ميناء صلالة
Port of Salalah

Annual Report 2017

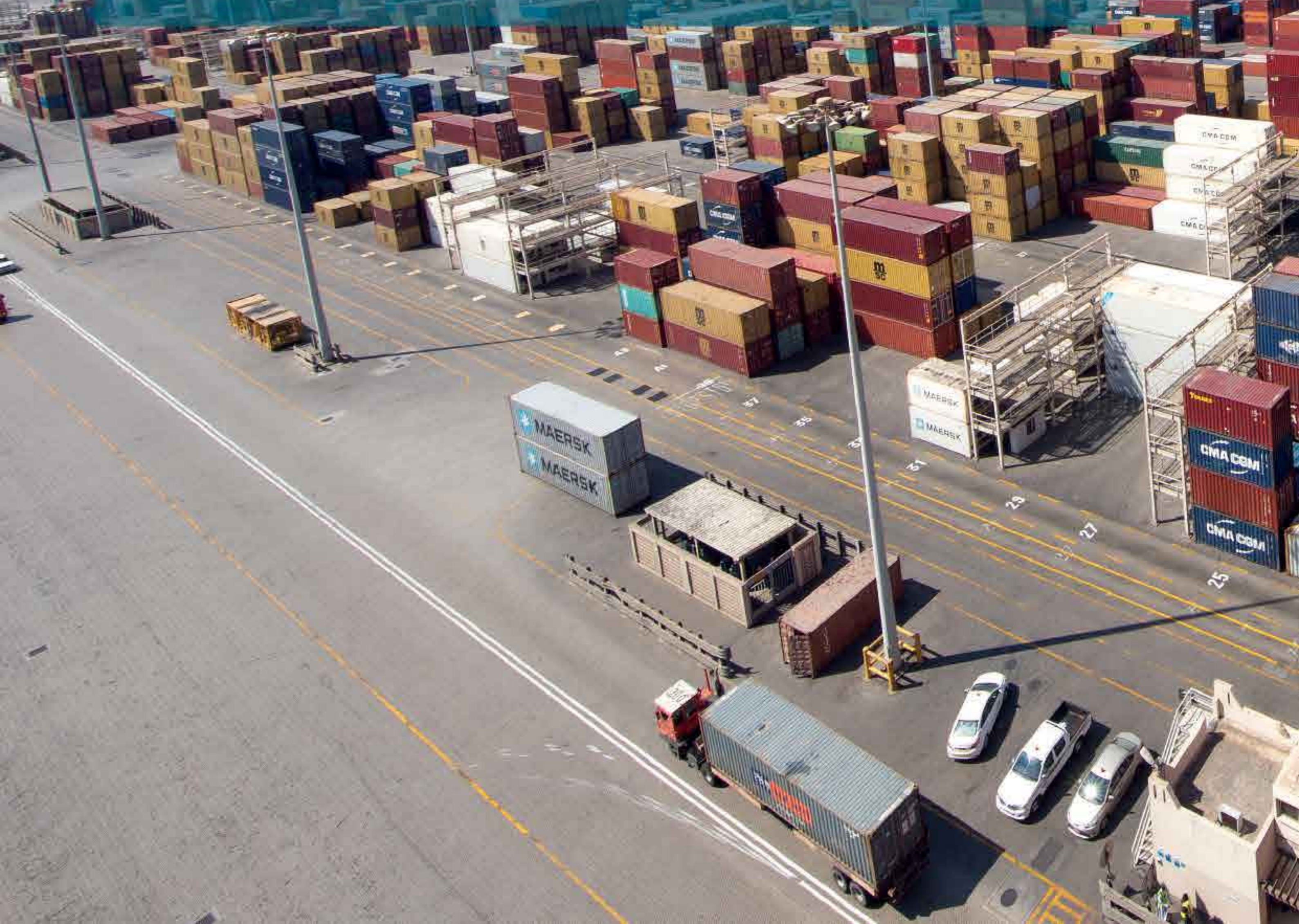
www.salalahport.com
@port_salalah
port_salalah

