

AGREED-UPON PROCEDURES REPORT ON COMPLIANCE OF CODE OF CORPORATE GOVERNANCE BY GULF MUSHROOM PRODUCTS CO. SAOG

To the Shareholders of Gulf Mushroom Products Co. SAOG

Purpose of this Agreed-Upon Procedures Report

Our report is solely for the purpose of assisting Gulf Mushroom Products Co. SAOG (the “Company”) in determining whether ‘Report on Corporate Governance’ prepared by the Board of Directors for the year ended 31 December 2023 is compliant with the Code of Corporate Governance for Public Listed Companies (the “Code”) issued by the Capital Market Authority (“CMA”) vide Circular No. E/4/2015 dated 22 July 2015 as amended vide Circular No. E/10/2016 dated 01 December 2016 (the “subject matter”) and may not be suitable for another purpose.

Responsibilities of the Company

The Company has acknowledged that the agreed-upon procedures are appropriate for the purpose of the engagement.

The Company is responsible for the subject matter on which the agreed-upon procedures are performed.

Practitioner’s Responsibilities

We have conducted the agreed-upon procedures engagement in accordance with the International Standard on Related Services (ISRS) 4400 (Revised), *Agreed-Upon Procedures Engagements*. An agreed-upon procedures engagement involves our performing the procedures that have been agreed with the Company, and reporting the findings, which are the factual results of the agreed-upon procedures performed. We make no representation regarding the appropriateness of the agreed-upon procedures.

This agreed-upon procedures engagement is not an assurance engagement. Accordingly, we do not express an opinion or an assurance conclusion.

Had we performed additional procedures, other matters might have come to our attention that would have been reported.

Professional Ethics and Quality Management

We have complied with the ethical requirements of the International Ethics Standards Board for Accountants’ *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code) and the independence requirements in Part 4A of the IESBA Code.

Our firm applies International Standard on Quality Management 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Procedures and Findings

We have performed the procedures described below on the subject matter, which were agreed upon with the Company in the terms of the Letter of Engagement dated 10 May 2023:

	Procedures	Findings
1	Obtain the report on corporate governance (the “report”) issued by the Board of Directors and ascertain that it includes, as a minimum, all items and requirements suggested by CMA to be covered by the report, as detailed in Annexure 3 of the Code, by comparing the report with such suggested content in that Annexure.	We obtained the report and compared it with the suggested content in Annexure 3 of the Code. We ascertained that the report includes, as a minimum, all items and requirements suggested by CMA to be covered by the report No exceptions were noted in respect of the procedure performed.
2	Obtain the details regarding areas of non-compliance with the Code identified by the Company’s Board of Directors for the year ended 31 December 2023.	We observed that the Company’s Board of Directors has not identified any areas of non-compliance with the Code.

CROWE MAK GHAZALI LLC



JIM JOSEPH ITTY
Engagement Partner

Muscat, Sultanate of Oman
15 February 2024



Report on Corporate Governance

This statement describes how the principles of good governance and the provisions of the Code of Corporate Governance, issued by the Capital Market Authority for MSX listed companies by Circular No. E/4/2015 on 22 July 2015, are applied by Gulf Mushroom Products Company SAOG (hereafter referred to as the "Company")

Company's Philosophy

Company is committed to achieving the highest standards of corporate governance in all its activities. Company's philosophy on the code of corporate governance is to ensure transparency, timely disclosure of quality financial information as per regulations, establish and maintain a legal and ethical environment in the Company, with the objective to preserve the interests of all stakeholders, maximize the long-term value to the shareholders and protect the core values of the Company.

Board of Directors

The Articles of Association of the Company provides for a Board of Directors to be composed of seven members. During the year the board consisted of seven directors who were appointed in the annual general meeting held on 15 March 2022. All seven directors are non-executive directors. All directors including the Chairman of the Company are independent directors.

No.	Name of Board member	Position	Representing	Category	Director/chairman in other SAOG Companies in Oman
1	Khamis Mubarak Al Kiyumi	Chairman	Individual	Independent	None
2	Ali Mohammed Zaabanoot	Vice Chairman	Individual	Independent	Director- 1
3	Omar Salim Al Shanfari	Director	Individual	Independent	None
4	Mukhtar M. Hasan	Director	Individual	Independent	Chairman -1
5	Awadh Salim Mustahail Al Mashani	Director	Individual	Independent	Director-1
6	Mohammed Ali Al-Ghaithani	Director	Individual	Independent	None
7	Humaid Said Hamdan Al-Mashrafi	Director	Individual	Independent	None

There have been no materially significant related party transactions, pecuniary transactions or relationships between the Company and its Directors that may have potential conflict of interest of the Company at large. During the year the Company has entered into transactions with related parties in the ordinary course of business. These transactions are described in Note 29 to the audited financial statements. These related party transactions are disclosed to the shareholders at the ordinary annual general meeting.

