



شركة عمان للمرطبات ش.م.ع.ع

OMAN REFRESHMENT COMPANY SAOG

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CHAIRMAN'S REPORT

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2015

Dear Shareholders,

On behalf of the Board of Directors of Oman Refreshment Company SAOG, I am pleased to present to you the annual report and audited financial statements for the year ended 31st December 2015.

Business Environment

Omani economy registered good growth in 2015 compared to the previous year with the help of growing contribution of non-oil and gas sector to the overall economy and the continued spending on various infrastructure, tourism projects and oil & gas sector activities by the Government of Sultanate of Oman, despite the volatile international oil prices and other regional & global economic challenges.

While the food & beverages market in Oman continued to grow, operational environment posed severe challenges such as the growing stiff competition in Soft drinks, Juice, Water and Snacks product segments in a highly price sensitive local market. On the other hand, stagnant consumer price at multiple customer channels has added to the existing challenges of the business environment. Also, the operating margins were severely tested by the growing pressures of labour market and wages bill.

Financial Highlights

The company has achieved a net profit after tax of RO 9,600,145 on a total turnover of RO 77,063,509 for the year 2015 compared to net profit after tax of RO 10,055,858 on a turnover of RO 72,862,307 in 2014. The overall revenue has increased by 5.86% on account of the company's efforts to improve sales volumes and sustain sales realization through innovative & intensive marketing efforts. This together with the successes achieved in sourcing key input materials at competitive prices compared to previous year as well as the efficiencies resulting out of various cost control & costs optimization measures, despite the challenges of rising costs of employment & staff turnover due to the prevailing job market conditions, have contributed to overall growth in the top line as well as sustaining certain level of bottom line.

The Gross Profit margins rose from 40.30% in 2014 to 40.82% during 2015. Profit After Tax (PAT) ratio has marginally declined from 13.80% in 2014 to 12.50% in 2015.

There were no changes in the past year or expected in the next year to the overall financing structure of the company other than financing of certain capital expenditure projects through long term borrowings for efficient working capital management.

Further, as part of its corporate social responsibility activities during 2015, the Company has provided green sports facilities to Ministry of Education schools across the Sultanate of Oman, besides being an active supporter of the official tourism promotion festivals i.e. Muscat Festival and Khazet Festival in Salalah. The company has further committed to provide green sports facilities to the Ministry of Education schools.

Internal Control System

The Board has regularly reviewed the adequacy and effectiveness of the existing internal control system in the Company and found it to be satisfactory.

Dividend

The Company's dividend policy is to reward the shareholders by distributing an optimal amount of profits earned during the year. While considering the payout for the year, the Board of Directors considers the need for retention due to new project/investment possibilities and additional working capital to be financed. The Company strives to maintain a balance between current payout and a sustainable, growing dividend rate.

In view of good performance of the Company during 2015, and after reviewing the company's liquidity requirements, future earnings and shareholders interest, the Board is pleased to recommend a cash dividend of 100% (being 100 Baizas for each paid up share) of the issued share capital for the year 2015.

Future Outlook

As part of improving business productivity and operational efficiencies, the company shall continue to invest suitably in operational facilities to meet the diversified consumer preferences, business systems and replacing aging assets. The Company is aware of the intense competition in a highly price sensitive local market and will remain focused to sustain & profitably maintain its market share. The company is optimistic about the future prospects with the product expansion & diversification plans and continued focus on achieving improved production efficiencies. However, the volatile prices of key input raw materials, packing materials, unstable job market & rising wage bill and stagnant consumer prices may impact profitability of the Company in the near future. The company is closely monitoring the raw material prices and endeavors to minimize their adverse impact through forward purchase commitments. Further, the Company is also watchful of the ongoing changes in the regional economic conditions due to volatile international oil prices which may also impact its business performance and subsequently its investment strategies.

Nurturing Omani talent & Organization of workforce

Aimed at attracting and retaining the best local talent, the company has successfully completed during the year implementation of the new organization structure, policies and procedures, including revision to the pay structure that is benchmarked to the leading industry practices. Though, this has had significant financial impact, the Board believes that the Company has now geared up to meet the needs of the dynamic job market and the challenging business environment.