His Majesty Sultan Qaboos bin Said

Key Performance Indicators

Port of Salalah	*2012*	*2013*	*2014*	*2015*	*2016*	*2017*
Key Operational Data						
Crane Capacity in TEUs ('000s)	5,000	5,000	5,000	5,000	5,000	5,000
TEUs ('000s)	3,634	3,343	3,034	2,569	3,325	3,946
Tonnes ('000s)	7,251	7,944	10,314	12,543	13,037	13,587
Container Terminal Vessel calls	1,735	1,651	1,439	1,336	1,501	1,475
General Cargo Terminal Vessel calls	1,401	1,321	1,326	1,520	1,527	1,387
Headcount	2,216	2,167	2,137	2,057	2,249	2,217
Operational Ratio Analysis						
Gross Crane Productivity	30.20	31.54	30.70	30.20	31.13	32.28
TEUs handled per employees	1,640	1,543	1,420	1,249	1,478	1,779
TEUs/meter of quay p.a.	1,409	1,296	1,176	996	1,289	1,529
Cranes in operation	25	25	25	25	25	25
TEUs/quay crane p.a.	145,360	133,720	121,349	102,741	133,002	157,840
Capacity Utilization	73%	67%	61%	51%	67%	79%
Key Financial Data (Figures in RO ' 000)						
Revenue	57,540	58,505	53,533	49,508	54,872	57,028
Gross profit	30,337	27,641	22,605	19,474	20,487	19,999
Cash profit	16,791	14,808	14,444	13,923	14,963	16,695
Net profit / (loss)	7,083	5,663	5,262	5,182	5,726	5,211
Equity capital	17,984	17,984	17,984	17,984	17,984	17,984
Net worth before minority interest	44,318	46,855	48,471	51,647	54,025	56,000
Term debt obligations	52,617	47,574	41,235	26,786	17,858	8,929
Financial Ratio Analysis						
Operating Profit Ratio	53%	47%	42%	39%	37%	35%
Net profit margin	12.3%	9.7%	9.8%	10.5%	10.4%	9.1%
Cash Earnings per share (RO)	0.093	0.082	0.080	0.077	0.083	0.093
Earnings per share (RO)	0.039	0.031	0.029	0.029	0.032	0.029
Book value per share(RO)	0.246	0.261	0.270	0.287	0.300	0.311

