



Chairman's Report

Dear Shareholders

On behalf of the Board of Directors, I am pleased to present the twenty first annual report of Gulf Mushroom Products Co. (SAOG) for the financial year ended 31 December 2018

Preview of Results

During 2018 your Company used its own compost from Thumrait for the first full year since commissioning of the compost plant in 2017. By successfully replacing the imported compost your company has not only achieved the projected improvement in its profitability but it is proud to have made Oman one of the few countries in the world manufacturing phase-3 compost.

Regional economies continued to slow down due to low oil prices and geo-political disturbances which affected the market and increased price competition from both local and overseas farms. However your company has registered a 15% growth in sales revenue by consistent production and availability of high quality fresh mushrooms, foraying into new markets and increasing its customer base. Company is also actively engaged in reducing production costs by reviewing all operations, hard negotiations with vendors and automation of operations wherever possible.

The revenues of the company for the year ended 31 December 2018 were RO 7.599 million compared to RO 6.628 million in 2017 , an increase of 15%. Earnings before depreciation and finance costs in 2018 was RO 1.664 million compared to RO 1.018 million in 2017 , an increase of 63%

Depreciation and finance costs were significantly higher due to the new compost plant and the new growing rooms, however these costs will reduce over the years as the old plant gets fully depreciated and project loans get repaid.

Net profit after tax for the year ended 31 December 2018 was RO 392,000 compared to RO 304000 in 2017, an increase of 29%.

Your company continues to take pride in its contribution to the country's non-oil revenues. Exports during the year 2018 net of sales discounts were RO 6.739 million (89% of total sales) compared to RO 5.858 million (88% of total sales) during 2017 .

The net assets of the company (including land revaluation reserve) as at 31 December 2018 were RO 6.680 million compared to RO 6.288 million as at 31 December 2017

During the year the Company achieved a total production of 4,456 metric tons of different varieties of fresh mushrooms compared to 4,108 metric tons in the previous year, an increase of 8%.

Technical Expertise

Company has an expert production team with decades of hands-on experience of producing compost and growing fresh mushrooms. Company also has a panel of reputed consultants and industry experts to support the production team by regular visits and online discussions and troubleshooting. Company is constantly updating itself with industrial improvements in production process and technology to further improve the quality and yields of its fresh mushrooms.



Quality and safety certifications

Company follows a strict quality control program to ensure compliance with industry standards and best practices for maintaining 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. Company has a structured training program for food safety and hygiene for all production workers and supervisors. 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) by reputed international bodies. During the year Company was also awarded the HALAL certificate by a reputed international body.

Dividends Policy

Company uses its free reserves to provide regular returns to its shareholders after meeting any requirements for operations and capacity development. For the past few years company was unable to pay cash dividend due to the ongoing capacity expansion programs which were completed in the previous year. Company is very grateful to its shareholders for their patience and support and is now pleased to resume distribution of cash dividend with a proposal of 5% for the year 2018 subject to shareholders' approval. Share price and dividend history for the last ten years is shown in the table below—

Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Share price at year end (RO)	0.400	0.520	0.478	0.510	0.430	0.426	0.386	0.336	0.306	0.306
Cash Dividend	20%	40%	25%	25%	-	-	-	-	-	5%*
Bonus shares	30%	-	10%	10%	20%	10%	15%	10%	-	-

*subject to approval from appropriate authorities and the shareholders

Corporate Governance

Company is committed to full compliance with corporate governance regulations issued by the Capital Market Authority. In line with this policy Company has constituted two committees - Audit Committee and Nomination & Remuneration Committee. The audit committee is regularly reviewing the effectiveness of internal controls. The Nomination & Remuneration Committee assists in essential matters relating to the nomination and remuneration of the board of directors and executive management. Annual working plan for both the committees are approved by the board of directors. Company has adopted a succession plan for chairman and executive management and also carried out performance appraisal of the board of directors by an independent and competent professional firm. Company protects the interests of all stakeholders by prudent risk management, sound internal controls and best corporate practices. Company has internal systems, policies and procedures 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 reflect Company's commitment to the principles of sound corporate governance.



Human resources

Employees are a key asset of the Company and their development and growth are aligned with Company goals. Company has adopted a rewarding remuneration structure linked with regular performance appraisal system, production incentive schemes and training programs for employees' development and growth. Company also has a succession plan for management and key employees to ensure business continuity. Company is fully compliant with Omani labor regulations and is proud to maintain a high percentage of Omanization in line with the directives of the government of His Majesty's Sultan Qaboos bin Said for increasing the employment opportunities for Omani people. As at 31 December 2018 your Company has employed 161 Omani employees amounting to 37.8% Omanization. Company has successfully introduced Omanization across all functions.

Corporate Social Responsibility

Company believes in giving back to the community which plays a valuable role in the success of the organization. Company has a formal CSR policy and supports regional schools, sports activities, municipal and other social causes as a good corporate citizen. Company also feels responsible for maintaining its environment and has invested substantially for maintaining it.

Outlook

The global economic growth rate has been projected to remain positive during 2019 despite a number of challenges while the Omani economy is expected to record the fastest growth in the GCC during 2019. The regional expansion in food & hotel industry, increasing popularity of international cuisine and growing health awareness will continue to increase the customer base. The new Muscat International airport with advanced cargo handling facilities and increased number of international flights has opened up new export opportunities for the Company. The ongoing investments in the food and hospitality sectors in Oman and the surrounding region will in due course boost the demand and sale of fresh mushrooms in the region. Your company is confident of achieving continuous growth in turnover and profits in the years to come.

Acknowledgements

On behalf of the Board of Directors, I take this opportunity to express our deep gratitude to His Majesty Sultan Qaboos Bin Said for leading the country along the road of growth and prosperity by his wise leadership and progressive vision. We thank His Majesty's wise government for its strong support and assistance to the private sector. The Board of Directors would like to express its deep gratitude for the Ministry of Commerce and Industry, the Ministry of Finance, the Ministry of Agriculture and Fisheries, the Ministry of Environment and Climate Affairs, the Ministry of Housing, the Capital Market Authority and the Higher Council for Planning & Development for their guidance and support extended to the Company. I thank the respectable shareholders for their steady confidence in the Company. I would also like to thank the management team and the staff of the Company for their dedication and sincere efforts towards achieving the goals of the Company.

Chairman of the Board of Directors