Meetings of the Board of Directors

The Board of Directors normally meets at least once in a Quarter. At these meetings, the Board reviews the monthly financial statements of the company, the management report and performance of the company and any other important issues. The Board also approves the annual/quarterly audited/unaudited financial results prior to their publication, and any other item, as the business operations of the company require. During 2023 the Board of Directors met six times, on 9 January,

14 February, 18 April, 23 July, 18 October, and 27 December. The members attended the six board Meetings and last AGM as follows –

Sl. No	Name of Board member/Meeting date	9 Jan	14 Feb	18 Apr	23 Jul	18 Oct	27 Dec	AGM 15 Mar
1	Khamis Mubarak Al Kiyumi, Chairman	Yes	Yes	Yes	Yes	Yes	Yes	Yes
2	Ali Mohammed Zaabanoot, Vice Chairman	Yes	Yes	Yes	Yes	Yes	Yes	Yes
3	Omar Salim Al Shanfari	Yes	Yes	Yes	Yes	Yes	Yes	Yes
4	Mukhtar M. Hasan	Yes	Yes	Yes	Yes	Yes	Yes	Yes
5	Awadh Salim Mustahail Al Mashani	Yes	Yes	Yes	Yes	Yes	Yes	Yes
6	Mohammed Ali Al-Ghaithani	Yes	Yes	Yes	Yes	Yes	Yes	Yes
7	Humaid Said Hamdan Al-Mashrafi	Yes	Yes	Yes	Yes	Yes	Yes	Yes

Procedure for directors' election

The members of the Board of directors are elected in the annual general meeting for a term of three years subject to the Commercial Companies Law 2019 and rules made there under. The members are elected either from among the shareholders or others.

Audit Committee

The Audit Committee is a sub-committee of the Board of directors and it consists of four members. All four members are non-executive and Independent directors. The audit committee was unanimously appointed by the newly elected board on 15 March 2022. The role, responsibility and power of the Audit Committee has been approved by the Board of Directors. The functions of the Committee are to:

- Review the adequacy of internal control systems, and Internal Audit Reports, and their compliance;
- Oversee the Company's financial reporting process and the disclosure of its financial information to ensure the accuracy, sufficiency and credibility of the financial statements.
- Recommend the appointment of auditors and fixing of audit fees.
- Review with the management, the financial statements before submitting to the Board.
- Review with the management external and internal auditors, the adequacy of internal control systems
- Devise a risk management plan, obtain approval by the board and follow up its implementation & reporting
- Review company's policy manuals and procedures before presentation to the Board of directors.
- Review company's revenue and capital budgets before presentation to the Board of directors.

During the year 2023 the Audit Committee met six times, on 14 February, 18 April, 29 May, 23 July, 18 October and 27 December, and the meetings were attended as follows –



Sl.No.	Name of Committee member / Meeting date	14 Feb	18 Apr	29 May	23 Jul	18 Oct	27 Dec
1	Omar Salim Al Shanfari, Chairman Audit Committee	Yes	Yes	Yes	Yes	Yes	Yes
2	Mukhtar M.Hasan	Yes	Yes	Yes	Yes	Yes	Yes
3	Awadh Salim Mustahail Al Mashani	Yes	Yes	Yes	Yes	Yes	Yes
4	Humaid Said Hamdan Al-Mashrafi	Yes	Yes	Yes	Yes	Yes	Yes

In December 2020 M/s. BDO Jawad Habib, Chartered Certified Accountants, were appointed as Company's Internal Auditors for the years 2021 to 2024. M/s. BDO Jawad Habib have conducted a detailed review of the internal controls over the accounting and operational systems. They have carried out four quarterly audits for the year ended 31 December 2023. Audit Committee reviewed the internal control system and found it to be effective.