Contents

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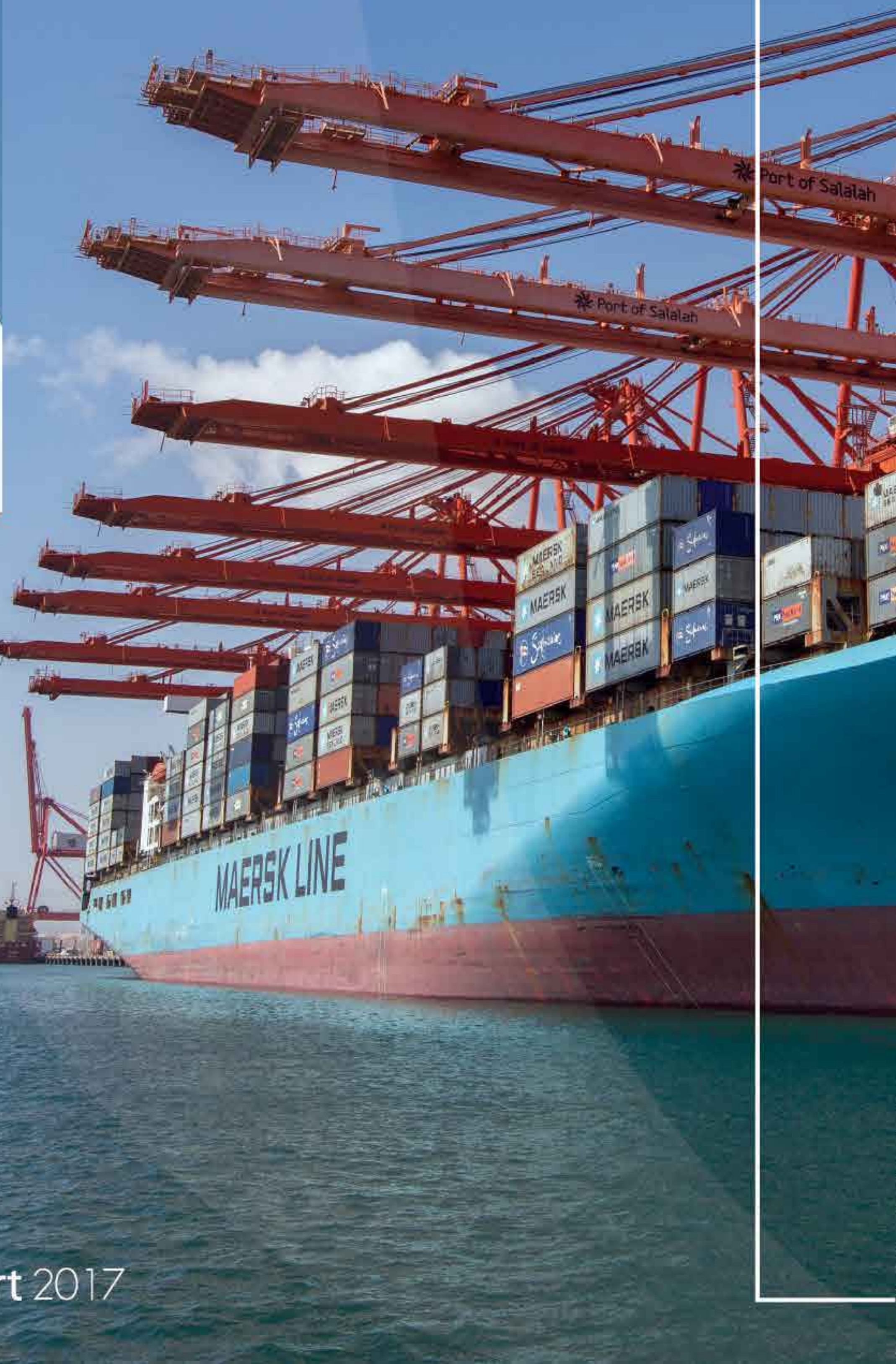
Directors' Report

H.E. Ahmed bin Nasser Al Mahrizi
Chairman, Board of Directors

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Directors' Report

Dear Shareholders,

On behalf of the Board of Directors, I have the pleasure in presenting the annual report of your company along with the audited financial statements for the year ended 31st December 2017.

Despite uncertain global economic circumstances, the year 2017 has ended on a positive note with both the Container terminal and the General Cargo terminal showing a growth over the previous years.

Company Performance

This year the container terminal handled 3.946 mil TEUs – compared to 3.325 mil TEUs in 2016, a growth of 19% in TEU terms with strong support from one of the anchor customers. Further with the investment in the mooring systems during the year, the variation in productivity experienced during Khareef season is mitigated. Company has retained all our major customers while a major customer's share of business increased by 22% compared to year 2016.

The Port of Salalah General Cargo had handled 13.587 million tons during 2017 – a growth of 4% over 2016. The General Cargo terminal continues to grow, albeit at a slower pace as compared to previous years, driven by the growth of the aggregates business. The general cargo volumes handled at Berth 31 have been included in the container terminal financials, as in the previous year, due to the conversion of the berth into a container terminal facility.

The Company's top priority is ensuring the safety of its employees, contractors and customers, and to this end, the company continues to invest in technology and infrastructure to minimize the risk. The Company continues to focus improvements through various initiatives to maintain operations of a world-class terminal.

Financial Overview

The consolidated revenues are recorded at RO 57.028 million, an increase of 3.9% over the previous year.

