



شركة عمان للمرطبات ش.م.ع.
OMAN REFRESHMENT COMPANY SAOG



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CHAIRMAN'S REPORT

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2014

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 2014.

Business Environment

Omani economy posted encouraging growth in 2014 with the continued spending on various infrastructure, tourism projects and oil & gas sector activities by the Government of Sultanate of Oman, despite the regional & global economic challenges.

While the food & beverages market in Oman continued to grow with the growth of local population and resident manpower required for the growing economy, the operational environment posed challenges such as the 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 10,655,858 on a total turnover of RO 72,862,307 for the year 2014 compared to net profit after tax of RO 10,357,114 on a turnover of RO 68,012,866 in 2013. The overall revenue has increased by 5.80% on account of the company's efforts to improve sales volumes and 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 38.5% in 2013 to 40.30% during 2014. Profit After Tax (PAT) ratio has marginally declined from 15% in 2013 to 13.80% in 2014.

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 2014, the Company has provided green sports facilities to Ministry of Education schools across the Sultanate of Oman and committed to support public parks of Muscat Municipality with playground facilities, besides being an active supporter of the official tourism promotion festivals i.e. Muscat Festival and Khareef Festival in Salalah. The company has further committed to provide green sports facilities to the Ministry of Education schools and support public parks of Muscat Municipality with playground facilities.

Internal Control System

The Board has reviewed the adequacy and effectiveness of the existing internal control systems 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 2014, 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 Baise for each paid up share) of the issued share capital for the year 2014.

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 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.

Mentoring Omani talent & Organisation of workforce

In order to attract and retain the best local talent, the company has successfully rolled out 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 through this elaborate exercise, 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 & continuous development of Omani staff to enable them move up higher in the organization and also consistently maintained its staff Organization target above the prescribed requirement. The Company sees such staff developmental spend not just as its contribution to the society but also as an investment in its future.

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 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 Obaid Al Haila
Chairman

	2014 RO	2013 RO
Assets		
Non-current assets		
Property, plant and equipment	20,442,096	11,041,658
Advance for property, plant and equipment	209,636	170,720
Other investments	7,014,935	5,014,935
Deferred tax asset	37,766	14,656
Total non-current assets	27,704,433	16,241,969
Current assets		
Goods in transit	2,595,476	1,703,521
Inventories	3,605,298	4,779,787
Trade and other receivables	7,034,660	5,354,940
Term deposits	12,000,000	13,517,500
Cash and cash equivalents	1,361,903	598,096
Total current assets	26,597,337	25,953,814
Total assets	54,301,770	42,195,783
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	25,383,937	20,328,079
Total equity	34,550,604	29,494,746
Non-Current liabilities		
Employees' end of service benefits	1,118,162	1,012,430
Non-current portion of term loans	6,701,041	1,914,522
Total non-current liabilities	7,819,223	2,926,952
Current liabilities		
Trade and other payables	6,447,164	8,856,133
Provision for income tax	1,390,583	1,417,472
Current portion of term loans	4,094,196	1,500,480
Total current liabilities	11,931,943	9,774,085
Total liabilities	19,751,166	12,701,037
Total equity and liabilities	54,301,770	42,195,783
Net assets per share	0.691	0.590

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2014

	2014 RO	2013 RO
Revenue	72,862,307	68,012,866
Cost of sales	(43,501,980)	(41,785,409)
Gross profit	29,360,327	27,227,457
Selling and distribution expenses	(15,189,362)	(12,877,629)
General and administrative expenses	(3,160,655)	(2,889,183)
Profit from operations	11,010,310	11,460,645
Other income	617,466	455,544
Finance costs	(204,445)	(141,792)
Profit before income tax	11,423,331	11,774,397
Income tax expense	(1,367,473)	(1,417,283)
Profit and total comprehensive income for the year	10,055,858	10,357,114
Basic earnings per share	0.201	0.207

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 36, CPO Airport, PC 111, Sultanate of Oman