Nomination & Remuneration Committee

The Nomination & remuneration committee is a sub-committee of the Board of directors and it consists of four members. All four members are non-executive and Independent directors. The Committee was unanimously appointed by the board on 15 March 2022. The role, responsibility and power of the Committee have been approved by the Board of Directors. The functions of the Committee are to:

- Look for and nominate qualified persons to act as interim directors on the board in the event that a seat becomes vacant
- Provide its opinion and guidance to the shareholders to ensure that nominated candidates for election to the board of directors possess the prescribed skills and abilities
- Prepare detailed job descriptions of the role and responsibilities of directors
- Notwithstanding the articles of association of the company look for and nominate qualified persons to assume senior executive positions as required or directed by the board.
- Prepare policy for bonus, allowances and incentive for the executive management and review such policies periodically taking into account market conditions and company performance.
- Provide succession planning for the executive management.
- Develop a succession policy or plan for the board of directors or at least the chairman

During the year 2023 the Nomination & remuneration committee met four times, on 9 January, 14 February, 25 July and 18 October and the meetings were attended as follows –

Sl.No.	Name of Committee member/Meeting date	9 Jan	14 Feb	25 Jul	18 Oct
1	Khamis Mubarak Al Kiyumi, Chairman of nomination & remuneration committee	Yes	Yes	Yes	Yes
2	Ali Mohammed Zaabanoot	Yes	Yes	Yes	Yes
3	Awadh Salim Mustahail Al Mashani	Yes	Yes	Yes	Yes
4	Mukhtar M.Hasan	Yes	Yes	Yes	Yes

Details of Remuneration and allowances paid to the Directors during the Year.

- **Sitting fees paid to the members of the board were as follows –**

Sl.No.	Name of Board member/Year ending 31 December	2023	2022
1	Khamis Mubarak Al Kiyumi, Chairman	10,000	10,000
2	Ali Mohammed Zaabanoot, Vice Chairman	10,000	10,000
3	Omar Salim Al Shanfari	10,000	10,000
4	Mukhtar M. Hasan	10,000	10,000
5	Awadh Salim Mustahail Al Mashani	10,000	10,000
6	Mohammed Ali Al-Ghaithani	10,000	10,000
7	Humaid Said Hamdan Al-Mashrafi	10,000	9,200
	Total	70,000	69,200

- **Director remuneration** - The Board of Directors have recommended for shareholders' approval, director remuneration of RO 20,000 per director amounting to RO 140,000 for the year 2023 (2022: 140,000).

Details of Remuneration and allowances paid to top five officers for the year.

The total remuneration of the top five officers of the company, including salary, leave salary, benefits, bonuses, gratuities, social security etc. for the year 2023 was RO 461,262.

Means of Communication

The annual audited and the quarterly unaudited financial results and directors' report are published in one Arabic and one English daily newspaper and also on Company's website. All financial statements and reports, the initial unaudited results and any material information are also filed through the electronic transmission system of Muscat Securities Market.

Disclosures

There was no non-compliance by the Company in respect of filing the requisite forms, returns and documents with CMA, MSX or other statutory authorities. Therefore no penalties were imposed and no strictures were made against the Company by Capital Market Authority.

Stock Market Data for the year 2023

The following is the monthly summary of all transactions in Company's shares during the year ended 31 December 2023 –

Month	Executions	Number of Shares	Total Value (RO)	High Price (RO)	Low Price (RO)	MSX Closing Index
January	51	198718	46820	0.198	0.198	4703
February	31	60439	13682	0.249	0.245	4753
March	48	238552	59420	0.222	0.222	4863
April	47	219991	49941	0.228	0.227	4718
May	60	238842	54746	0.226	0.226	4626
June	20	41521	9276	0.224	0.224	4768
July	34	174853	39927	0.228	0.228	4776



Month	Executions	Number Of Shares	Total Value (RO)	High Price (RO)	Low Price (RO)	MSX Closing Index
August	23	63209	14373	0.228	0.226	4799
September	29	406600	90647	0.225	0.224	4678
October	16	41555	9248	0.222	0.222	4545
November	23	240900	54495	0.225	0.225	4658
December	5	6787	1544	0.226	0.226	4514

Distribution of Shareholding as on 31 December 2023

S. No.	Category	No. of Shareholders	No. of Shares	% Shareholding
1	Less than 5%	321	12,704,786	27.76
2	5% to less than 10%	0	0	0
3	10% to less than 20%	1	4,767,268	10.42
4	20% to less than 50%	2	28,293,744	61.82
	Total	324	45,765,798	100.00

Details of non-compliance

There were no instances of non-compliance with the Code of Corporate Governance.

Provisions of the new code of corporate governance

Succession plan

Company has a formal succession plan for the chairman of the board of directors and the executive management duly approved by the board.