Consolidated EBITDA was recorded at RO 16.167 million for Year 2017 at an EBITDA margin of 28.35%, as compared to RO 15.447 million (at margin 28.15%) during same period last year.

Consolidated Net Profit was recorded at RO 5.211 million for Year 2017, as compared to RO 5.726 during same period last year. The drop in profit is attributable mainly due to changes in Oman Tax laws requiring the company to provide a higher tax liability of RO 1.7 million, higher costs arising from withdrawal of fuel subsidy by Government of Oman, higher staff costs, repair and maintenance costs to attend to ageing equipment, partly offset by take cost out initiatives implemented & lower finance costs.

During 2017, your company distributed 20% annual dividend pertaining to year 2016. Taking into account the proposed capital expenditure plans of RO 16 million to meet the equipment life cycle management & improvement needs, emerging market conditions for international trade the Board of Directors are pleased to recommend the distribution of dividend of 15% on the paid-up equity share capital of the company. This equates to 15 baiza per share resulting in a total cash disbursal of RO 2.698 million.

Dividend history for the last 5 years

	2012	2013	2014	2015	2016
Dividend %	25%	25%	15%	20%	20%
Cash outlay (RO‘000)	4,495	4,495	2,698	3,597	3,597

Employee Development

Our people contribute to the success of the company. In order for the company to stay competitive it needs to remain at the cutting edge of the industry with continued education on procedures, technologies and best practices. The company continues to invest in training and development of its workers, with a focus on enhancing the Omanization and skills development of local talent.

Corporate Social Responsibility (CSR)

Port of Salalah strongly believes in a CSR program that is aligned with the pillars of sustainability and volunteerism and it is fundamental to our business. The company has invested RO 72K in CSR initiatives during 2017 contributing to the local Dhofar region in which we operate as well as segments of communities requiring support. Impacting the local Dhofar region and benefiting the larger segments of communities requiring support are the guiding posts of the company's CSR program.

Future Outlook

The Container Shipping industry has been through very turbulent times in the past three years, but it does appear that things are settling down and will be calmer in 2018. The ONE alliance, consisting of 3 Japanese carriers, has been finalized, adding the ONE alliance to the ranks of the 2M, OCEAN, and The Alliance shipping alliances. Over capacity in the Ports in the GCC, Arabian Sea and Indian Ocean continues to plague the region and are resulting in downward pressure on the rates. Working with our long term partners and securing business that cements them into Salalah, such as more gate volumes, continues to be our best option to mitigate against market conditions.

Although we have seen a slight reduction in volumes from the peaks in 2017, the volume development is expected to be more stable in 2018 due to commitments from our shipping line partners. This will result in more predictable volumes in the CT than we have witnessed in the past. Furthermore, the development in local cargo, Import/ Export, continues to be particularly encouraging. New hinterland opportunities into Yemen, if fully realized, will provide a further positive trend in gate volumes. Increasing gate volumes is a commercial imperative because it increases the overall attractiveness of the port of Salalah to our existing customers as well as prospective shipping lines.

The last several years have witnessed continual growth in the GCT, driven primarily from the growth in the aggregates (Limestone & Gypsum) exports. Oman has now claimed the title of the largest exporter of gypsum in the world, which is almost exclusively being shipped out of the Port of Salalah. The increased volumes do mean that we will have to look at improving productivity and potentially new methods of handling in order to cope with the steady increases of exports. The logistics supply chain is quickly becoming the bottle neck which is slowing the ability to grow the volumes even faster. Consolidation and governance in the industry is helping to drive better business practices from the exporters which is positive for the overall economy and the Port of Salalah.

Conclusion

On behalf of the Board of Directors and the shareholders of the company, I record the sincere appreciation and gratitude to His Majesty Sultan Qaboos bin Said, for his strategic vision, leadership and his continued support without which it would not have been possible to establish and maintain this world class port.

I also thank our customers, investors, lenders and the members of the government we work together with daily.

