



Chairman's Report

Dear Shareholders

On behalf of the Board of Directors, I am pleased to present the twenty second annual report of Gulf Mushroom Products Co. (SAOG) for the financial year ended 31 December 2019

Preview of Results

Regional economies saw increased competition from both local and overseas mushroom farms which affected company's sales turnover. Your company is actively engaged in improving mushroom yields and reducing overall production costs and has achieved significant success resulting in improved profitability and competitive strength. Company has also launched new mushroom products during the year and increased its customer base in the region.

The revenues of the company for the year ended 31 December 2019 were RO 7.522 million compared to RO 7.599 million in 2018 , a decrease of 1%. Earnings before depreciation and finance costs in 2019 was RO 1.776 million compared to RO 1.664 million in 2018 , an increase of 7%

Depreciation and finance costs were significantly lower due to depreciation of old plant and partial repayment of project loans respectively.

Net profit after tax for the year ended 31 December 2019 was RO 600,000 compared to RO 392000 in 2018, an increase of 53%.

Your company continues to take pride in its contribution to the country's non-oil revenues. Exports during the year 2019 net of sales discounts were RO 6.552 million (87% of total sales) compared to RO 6.739 million (89% of total sales) during 2018 .

The net assets of the company (including land revaluation reserve) as at 31 December 2019 were RO 7.091 million compared to RO 6.680 million as at 31 December 2018

During the year the Company achieved a total production of 4,545 metric tons of different varieties of fresh mushrooms compared to 4,456 metric tons in the previous year, an increase of 2%.

Technical Expertise

Company has a very experienced and professional production team supported by a panel of international consultants for both mushroom cultivation and compost manufacturing. Company's production process and technology are in line with latest developments in the mushroom industry.

Quality and safety certifications

Company follows a strict quality control program and training to maintain highest level of quality and safety of its products and processes. Company has an experienced quality control team and a panel of external consultants & auditors. External surveillance and audits are conducted at regular intervals. Company is HACCP certified for its food safety management system and also certified for Global Good Agricultural Practices (Global GAP) and HALAL by reputed international bodies.





Dividends Policy

Company uses its free reserves to provide regular returns to its shareholders after meeting any requirements for operations and capacity development. For few years company was unable to pay cash dividend due to capacity expansion programs and resumed distribution of cash dividend from previous year. Company is very grateful to its shareholders for their patience and support and is now pleased to propose a cash dividend of 5% for the year 2019 for the shareholders' approval. Share price and dividend history for the last ten years is shown in the table below—

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Share price at year end (RO)	0.520	0.478	0.510	0.430	0.426	0.386	0.336	0.306	0.306	0.306
Cash Dividend	40%	25%	25%	-	-	-	-	-	5%	5%*
Bonus shares	-	10%	10%	20%	10%	15%	10%	-	-	-

*subject to approval from appropriate authorities and the shareholders

Corporate Governance

Company is committed to highest standards of corporate governance and strictly adheres to corporate governance regulations issued by the Capital Market Authority. Company has well documented policies and procedures and sound internal control systems to assist the management in properly discharging their functions according to regulations and best practices. Reference may be made to the Management Discussion and Analysis Report and Report on Corporate Governance which are enclosed.

Human resources

Human resource is a key production cost due to labor intensive nature of the mushroom business and it is also critical to company's profitability and success. Company has a structured remuneration system linked with regular employee performance appraisals and key performance indicators. Company has production incentive schemes, performance linked employee bonus and training programs for employee motivation development and growth. Company is fully compliant with Omani labor regulations and is proud to have a high percentage of Omani employees in line with the directives of the government for increasing the employment opportunities for Omani people. As at 31 December 2019 your Company has employed 162 Omani employees amounting to 41.97% of total employees. Company has successfully employed local youth across all functions including managerial, executive & supervisory roles.

Corporate Social Responsibility

Company contributes to the community by supporting regional schools, sports activities, municipal and other social causes as a good corporate citizen.



Outlook

The outlook for Oman and the region is positive. Oman's Vision 2040 and significant planned investments in industry and infrastructure particularly hotel and tourism projects augur well for the Oman economy. Regional hotel and tourism industry is expected to hugely benefit from tourism friendly regulations and mega events like Expo 2020 and economic development plans like Vision 2030 of Saudi Arabia. Your company is confident of achieving continuous growth in the years to come.

Thanks and Gratitude

At the end of the report we wish to express our condolences to ourselves and the Omani people for the demise of the late sultan Qaboos bin Said the establisher of the Omani renaissance.

We also express our loyalty to His Majesty Sultan Haitham bin Tarik May God protect him and guide him for the benefit of Oman and its people.

Finally, I wish to express my personal thanks for the Ministry of Commerce and Industry , the Ministry of Agriculture and Fisheries and all officials for their guidance and support extended to the company.

I would also thank the shareholders for their constant support to the company . I would also like to thank the management team and staff of the company for their dedication and sincere efforts towards achieving the goals of the company.

Chairman of the Board of Directors