

REPORT OF BOARD OF DIRECTORS

CHAIRMAN ADDRESS

On behalf of the Board of Directors, I welcome you to the Nineteenth Annual General Meeting of your Company, and am pleased to present the Director's Report and the Audited Accounts of Oman Foods International SAOG for the year 2014.

Operating Results:

- The Company's Sales during the year 2014, aggregated to RO 3,078,505 as against RO 5,516,302. Import prices of Rice increased considerably during the year due to which some of our high selling rice brands like Sohar and Nakhla had to be discontinued. During the year we had to close down few interior sales depots due to very long delays in receiving payments against supply to retailers in that region.
- The Net loss from operations amounted to RO 536,505 as compared to net loss of RO 149,536.
- The Company has taken measures to cut operating overheads discontinued some of the trading products with low margins to make the business economically viable. However, the scaling down of operations has led to expenses and write offs impacting 2014 performance. Benefits of these measures are expected to be reflected in the next financial year.

Future Outlook:

- The Company expects prices to stabilize and good demand for food products due to increase in local and expatriate population in the country.
- The Company has entered in to supply agreements with exporters in India and Pakistan to provide Rice at fixed prices to continuity of our established brands and protect the company from prices increases.

Repayment of Soft Loan:

- The Company repaid an amount of RO 87,500 in May 2014 towards installment of Soft Loan.

Personnel:

- The Company presently has 40 employees out of which 16 are Omanis. The Omanisation percentage is 40%.
- The Company continues to encourage Omani employees to learn higher skills in the area of accounting and logistics.

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 report of the External Auditors.

Corporate Restructuring:

- Since the Company has lost a substantial portion of its share capital the Board of Directors have embarked upon a restructuring exercise required by law.
- The Board during the meeting held on 22nd July, 2014 considering the performance of the company, recommended conversion of the joint stock status from SAOG to SAOC subject to approval of the Capital Market Authority. This would enable the Company to reduce its share capital to below the minimum OMR 2 million requirement. The Company has initiated steps for conversion in line with Capital Market Authority rules and regulations.
- The accumulated net loss of RO 1,825,623 has substantially eroded the share capital of the Company. The Board is actively exploring means of raising funds for financing activities of the Company for long term.

On behalf of the Board of Directors, I wish to convey our thanks to the Ministry of Commerce, Ministry of Finance, Capital Market Authority, Muscat Securities Markets Public Authority for Stores and Food Reserves and Bank Muscat 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 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;

Saam Abdullah Saleh Al Habsi

Chairman