Lastly, but certainly not least, I place on record our appreciation for the contributions made by our employees in achieving the level of performance in 2017. Our consistent growth was possible by their hard work, solidarity, cooperation and support.

On behalf of the Board of Directors,

Ahmed Bin Nasser Al Mahrizi
Chairman of Board of Directors,
Salalah Port Services Co. SAOG

February 22, 2018

Management Discussion and Analysis Report

Andrew Dawes
Chief Executive Officer


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Management Discussion and Analysis Report

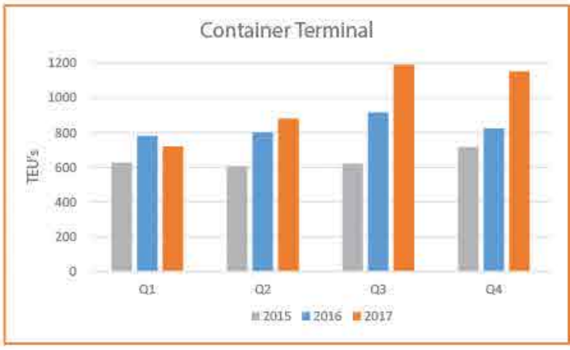
Business of the company

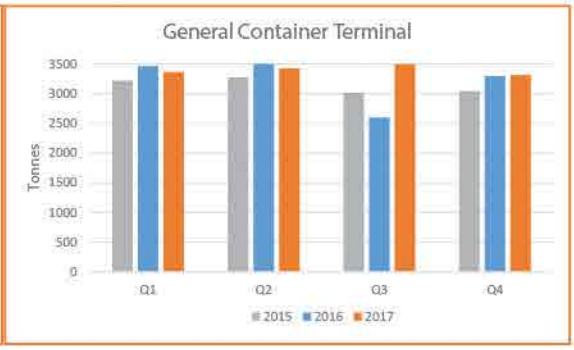
The Port of Salalah, in the Sultanate of Oman, is one of the largest multi-purpose ports in the Middle East. During 2017, Salalah Port Services handled 3.94 million TEUs at its Container Terminal and 13.586 million tons at its General Cargo Terminal. It is the region's leading transshipment port and has set its goals to be the port of choice in Oman. With the country's focus to optimize non-oil economic growth the port will be a key driver in lifting global trade in the region.

This world-class port was created under a 30-year concession agreement with the Government of Oman. It is managed by APM Terminals, a leading port developer and operator with a global network of 76 Terminals and 117 inland service businesses spanning 59 countries and employing more than 20,000 professionals. The company serves all the major shipping lines and has a global throughput of 36 million TEUs.

In its bid to become the port of choice in Oman, the Port of Salalah is dedicated to the development of its staff, including the employment and training of local people. It also supports local business, in-country procurement whenever possible, and plays an active role in the development of the community, region and country in which it operates.

Volume development in CT and GCT over the past 3 years as below:





Container Industry structure and developments

Container shipping market has been facing rough weather during the past several years with inadequate global trade to meet or narrow down the supply – demand gap. This has forced review of several alliances between some of the world's major shipping lines. Salalah Port has benefited from the strong support by Maersk Line, a key shareholder.

To attract all potential transshipment business, the terminal remains competitive through its dedication to the efficiency with which it handles vessels. Investment in mooring equipment to keep ships safe during the Khareef season, supported the Port's focus on safety and efficiency

In 2017, the Container Terminal handled 3.94 million TEUs, which represents a 19% growth over the previous year.

The Port is keen in the growth of businesses in Salalah Free Zone and is committed to provide services to these potential opportunities.

Safety

The Company remains committed to and prioritizes the cause of safety. During the year, the company witnessed two unfortunate fatalities at the terminal – one of an employee and the other that of a contractor. A detailed investigation was conducted in both cases so as to understand the underlying cause of the accidents, and eliminate the same to ensure future safety. The Company has taken several measures, including training, and creating & improving awareness not only amongst the employees but also to third party personnel to further improve safety compliance and will continue to do so over the upcoming year.

