that the fair values of the financial assets and liabilities approximate their carrying values.

The Company's activities expose it to various financial risks, primarily being, market risk (including currency risk and interest rate risk), credit risk and liquidity risk.

Management has overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's risk management policies are established to identify and analyse the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit Committee oversees how Management monitors compliance with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.



## MUSCAT THREAD MILLS SAOG

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (continued)

#### 31 Financial instruments and related risk management (continued)

##### a) 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 on risk.

##### *(i) Currency risk*

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company is exposed to foreign exchange risk arising from various currency exposures, primarily from USD and other GCC currencies. As the Rial Omani and GCC currencies are pegged against USD, the management does not believe that the Company is exposed to any material currency risk.

##### *(ii) Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flow of financial instrument will fluctuate because of changes in market interest rates.

As the Company has no significant interest-bearing assets, the Company's income and operating cash flows are substantially independent of changes in market interest rates.

The Company manages its exposure to interest risk by ensuring that a significant part of its interest bearing liabilities carry fixed interest rates. Details of interest rates are set out in note 17 to these financial statements.

##### b) Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Company, resulting in a financial loss to the Company.

Credit risk arises from bank balances, due from related party, as well as credit exposures to outstanding receivables.

##### *Credit risk on financial assets*

The expected loss rates are based on the payment profiles of customers and the corresponding historical credit losses experienced within this period.

The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Company has identified the technological changes and GDP growth rate to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

Bank balances are placed with banks having strong credit ratings.

## MUSCAT THREAD MILLS SAOG

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (continued)

#### 31 Financial instruments and related risk management (continued)

##### c) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivery of cash or another financial asset.

The Company maintains sufficient bank balances and has availed borrowing facilities to meet the obligations as they fall due for payment.

The table below analyses the Company's financial liabilities as at the end of the reporting period based on the contractual maturity dates.

	<u>Less than 6 months</u> <u>RO</u>	<u>6 months to 1 year</u> <u>RO</u>	<u>More than 1 year</u> <u>RO</u>	<u>Total</u> <u>RO</u>
<b>At 31 December 2024</b>				
Lease liabilities	2,644	2,645	183,137	188,426
Bank borrowings	12,737	-	-	12,737
Trade payables	484,380	-	-	484,380
Other payables	200,357	-	-	200,357
	<u>700,118</u>	<u>2,645</u>	<u>183,137</u>	<u>885,900</u>
<b>At 31 December 2023</b>				
Lease liabilities	2,323	2,323	187,382	192,028
Term loan	19,200	2,623	-	21,823
Bank borrowings	188,047	-	-	188,047
Trade payables	350,127	-	-	350,127
Other payables	150,050	-	-	150,050
	<u>709,747</u>	<u>4,946</u>	<u>187,382</u>	<u>902,075</u>

#### 32 Operating segments

The Company has only one operating segment of manufacturing sewing threads.

The Company's total sales and trade receivables to external customers are as follows:

	<u>Trade receivables</u>		<u>Sales</u>	
	<u>2024</u> <u>RO</u>	<u>2023</u> <u>RO</u>	<u>2024</u> <u>RO</u>	<u>2023</u> <u>RO</u>
Local sales	50,348	32,797	629,437	453,683
Exports	849,150	851,573	3,651,517	2,828,378
	<u>899,498</u>	<u>884,370</u>	<u>4,280,954</u>	<u>3,282,061</u>

## MUSCAT THREAD MILLS SAOG

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2024 (continued)

#### 32 Operating segments (continued)

The Company exports to the following markets:

	<u>2024</u>	<u>2023</u>
	<u>RO</u>	<u>RO</u>
South Asia	1,096,914	826,440
Middle East	2,133,660	1,622,425
Others	420,943	379,513
	<u>3,651,517</u>	<u>2,828,378</u>

All property, plant and equipment and right-of-use assets of the Company are located in the Sultanate of Oman.

#### 33 Subsequent events

Subsequent to the end of the reporting period, the Board of Directors, in its meeting held on 03 February 2025, has proposed a stock dividend (bonus shares) of 7.5 shares for every one hundred shares (7.5%) and cash dividend of 10 Baiza per share (10%), which is subject to shareholders' approval at the forthcoming Annual General Meeting.

#### 34 Reconciliation of liabilities arising from financing activities

	Term loan	Bank borrowings	Lease liabilities	Dividend payable	Finance charges payable	Total
	<u>RO</u>	<u>RO</u>	<u>RO</u>	<u>RO</u>	<u>RO</u>	<u>RO</u>
<b>2024</b>						
1 January 2024	21,823	188,047	192,028	-	-	401,898
Net cash inflows / (outflows)	(21,823)	(175,310)	(15,095)	(80,363)	(27,256)	(319,847)
Accrued during the year	-	-	11,493	80,363	27,256	119,112
31 December 2024	<u>-</u>	<u>12,737</u>	<u>188,426</u>	<u>-</u>	<u>-</u>	<u>201,163</u>
<b>2023</b>						
1 January 2023	60,223	259,706	169,200	-	-	489,129
Net cash inflows / (outflows)	(38,400)	(71,659)	(15,095)	-	(31,254)	(156,408)
Accrued during the year	-	-	10,245	-	31,254	41,499
Lease modifications	-	-	27,678	-	-	27,678
31 December 2023	<u>21,823</u>	<u>188,047</u>	<u>192,028</u>	<u>-</u>	<u>-</u>	<u>401,898</u>

