



# شركة عمان المرطبات ش.م.ع. OMAN REFRESHMENT COMPANY SAOG

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## AUDITED FINANCIAL RESULTS

### CHAIRMAN'S REPORT

#### 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 2017.

#### Business Environment

Omani economy registered good growth in 2017 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 several 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 prices at multiple customer channels have added to the existing challenges of the business environment. Also, the operating margins were severely tested by the growing pressures of flat gross margins, revised fees and charges, labour market and wages bill.

#### Financial Highlights

The company has achieved a net profit after tax of RO 10,816,582 on a total turnover of RO 77,851,117 for the year 2017 compared to net profit after tax of RO 10,322,032 on a turnover of RO 77,223,438 in 2016. The overall revenue has increased marginally by 0.8% on account of the company's efforts to improve sales volumes and sustain sales realization through innovative & intensive marketing efforts in both domestic and international markets. This together with the successes achieved in improving efficiencies resulting out of various cost control & costs optimisation measures, despite the challenges of increased prices of certain key input materials compared to previous year, rising costs of employment & staff turnover due to the prevailing job market conditions, have contributed to marginal growth in the top line as well as sustaining certain level of bottom line.

The Gross Profit margins have been maintained at 38.6% during 2017 in line with 2016. Profit after tax (PAT) ratio has marginally increased from 13.4% in 2016 to 13.9% in 2017.

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 2017, 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 Khareef Festival in Salalah and also certain sporting events involving youth of the nation. The company has further committed to support the education and youth development initiatives of various ministries of the Government of Sultanate of Oman.

#### 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 2017, and after reviewing the company's liquidity requirements, future earnings and shareholders interest, the Board is pleased to recommend a cash dividend of 75% (being 75 Baizas for each paid up share) of the issued share capital for the year 2017.

#### Future Outlook

As part of improving business productivity and operational efficiencies, the company shall continue to invest suitably in operational capabilities & facilities to meet the diversified consumer preferences, upgrading & modifying 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 in the pipeline 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, besides growing fees & charges for various public services, proposed reduction in/removal of subsidies for certain utilities and changing government regulations on certain consumer products may severely 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 consequently its investment strategies.

#### Nurturing Omani talent & Omanisation of workforce

Implementation of the new organization structure, policies and procedures, revision to the pay structure benchmarked to the leading industry practices that was aimed at attracting and retaining the best local talent, is already delivering the desired results in terms of attracting best available local talent, staff retention and moderate staff turnover. Though, these measures continue to have 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 Said's vision to nurture Omani talent in the private sector. The company's HR strategy focusses 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 assume higher responsibilities in the organization. The Company consistently maintained its staff Omanisation 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 key 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 Said 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.