As a responsible Omani corporate citizen, the Company is totally aligned with His Majesty Sultan Qaboos bin Saïd's vision to nurture Omani talent in the private sector. The company's HR strategy focuses on recruitment of right staff & their continuous development, through on the job training and by providing focused learning opportunities commensurate with the responsibilities to enable them move up higher in the organization. The Company consistently maintained its staff Organization target above the prescribed requirement.

Appreciation

On behalf of the Board of Directors, I would like to express my sincere appreciation for the successful performance of the management and employees of the Company. I also take this opportunity to thank our consumers, customers, PepsiCo, other suppliers, bankers and various Government authorities for their valuable support.

Further, on behalf of the Board of Directors & the management, I extend our sincere appreciation and gratitude to His Majesty Sultan Qaboos bin Saïd for his vision and support for private enterprise in the Sultanate of Oman, and pray to the almighty to shower his everlasting blessings on His Majesty for his good health and long life.

Badi Omaid Al Mulla
Chairman

| | 2015 RO | 2014 RO |
|---|-------------------|-------------------|
| Assets | | |
| Non-current assets | | |
| Property, plant and equipment | 20,444,121 | 20,442,096 |
| Advance for property, plant and equipment | 310,526 | 209,636 |
| Other investments | 5,189,935 | 7,014,935 |
| Deferred tax asset | 52,257 | 37,766 |
| Total non-current assets | 25,996,839 | 27,704,433 |
| Current assets | | |
| Goods in transit | 1,033,343 | 2,585,476 |
| Inventories | 5,096,016 | 3,605,298 |
| Trade and other receivables | 8,525,002 | 7,034,860 |
| Term deposits | 14,726,105 | 12,000,000 |
| Cash and cash equivalents | 2,554,959 | 1,361,903 |
| Total current assets | 31,935,425 | 26,587,337 |
| Total assets | 57,932,264 | 54,301,770 |
| Equity & Liabilities | | |
| Equity | | |
| Share capital | 5,000,000 | 5,000,000 |
| Legal reserve | 1,666,667 | 1,666,667 |
| General reserve | 2,500,000 | 2,500,000 |
| Retained earnings | 29,984,082 | 25,383,937 |
| Total equity | 39,150,749 | 34,550,604 |
| Non-Current liabilities | | |
| Employees' end of service benefits | 1,464,915 | 1,118,182 |
| Non-current portion of term loans | 5,409,754 | 6,701,041 |
| Total non-current liabilities | 6,874,669 | 7,819,223 |
| Current liabilities | | |
| Trade and other payables | 6,745,149 | 6,447,164 |
| Provision for income tax | 1,323,839 | 1,390,563 |
| Current portion of term loans | 3,837,858 | 4,094,196 |
| Total current liabilities | 11,906,846 | 11,931,943 |
| Total liabilities | 18,781,515 | 19,751,166 |
| Total equity and liabilities | 57,932,264 | 54,301,770 |
| Net assets per share | 0.783 | 0.891 |

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2015

| | 2015 RO | 2014 RO |
|---|-------------------|-------------------|
| Revenue | 77,063,509 | 72,862,307 |
| Cost of sales | (45,529,239) | (43,501,980) |
| Gross profit | 31,534,270 | 29,360,327 |
| Selling and distribution expenses | (17,385,818) | (15,189,362) |
| General and administrative expenses | (3,599,137) | (3,180,855) |
| Profit from operations | 10,549,315 | 11,010,310 |
| Other income | 710,278 | 617,466 |
| Finance costs | (350,101) | (204,445) |
| Profit before income tax | 10,909,492 | 11,423,331 |
| Income tax expense | (1,309,347) | (1,367,473) |
| Profit and total comprehensive income for the year | 9,600,145 | 10,055,858 |
| Basic earnings per share | 0.192 | 0.201 |

Notes: 1) The complete accounts will be sent by mail to any shareholder, who requests them either in Arabic or English, within 7 days of receipt of such request.
2) The address to which the shareholder should send his/her request is as follows: Oman Refreshment Company SAOG, P O Box 38, CPD Airport, PC 111, Sultanate of Oman