

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF OMAN OIL MARKETING COMPANY SAOG AND ITS SUBSIDIARIES

Report on the audit of the consolidated and separate financial statements

Opinion

We have audited the consolidated and separate financial statements (the "financial statements") of Oman Oil Marketing Company (SAOG) (the "Parent Company") and its subsidiaries (the "Group"), which comprise the statement of financial position as at 31 December 2018, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Group and separate financial position of the Company as at 31 December 2018 and their respective financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

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 the financial statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in the Sultanate of Oman, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

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OMAN OIL MARKETING COMPANY SAOG AND ITS SUBSIDIARIES (CONTINUED)**

Key audit matters (continued)

<i>Key audit matters</i>	<i>How our audit addressed the key audit matters</i>
<p><i>Expected Credit Loss (ECL) for trade receivables for consolidated and separate financial statements</i></p> <p>Trade receivables are significant to the consolidated and separate financial statements.</p> <p>Effective from 1 January 2018, the Group has applied the simplified approach in IFRS 9 'Financial Instruments' to measure ECL for trade receivables, which allows for lifetime expected credit losses to be recognised from initial recognition of the receivables. The Group determines the expected credit losses on trade receivables by using a provision matrix that is based on historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. Trade receivables have been grouped based on shared credit risk characteristics and days past due.</p> <p>Due to the significance of trade receivables and the complex nature of ECL calculation, this was considered as a key audit matter.</p>	<p>Our audit procedures in the area included the following:</p> <ul style="list-style-type: none"> • Evaluated the appropriateness of the selection of the accounting policies; • Considered the appropriateness of the transition approach and evaluated the management's processes for selection of expected credit loss model; • Obtained an understanding of the process relating to the allowance for credit losses of trade receivables; • Evaluated the reasonableness of the key judgments and estimates relating to calculation of probability of default and forward-looking factor made in the expected credit loss model; • Involved specialists to assist in evaluating the judgments and estimates; • Evaluated the completeness, accuracy and relevance of data used in the expected credit loss model and checked the mathematical accuracy of the calculations; • Obtained an ageing report of trade receivables and tested the accuracy by checking the ageing of select invoices on a sample basis; and <p>Details regarding credit risk and the aging of trade receivables is set out in note 8 of the financial statements. We also assessed the appropriateness of the disclosures in the financial statements in accordance with IFRS.</p>

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Key audit matters (continued)

Key audit matters	How our audit addressed the key audit matters
<p>Impairment of investment in associates</p> <p>During the current year, impairment indicators were identified on the investments in certain associates, namely Muscat Gas Company SAOG and Lubchem International Industry LLC. As a result, an impairment assessment was required to be performed by comparing the carrying value of these associates to their recoverable amount to determine whether an impairment was required to be recognised. The recoverable amount was determined in accordance with IAS 36 Impairment of Assets to be the higher of the fair value less cost of disposal, represented by the recoverable amount and the value in use, determined by discounting future cash flows.</p> <p>There was uncertainty in estimating the recoverable amount of the investments in associates, which principally arose from the inputs used in both forecasting and discounting future cash flows. Furthermore, the value in use is highly sensitive to changes in these inputs.</p> <p>The determination of the recoverable amount of the investments in associates was one of the key judgemental areas in preparing the financial statements due to a combination of the significance of the investments in the associates and the inherent uncertainty in the assumptions supporting the recoverable amount of these investments.</p> <p>Accordingly, the impairment of investments in associates was determined to be a key audit matter in our audit of the consolidated financial statements.</p>	<p>Our audit procedures in the area included the following:</p> <ul style="list-style-type: none"> • We inspected published market information on the share price, financial position and performance of the associates to evaluate the completeness of management's impairment assessment and to identify whether there were any additional indicators of impairment on other associates not assessed for impairment. • Together with our technical and valuation specialists, we assessed the appropriateness of the group's valuation methodology applied in determining the recoverable amount. • Together with our valuation specialists, we assessed the assumptions around the key drivers of the cash flow forecasts with reference to historic dividend income and expected growth rates, as well as exit yields referenced to forward dividend yields. • We discussed potential changes in key drivers with management in order to evaluate whether the inputs and assumptions used in the cash flow forecasts were suitable. • We assessed the appropriateness of the disclosures made in the financial statements. <p>Details regarding share of revenue and loss and share of associate's balance sheet is set out in note 6 of the financial statements. We also assessed the appropriateness of the disclosures in the financial statements in accordance with IFRS.</p>

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Other information included in the Group's 2018 Annual Report

Those charged with governance and management are responsible for the other information. Other information consists of the information included in the Group's 2018 Annual Report other than the financial statements and our auditor's report thereon. We obtained the following information prior to the date of our auditor's report, and we expect to obtain the published 2018 Annual Report after the date of our auditor's report:

- Chairman's report
- Corporate governance report
- Management discussion and analysis

Our opinion on the 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 the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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 obtained prior to the date of the 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.

Responsibilities of management and those charged with governance for the financial statements

Those charged with governance are responsible for the preparation and fair presentation of the financial statements in accordance with IFRS and the relevant requirements of the Commercial Companies Law of 1974, as amended, and the Capital Market Authority ("the CMA") of the Sultanate of Oman, and for such internal control as those charged with governance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, those charged with governance are responsible for assessing the 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 those charged with governance either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
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Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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 skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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 expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of those charged with governance 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 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 the 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the 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 financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

We communicate with those charged with governance 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 those charged with governance 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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the 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

In our opinion, the financial statements comply, in all material respects, with the relevant requirements of the Commercial Companies Law of 1974, as amended, and CMA of the Sultanate of Oman.

Ernst & Young LLC
Philip Stanton
Philip Stanton
Muscat
24 February 2019