Professional Profile of the Statutory Auditors

The shareholders of the Company have appointed Crowe Oman as the auditors for the year 2023 with a total Fee of RO 9,500. Crowe Oman is one of the leading accounting and advisory firms in the Sultanate of Oman. Crowe Oman is a member firm of Crowe Global, which has a history of 100+ years. Crowe Global is one of the top 10 accounting networks worldwide, operating with more than 765 offices in 150 countries, and employing more than 41,000 staff. Crowe practitioners help multinational organizations reduce uncertainty in measuring and reporting the implications of transactions in and across diverse jurisdictions. Crowe provides audit & assurance, tax advisory, risk advisory, business advisory, management consultancy and technology services to numerous SAOG, SAOC and other prestigious privately owned companies/groups in the Sultanate of Oman. Their clients can rely on extensive knowledge in specialized areas and personal delivery from the professionals they work with. Their clientele industries include Banking & NBFCs, Mutual Funds, Money Exchanges, Manufacturing, Hospitality, Contracting, Trading, Retail, Professional Firms and many more. Please see www.crowe.com/om to learn more. Crowe Oman is accredited by the Capital



Market Authority (CMA) to audit joint stock companies (SAOG's) as per 12th Principle (para 2) of the Code of Corporate Governance and is eligible for reappointment as per CMA Regulation.

Audit fees

Crowe Mak Ghazali LLC has billed an amount of RO 9,500 towards professional services rendered to the Company for the year 2023 (RO 9,000 for audit and RO 500 for other services).

Acknowledgement by the board of directors

The board of directors of the company have confirmed that –

- it is liable for the preparation of the financial statements in accordance with the applicable standards and rules
- through the audit committee it has reviewed the efficiency and adequacy of internal control systems of the company and that it complies with internal rules and regulations
- there is no material things that affects the continuation of the company and its ability to continue its production operations during the next financial year.
- through the audit committee it has ensured that adequate mechanism exists to ensure compliance with Information Security guidelines issued by the CMA.

**Chairman
Audit Committee**



Management Discussion & Analysis Report

This section of the Annual Report for the year ended 31 December 2023 has been included in adherence to the spirit enunciated in the Code of Corporate Governance issued by the Capital Markets Authority for MSX listed companies.

Management has expressed herein their views on some important trends which they believe have material impact on Company's operations, however no representation is being made that the following presents an exhaustive coverage of all issues affecting the Company. Shareholders and readers are cautioned that no representation is made on the accuracy or comprehensiveness of data and information external to the Company, though they are based on sources believed to be reliable.

Further, the discussion following herein reflects the perceptions on major issues as on date and the opinions expressed here are subject to change without notice. The Company undertakes no obligation to publicly update or revise any of the opinions or forward-looking statements expressed in this report, consequent to new information, future events, or otherwise.

Economic development and outlook

Global economy is struggling with high inflation, slowing growth, mounting fiscal pressures and other geo-political tensions. The economies in the Gulf Cooperation Council (GCC) region, which is the main market for Company's mushroom products, have also slowed down. Economic recovery is expected in the GCC in 2024 and beyond as oil sector recovers and particularly as non-oil sector activities continue to rise supported by the ongoing economic diversification efforts, rising tourism and infrastructure projects being implemented across the GCC region. However, the prevailing geo-political tensions will continue to weigh on the confidence.

Main objects and business

Gulf Mushroom Products Company SAOG (GMPC) is a public joint stock company incorporated in Oman and floated on the Muscat Securities Exchange. GMPC was established in 1997 and is located in Barka. The Company is primarily engaged in the cultivation and marketing of fresh mushrooms. It is the largest hi-tech mushroom farm in the GCC region.

Key Strengths

Company enjoys the following competitive strengths:

- **Production volumes**

Company is the market leader in the region for production and supply of fresh mushrooms. During the year company successfully completed the second expansion of its mushroom production capacity as per schedule. Company is proud of being the leading and reliable supplier of high-quality fresh mushrooms in the GCC region.

- **Sustainable supply of compost**

Mushroom compost is the key raw material for mushroom cultivation. Company has a hi-tech compost manufacturing plant in Oman which has made company's mushroom production sustainable and independent of imported compost and supply-chain challenges.

- **Market logistics**

Company is well connected by road to the surrounding GCC region. Company has very strong and reliable transport resources to deliver fresh mushrooms on a daily basis to the surrounding region

and the local market. Company is also well connected with a modern international airport to ship fresh mushrooms by air cargo to more distant markets.

- **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.

- **Established customer base**

Company has a strategic sales & distribution structure. Company's customer base consists of reputed wholesale traders and retail chains across the surrounding region and far-east markets.