Operations Efficiency Review : Enhanced efforts to improve efficiency enabled the port to maintain and improve productivity levels.

General Cargo Terminal

The General Cargo Terminal (GCT) continues to grow and registered throughput of 13.58 million tons in 2017, a growth of 4.2% over 2016. GCT has been handling high volume through efficiently managing all the berths. Additional investment in the form of mobile ship loader, replacement of old equipment etc. are expected to be completed over the upcoming year in order to facilitate efficient operations

Export of minerals viz., locally-mined limestone and gypsum has been the key general cargo business and remains the largest commodity for the terminal followed by methanol, fuel and bagged material, mainly cement.

Human Resources, welfare and training

At the close of 2017 the Port of Salalah employed 2,217 people with 69% of all skilled roles filled by nationals. The Port remains committed to developing key skills throughout its workforce through on-the-job training, facilitating study courses at the University and tuition by in-house experts. Further, various language and soft skills development training sessions were conducted during the year through in-house experts.

Financial review

Consolidated revenues for the year were RO 57.03 million as against year 2016 revenues of RO 54.87 million.

Consolidated EBITDA was recorded at RO 16.167 million with a margin of 28.65%, same margin as 2016. While revenue had grown 4% cost had increased 4.2% which resulted in a maintaining EBITDA margin.

Consolidated net profit for 2017 was recorded at RO 5.21 million as compared to RO 5.72 million in 2016. The drop in profit is attributable mainly due to increase in corporate tax rate from 12% to 15% resulting in a higher tax liability of RO 1.7 million

Direct operating costs comprises of manpower costs, repairs and maintenance costs, energy costs, marine costs and operating systems and communication increased by 8% compared to 2016. The total manpower costs increased by 4.4% as compared to 2016, to support higher volume in addition to increase in fixed salary related inflation, merit increases and incentive payout.

Operating depreciation in 2017 was higher by about 1% compared to 2016 on account of investments made during the year to necessary operational and allied equipment.

Repair and maintenance costs were lower by 2% compared to 2016 due to condition based maintenance.

Power and fuel increased by 41% over same period of 2016 on account increased volumes and implementation of cost reflective tariff as a result of withdrawal of electricity subsidy to commercial users.

Concession costs, consisting of costs on account of ground rent, fixed and variable royalty decreased by 32% as compared to 2016 based on performance of CT and GCT segments. The management fee was in line with the change in revenues and volumes.

General and administration, costs were higher by 26% compared to 2016 mainly due to higher claims faced while handling higher container volumes, legal consultancy costs and provision for impairment of receivables.

Financing costs decreased by 34% over 2016 on account of repayment of loan despite increase in US$ LIBOR rates.

Currency revaluation

The Government of Oman's policy on keeping the Omani Rial pegged with the US Dollar is expected to remain unchanged for the next few years at least. Any change in the policy will have an effect on the company's financials. The company will exercise constant vigilance and initiate all possible measures to contain this risk if required.

Outlook

The company expects GCT volumes to remain stable over the coming year, after continued growth over the last several years. Volume increases, if any, are expected to be handled mainly through planned investment in equipment for handling aggregates. Market leadership in gypsum continues to be a strong support for the General Cargo volumes and is expected to remain the same in 2018.

The container shipping business is expected to remain stable with the continued strong support from the key customer. The company however is gearing up to improve customer services and productivity to meet the demands from the global shipping lines.

The port has been focusing on developing hinterland volumes and will continue to develop the value added services it offers to customers, enabling them to make the most of the opportunities available and to boost the Port's revenue.

With the ease of customs process for the movement of containers from Salalah to Yemen via Mazyouna by the Oman Government, Salalah port is focusing on developing this commercial opportunity.

The Port of Salalah will work to encourage more import and export trade from the local market and will support burgeoning businesses in the Free Zone reach global markets.

