

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 2017, 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 2017 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>Revenue recognition Revenue from the sale of goods is recognised at the moment when the significant risks and rewards of ownership have been transferred to the buyer and there are no significant uncertainties regarding recovery of the consideration due and associated costs. Revenue is measured net of pricing allowances, other trade discounts or volume rebates. We have considered this as a key audit matter as revenue is material to the financial statements.</p> <p>The accounting policy relating to revenue recognition is set out in note 2.17 to the financial statements.</p>	<p>Our audit procedures included, among others, the following:</p> <ul style="list-style-type: none">• Obtained an understanding of the revenue process and assessed the design and implementation and tested the operating effectiveness of key controls over the revenue cycle;• Tested the IT general controls for the Company's IT system to evaluate the integrity of the data and processes that it supports;• Performed substantive analytical procedures over the significant revenue streams by developing an expectation based on volumes and rates and obtained explanation for the significant variances;• Evaluated management's calculation of rebates and discounts on a sample basis and assessed whether they are recorded in accordance with the contractual terms agreed with the customers;• Tested transactions taking place before and after the year-end to evaluate that revenue was recognised in the appropriate period; and• Assessed the appropriateness of the Company's revenue recognition accounting policies including compliance with the relevant IFRS.



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Key audit matters (continued)

<i>Key audit matters</i>	<i>How our audit addressed the key audit matters</i>
<p><i>Allowance for impaired trade receivables for consolidated and separate financial statements</i></p> <p>Trade receivables are significant to the consolidated and separate financial statements. The allowance for impaired trade receivables requires the application of judgement and use of subjective assumptions by management as described in critical accounting estimates and judgements as set out in note 2.8 and 3.2 to the financial statements. Given judgment involved and subjective assumptions used by management, this was a key audit matter.</p>	<p>We evaluated management's assumptions and methods applied for calculating the allowance for impaired trade receivables by carrying out the following procedures:</p> <ul style="list-style-type: none">• Obtaining an update of the understanding of the process relating to the impairment of trade receivables.• Testing the underlying data used to determine the allowance for impaired trade receivables.• Further, we selected a sample of trade receivable balances impaired and understood the rationale behind management's judgements and assumptions.• Where the balances were overdue, we analysed the customer's historical payment patterns and tested whether any post year-end payments were received after the statement of financial position date.• Analysis of the ageing balance• We independently re-calculated the provision for impairment of trade receivables, based on the company policies using relevant data and assumptions. <p>Details regarding credit risk and the aging of trade receivables is set out in note 27 and 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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Other information included in the Group's 2017 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 2017 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 2017 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.



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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
30 January 2018