- **Technical Expertise**

Company has a dedicated and experienced team of compost experts and mushroom growers, and they are also engaging with international consultants. Production of compost and cultivation of mushrooms is carried out in a controlled environment involving hi-tech climate control systems and micro-biological processes.

- **Human resource**

Mushroom industry is a labor-intensive business. Company is proud of its skilled and motivated employees which includes 146 Omani citizens representing 35.96% 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.

Threats

- **Supply-chain risks**

Supply-chain challenges and rising costs continue to affect global businesses due to prevailing geo-political tensions in Europe and Middle East. Company imports some basic raw materials whose costs have risen significantly but it has taken active measures to mitigate the supply-chain risks.

- **Competition**

Increased competition from local and overseas mushroom farms is creating pressure on mushroom selling prices in the region. Company is actively engaged in various ways to improve its profitability and competitive strength.

- **Yield Ratio**

Mushroom yields directly impact production cost and profit margins. Company is continuously working to maintain a high yield ratio by controlling the quality of compost and adopting best growing



and harvesting practices. Company does not use any pesticides and depends only on 100% hygiene and preventive measures.

Opportunities

- **High air freight**

High cost of air-cargo for imports from overseas makes imports costly thereby creating competitive advantage for regional local farms.

- **Natural and healthy food**

Mushrooms are a natural healthy food packed with many essential minerals and vitamins. With rising health awareness especially due to the pandemic, mushrooms are becoming increasingly popular. Company runs an educative campaign in social media to increase awareness about the nutrition and health benefits of fresh Omani mushrooms.

- **Rise in tourism**

Travel and tourism industry is a major driver of demand for fresh mushrooms. During 2023 tourist arrivals in the Middle East surpassed pre-pandemic levels by more than 20% and this sector is expected to see a stronger growth in 2024 with the implementation of initiatives like the unified tourist visa in the GCC region.

Risks & Concerns

Internal control systems and their adequacy

Company has a sound internal control system commensurate with the nature and size of its business. Through the Audit committee, the Board reviews the adequacy and effectiveness of the internal controls and compliance with regulations. The Internal audit function is outsourced. The internal audit reports are discussed in audit committee meetings. All systems, policies & procedures are reviewed from time to time.

Corporate Social Responsibility

Company has a CSR policy and contributes to social causes within the CSR budget approved by the shareholders every year. During the year Company has spent RO 10,000 in CSR activities as follows—

CSR Activity	Amount Invested (OMR)
Donation to authorities for welfare programs	2350
Donations to educational institutions, mosque & sports clubs	4350
Donations to Charitable Organizations	3300
Total	10000

Analysis of segment and product wise performance

Company is producing fresh mushrooms of highest quality in a modern plant which is based on Dutch technology. Company mainly produces the popular White button mushroom also known as *champignon*



de Paris. Besides it also produces giant white mushrooms, brown button mushrooms, portabella mushrooms, baby white button mushrooms, vitamin-D and sliced mushrooms. Company's mushrooms are grown from natural raw materials and are 100% free from any kind of pesticides.

About 90% of Company's products are being exported. During the year the Company achieved a total production of 6,291 metric tons of different varieties of fresh mushrooms compared to 6,055 metric tons in the previous year, an increase of 4%.

Discussion of financial and operational performance

Global economic slow-down and rising material and logistics costs due to conflicts in Europe & Middle East during the year impacted company's revenues and profitability.

The revenues of the company for the year ended 31 December 2023 were RO 10.275 million compared to RO 9.813 million in 2022, an increase of 5%. Earnings before depreciation and finance costs in 2023 was RO 2.500 million compared to RO 2.751 million in 2022, a decrease of 9%

Net profit after tax for the year ended 31 December 2023 was RO 1.385 million compared to RO 1.558 million in 2022, a decrease of 11%.

The net assets of the company (including land revaluation reserve) as of 31 December 2023 were RO 10.141 million compared to RO 9.172 million as of 31 December 2022

Company's closing share price, dividends and bonus declared for the past ten years is as follows –

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Share price at year end (RO)	0.426	0.386	0.336	0.306	0.306	0.306	0.306	0.263	0.238	0.226
Cash Dividend	-	-	-	-	5%	5%	-	7%	10%	15%*
Bonus shares	10%	15%	10%	-	-	-	10%	-	10%	-

* subject to approval from appropriate authorities and shareholders.

Conclusion

Company had to deal with the impact of slowing global economy, rising raw material costs and supply-chain challenges during the year 2023. Company is looking forward to a much better performance during 2024 with expected strong recovery in GCC economies and rising tourism.

Chief Executive Officer