

Independent auditor's report to the shareholders of Oman Refreshment Company SAOG

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements of Oman Refreshment Company SAOG (the "Parent Company") and the consolidated financial statements of the Parent Company and its subsidiaries (together, the "Group") present fairly, in all material respects, the respective financial positions of the Parent Company and the Group as at 31 December 2019, and their respective financial performance and their respective cash flows for the year then ended in accordance with International Financial Reporting Standards.

What we have audited

The financial statements of the Parent Company and the consolidated financial statements of the Group (together "these financial statements") comprise their respective:

- statement of comprehensive income for the year ended 31 December 2019;
 - statement of financial position as at 31 December 2019;
 - statement of changes in equity for the year then ended;
 - statement of cash flows for the year then ended; and
 - the notes to these financial statements, which include a summary of significant accounting policies.
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Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of these financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the ethical requirements that are relevant to our audit of these financial statements in the Sultanate of Oman. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Independent auditor's report to the shareholders of Oman Refreshment Company SAOG (continued)

Our audit approach

Overview

- Key Audit Matter
- Significant additions to property, plant and equipment (Parent Company and Group)

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in these financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on these financial statements as a whole, taking into account the structure of the Group and the Parent Company, the accounting processes and controls, and the industry in which the Group and the Parent Company operate.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	How our audit addressed the Key audit matter
<p style="color: #C00000;"><i>Significant additions to property, plant and equipment and capitalisation of CWIP (Parent Company and Group)</i></p> <p>The Parent Company made significant additions to property, plant and equipment during the year ended 31 December 2019. The total additions amounted to RO 2.8 million during the year. In addition, the Parent Company capitalised CWIP on completion amounting to RO 6.5 million during the year. The total additions during the year and the capitalisation of CWIP, represent 35% of the total property, plant and equipment of the Parent Company and the Group as at 31 December 2019. The additions mainly include purchase of new production lines comprising of plant and machinery and additions to building and warehousing facilities.</p> <p>The significant level of capital expenditure requires consideration of the nature of costs incurred to ensure that capitalisation meets the specific recognition criteria as per IAS 16, 'Property, Plant and Equipment, and the application of management's assessment of the economic useful lives. As a result, this was noted as a key audit matter.</p> <p>The accounting policy for Property, Plant and Equipment (PP&E) is set out in note 2.11. Additional disclosures pertaining to PP&E, along with the movement schedule for the year are included in note 17.1</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> - We have assessed the nature of property, plant and equipment capitalised by the Parent Company to test the validity of amounts capitalised and evaluating whether costs capitalised meet the recognition criteria as set out in IAS 16. - We have assessed the completeness of additions by obtaining the assets capitalised during the year as per the fixed assets register to the fixed assets movement schedule, which agrees to the general ledger; - We have performed substantive testing by selecting samples to verify the additions by tracing them back to respective supplier invoices, testing for appropriate level of management approval and the appropriate date of capitalisation. We also performed physical verification of the assets on sample basis; and - We reviewed the appropriateness of management's assessment of economic useful lives by considering the Parent Company's historical experience with similar assets, and by referencing to the depreciation policies applied by entities operating similar assets within the same industry.

Independent auditor's report to the shareholders of Oman Refreshment Company SAOG (continued)

Other information

The directors are responsible for the other information. The other information comprises *the Board of Directors' Report, the Corporate Governance Report and Management's Discussion and Analysis Report* (but does not include these financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the Annual Report, which is expected to be made available to us after that date.

Our opinion on these financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of these financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with these financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed [on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors.

Responsibilities of the directors for these financial statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and their preparation in compliance with the relevant requirements of the Capital Market Authority of the Sultanate of Oman and the applicable provisions of the Commercial Companies Law of 2019, and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing these financial statements, the directors are responsible for assessing the Parent Company and Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Parent Company and the Group or to cease operations, or have no realistic alternative but to do so.

Independent auditor's report to the shareholders of Oman Refreshment Company SAOG (continued)

Auditor's responsibilities for the audit of these financial statements

Our objectives are to obtain reasonable assurance about whether these financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of these financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Parent Company's and / or the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Parent Company's and/or the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in these financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Parent Company and / or the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of these financial statements, including the disclosures, and whether these financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Independent auditor's report to the shareholders of Oman Refreshment Company SAOG (continued)

Auditor's responsibilities for the audit of these financial statements (continued)

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of these financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Further, as required by the relevant requirements of the Capital Market Authority of the Sultanate of Oman and the applicable provisions of the Commercial Companies Law of 2019, we report that these financial statements have been prepared and comply, in all material respects, with those requirements and provisions.



Omar Al Sharif

Muscat, Sultanate of Oman

9 February 2020

