



Report of Board of Directors Chairman's Report

On behalf of the Board of Directors and myself, I welcome you to the Fifteenth Annual General Meeting of your Company to present the Directors' Report and the audited accounts of Oman Foods International SAOG for the fiscal year ended on 31st December 2010.

Overview

In the year 2010, the company had to face many challenges both within and outside the country. On the local level, PASFR cancelled the agreement with the company. On the external level, the negative implications of the global financial crunch resulted in low demand. On the other hand, the market witnessed recession in prices due to the increased competition and low prices of food stuffs compared to the prices in 2008.

The price volatility of the major commodities dealt by the company had an adverse impact on the earnings of the company. Despite this the company managed to fill the gap and achieve its aims. The management did its best to control production cost. It also continues its efforts to get the best prices for the raw materials without prejudice to quality through proper negotiations with suppliers and service providers.

Your Company opened its branch in Salalah and continued to focus on streamlining its operations and on developments of all 10 branches established. The company provides its social services by availing the food stuffs at the different regions in the Sultanate at fair prices.

Operational Results:

- The company's sales performance during the year 2010 aggregated to RO.6,963,138/- as against RO.11,525,279/- in 2009. The net loss amounted to RO.171,398 compared to RO.484,775 profits in the previous year.

Future Outlook

- In spite of a temporary set back in the demand pattern of rice & other food commodities, the company expects the growth in the food industry would improve and to generate business due to our diversified efforts by adding new product lines. The company is negotiating with reputed companies engaged in food sector so as to take over their products for distribution in the Sultanate of Oman. This will ensure more growth in the coming period.

Repayment of Soft loan

- The company paid an amount of R.O.100K in May 2010 towards 4th installment of Soft loan

Personnel

- The company had employed additional manpower at the branches and enhanced the competencies staff at Head Office. During the year the company appointed senior personnel in Finance and Sales to streamline the operations of the company. The Company encouraged the Omani employees to occur higher skills in the areas of Warehouse and Sales by providing in-house training for career development opportunities. The Omanization rate is maintained at 36%. 1

Adherence to Code of Corporate Governance

- The Company has been complying with all Codes of Corporate Governance as specified by the Capital Market Authority. A detailed report on Corporate Governance is set out with the certificate of the External Auditors.

Appointment of Statutory Auditors for the year 2010

- At the last AGM, M/s. Maqbool H. Moosa Yousuf Auditors was appointed as the Statutory Auditors of the Company for the year 2010.

Thanks and appreciation

On behalf of the Board of Directors, I wish to convey our thanks to the Ministry of Commerce, Ministry of Finance, the Capital Market Authority, Muscat Security Market, Central Bank of Oman and the shareholding Banks for their support. I also take this opportunity to thank all the stakeholders, suppliers & customers, Directors and staff of the Company for their valuable support and dedication.

We express our gratitude to His Majesty Sultan Qaboos Bin Said and pray to the Almighty God to help Oman and its people to attain further peace and prosperity under His Majesty's wise leadership.

**For & On Behalf of the Board of Directors
Oman Foods International SAOG**

Mardas Bin Abdullah Al-Harthy
Chairman