**Buti Obaid Al Mulla**  
Chairman

### CONSOLIDATED AND PARENT COMPANY'S STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017

	Group 2017 RO	Parent Company 2017 RO	Group 2016 RO	Parent Company 2016 RO
<b>Assets</b>				
<b>Non-current assets</b>				
Property, plant and equipment	19,367,329	19,367,329	20,818,108	20,818,108
Advance for property, plant and equipment	587,692	587,692	259,044	259,044
Term deposits	7,000,000	7,000,000	18,500,000	18,500,000
Available for sale investment	14,935	14,935	14,935	14,935
Deferred tax asset	296,838	296,838	137,685	137,685
Investment in a subsidiary	-	100,000	-	100,000
<b>Total non-current assets</b>	<b>27,266,794</b>	<b>27,366,794</b>	<b>39,729,772</b>	<b>39,829,772</b>
<b>Current assets</b>				
Term deposits	17,175,000	17,175,000	3,500,000	3,500,000
Inventories	5,555,382	5,555,382	6,813,351	6,813,351
Trade and other receivables	8,606,266	8,606,266	9,927,300	9,927,300
Cash and cash equivalents	7,047,938	7,043,121	4,322,625	4,317,808
<b>Total current assets</b>	<b>38,384,586</b>	<b>38,379,769</b>	<b>24,563,276</b>	<b>24,558,459</b>
<b>Total assets</b>	<b>65,651,380</b>	<b>65,746,563</b>	<b>64,293,048</b>	<b>64,388,231</b>
<b>Equity and liabilities</b>				
<b>Equity</b>				
<b>Capital and reserves</b>				
Share capital	5,000,000	5,000,000	5,000,000	5,000,000
Legal reserve	1,666,667	1,666,667	1,666,667	1,666,667
General reserve	2,500,000	2,500,000	2,500,000	2,500,000
Retained earnings	41,122,696	41,133,137	35,306,114	35,316,153
<b>Total equity</b>	<b>50,289,363</b>	<b>50,299,804</b>	<b>44,472,781</b>	<b>44,482,820</b>
<b>Liabilities</b>				
<b>Non-current liabilities</b>				
Non-current portion of term loans	1,532,138	1,532,138	3,511,168	3,511,168
Employees' end of service benefits	1,579,457	1,579,457	1,506,897	1,506,897
<b>Total non-current liabilities</b>	<b>3,111,595</b>	<b>3,111,595</b>	<b>5,018,065</b>	<b>5,018,065</b>
<b>Current liabilities</b>				
Current portion of term loans	3,600,694	3,600,694	5,448,942	5,448,942
Trade and other payables	6,624,526	6,709,268	7,864,250	7,949,394
Provision for income tax	2,025,202	2,025,202	1,489,010	1,489,010
<b>Total current liabilities</b>	<b>12,250,422</b>	<b>12,335,164</b>	<b>14,802,202</b>	<b>14,887,346</b>
<b>Total liabilities</b>	<b>15,362,017</b>	<b>15,446,759</b>	<b>19,820,267</b>	<b>19,905,411</b>
<b>Total equity and liabilities</b>	<b>65,651,380</b>	<b>65,746,563</b>	<b>64,293,048</b>	<b>64,388,231</b>
<b>Net assets per share</b>	<b>1.006</b>	<b>1.006</b>	<b>0.889</b>	<b>0.890</b>

### CONSOLIDATED AND PARENT COMPANY'S STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2017

	Group 2017 RO	Parent Company 2017 RO	Group 2016 RO	Parent Company 2016 RO
Revenue	77,851,117	77,851,117	77,223,438	77,223,438
Cost of sales	(47,822,683)	(47,822,683)	(47,310,605)	(47,310,605)
<b>Gross profit</b>	<b>30,028,434</b>	<b>30,028,434</b>	<b>29,912,833</b>	<b>29,912,833</b>
Selling and distribution expenses	(14,470,530)	(14,470,530)	(15,045,745)	(15,045,745)
General and administrative expenses	(3,632,013)	(3,631,613)	(3,706,688)	(3,706,286)
<b>Profit from operations</b>	<b>11,925,889</b>	<b>11,926,291</b>	<b>11,160,400</b>	<b>11,160,802</b>
Other income	125,553	125,553	44,489	44,489
Finance income (net)	631,189	631,189	520,725	520,725
<b>Profit before income tax</b>	<b>12,682,631</b>	<b>12,683,033</b>	<b>11,725,614</b>	<b>11,726,016</b>
Taxation	(1,866,049)	(1,866,049)	(1,403,582)	(1,403,582)
<b>Profit and total comprehensive income for the year</b>	<b>10,816,582</b>	<b>10,816,984</b>	<b>10,322,032</b>	<b>10,322,434</b>
<b>Basic earnings per share</b>	<b>0.216</b>	<b>0.216</b>	<b>0.206</b>	<b>0.206</b>

#### Notes:

- 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.
- The address to which the shareholder should send his/her request is as follows: Oman Refreshment Company SAOG, P.O. Box 30, CPO Airport, PC 111, Sultanate of Oman