

## Board of Directors Report

### Dear Shareholders

On behalf of the Board of Directors, I am pleased to present the twenty fifth annual report of Gulf Mushroom Products Co. (SAOG) for the financial year ended 31 December 2022

The Board of directors, executive management and staff of Gulf Mushroom thank His Majesty Sultan Haitham bin Tarik for leading the country on the path of sustainable long-term economic development through its Vision 2040 and robust fiscal and economic policies and support for the private sector.

### Regional focus

Increased GDP on the back of high oil prices, increased government spending on development works and a rebound in travel and tourism post the pandemic is driving consumption and demand significantly. As the largest producer of fresh mushrooms in the region your Company is the regional market leader and is focused on meeting the market demand for fresh mushrooms with best quality fresh mushrooms at competitive prices.

### Preview of Results

Your Company achieved an all-time high in revenues and profits during the year through strategic management of its resources, challenges and opportunities.

The revenues of the company for the year ended 31 December 2022 were RO 9.813 million compared to RO 7.869 million in 2021, an increase of 25%. Earnings before depreciation and finance costs in 2022 was RO 2.751 million compared to RO 1.833 million in 2021, an increase of 50%

Net profit after tax for the year ended 31 December 2022 was RO 1.558 Million compared to RO 0.765 Million in 2021, an increase of 104%.

The net assets of the company (including land revaluation reserve) as at 31 December 2022 were RO 9.172 million compared to RO 7.905 million as at 31 December 2021

During the year your Company achieved a total production of 6,055 metric tons of different varieties of fresh mushrooms compared to 5,005 metric tons in the previous year, an increase of 21%.

Exports during the year 2022 were RO 8.713 million (89% of total sales) compared to RO 6.820 million (88% of total sales) during 2021.

### Economic diversification and export revenues

With about 90% exports and by employing large amount of Omani youth, Company is proud of its contribution to Oman's economic diversification and social development policies.

## Capacity Expansion

Mushroom production is a hi-tech capital-intensive industry. Company has adopted a policy of increasing its production capacity in stages for most efficient utilization of capacity and maintaining its market share. It is presently expanding its mushroom production capacity for the second time which is expected to be commissioned by 30 June 2023.

## Technical Expertise

Production of compost and cultivation of mushrooms is carried out in a controlled environment involving hi-tech climate control systems and micro-biological processes. Your Company has a dedicated and highly experienced technical team and also continuously engages with international consultants to stay up-to-date with technical developments in the mushroom industry.

## Quality and safety certifications

Company is strictly following a standard food safety management program and is holding HACCP and Global GAP certifications issued by reputed bodies. Company's operations are regularly subjected to external surveillance and audits by quality auditors.

## Dividends Policy

Company uses its cash reserves to re-invest in growth and to provide regular returns to its shareholders. For the year ended 31 December 2022 the board of directors is pleased to propose cash dividend at 10% of paid-up share capital and bonus shares at 10 % of company's paid-up share capital subject to approval from appropriate authorities and shareholders. Share price and dividend history for the last ten years is shown in the table below—

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Share price at year end ( RO)	0.430	0.426	0.386	0.336	0.306	0.306	0.306	0.306	0.263	0.238
Cash Dividend	-	-	-	-	-	5%	5%	-	7%	10%*
Bonus shares	20%	10%	15%	10%	-	-	-	10%	-	10%*

\* subject to approval from appropriate authorities and shareholders.

## Corporate Governance

Company strictly adheres to the corporate governance regulations issued by the Capital Market Authority and exercises strong governance through its board of directors, well documented policies and procedures and sound internal control systems. During the year there were 19 meetings of the board of directors, audit committee and nomination & remuneration committee. Reference may be made to the Management Discussion and Analysis Report and Report on Corporate Governance which are enclosed.



### **Board performance appraisal**

The appraisal of the Board was conducted during the year by Baker Tilly MKM Oman LLC, the independent consultants appointed at the AGM held on 15 March 2022. The appraisal was conducted based on the criteria approved at the AGM dated 15 March 2022. The performance appraisal report has been received by the Board and it gave a "Very satisfactory" score for the year 2022.

### **Human resources**

Company is proud of its skilled and motivated employees which includes 147 Omani citizens representing 38.28% of total employees. Besides hiring Omani workers, Company has employed Omani commerce and technical graduates across all business functions and in different levels. Company follows best industry practices for improving employee motivation, performance and growth through periodic performance appraisals, incentives and rewards and training programs.

### **Corporate Social Responsibility**

Company has a CSR policy and contributes to social causes within the CSR budget approved by the shareholders every year.

### **Outlook**

Opening up of the countries around the world after the pandemic and reduction in global inflationary conditions will have a positive effect on supply chain, travel and tourism and global trade in the near future despite the ongoing war in Europe. The long-term sustainable economic development plans and policies in Oman and the surrounding region with their mega development works are expected to continue to drive consumption and demand significantly and further boost mushroom demand. Your company is the leading producer of fresh mushrooms in the entire middle-east region and is committed to maintain its leadership position and sustain its growth in revenues and profits in the future.

### **Thanks and Gratitude**

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

We express our gratitude and thanks to the Ministry of Commerce and Industry and Investment Promotion, the Ministry of Agriculture, Fisheries and Water Resources and all officials for their guidance and support extended to the company.

We thank the shareholders for their constant support to the company. We also 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**