Conclusion
The Port would like take this opportunity to express sincere thanks to the employees of the company, the customers, suppliers and the Government of Oman for their unstinted support during 2017. We look forward to working with you and further developing the Port of Salalah in the year ahead.

Andrew Dawes
Chief Executive Officer
February 22,2018

EY
Building a better working world

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PR No. HMH/15/2015; HMA/9/2015

REPORT OF FACTUAL FINDING
TO THE SHAREHOLDERS OF SALALAH PORT SERVICES COMPANY SAOG

We have performed the procedures agreed with you pursuant to the Capital Market Authority's (CMA) circular no. E/4/2015, dated 22 July 2015, with respect to the Board of Directors' corporate governance report of Salalah Port Services Company SAOG (the "Company") as at and for the year ended 31 December 2017 and its application of the corporate governance practices in accordance with amendments to CMA's Code of Corporate Governance issued under circular no. E/10/2016 dated 1 December 2016 (collectively the "Code"). Our engagement was undertaken in accordance with the International Standard on Related Services applicable to agreed-upon procedures engagements. The procedures were performed solely to assist you in evaluating the extent of the Company's compliance with the Code as issued by the CMA and are summarised as follows:

1) We obtained the corporate governance report (the "report") issued by the Board of Directors and checked that the report of the Company includes as a minimum, all items suggested by the CMA to be covered by the report as detailed in the Annexure 3 of the Code by comparing the report with such suggested content in Annexure 3; and

2) We obtained the details regarding areas of non-compliance with the Code identified by the Company's Board of Directors for the year ended 31 December 2017. The Company's Board of Directors has not identified any areas of non-compliance with the Code.

We have no exceptions to report in respect of the procedures performed.

Because the above procedures do not constitute either an audit or a review made in accordance with International Standards on Auditing or International Standards on Review Engagements, we do not express any assurance on the corporate governance report.

Had we performed additional procedures or had we performed an audit or review of the corporate governance report in accordance with International Standards on Auditing or International Standards on Review Engagements, other matters might have come to our attention that would have been reported to you.

Our report is solely for the purpose set forth in the first paragraph of this report and for your information and is not to be used for any other purpose. This report relates only to the accompanying corporate governance report of Salalah Port Services Company SAOG to be included in its annual report for the year ended 31 December 2017 and does not extend to any consolidated financial statements of Salalah Port Services Company SAOG, taken as a whole.

Ernst & Young LLC

Muscat
22 February 2018

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س.ت: ١٢٢٤٠١٣
ص.ب: ١٧٥٠ روي - ١١٢، سلطنة عمان
ERNST & YOUNG LLC
C.R. No. 1224013
P.O. Box 1750 - P.C. 112 Sultanate

Corporate Governance Report


Port of Salalah
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Corporate Governance Report

Corporate Governance at Salalah Port Services Company SAOG (the "Company") ("Port of Salalah")

The Company's philosophy of Corporate Governance is aimed at maximizing shareholder value and protecting the interest of other stakeholders. The Company aims to achieve this through adequate and appropriate disclosure of material facts and achievements, transparency, accountability and equity in all facets of its operations. The Company also believes that it is essential to have clear policies assuring that all involved in the process of managing the Company, from the Board of Directors to down, are able to act in the best interest of shareholders. The Company is committed to comply with the Capital Market Authority guidelines on corporate governance and disclosure practices.

Board of Directors

The Board of Directors comprises of six members and is responsible for the Management of the Company's business. The Board's role, functions and responsibilities are clearly defined. In addition to its primary role of monitoring corporate performance, the functions of the Board also include:

- Approving corporate vision, mission and objectives
- Establishing and approving the formulation of strategic business plans
- Reviewing and approving financial plans and budgets
- Monitoring corporate performance
- Compliance of laws and regulations
- Appointment of Chief Executive Officer and key executives

Composition of the Board of Directors as on December 31, 2017 is as follows:

Name	Category
H.E. Ahmed Bin Nasser Al Mahrizi	Non-executive, non-independent, nominated
Sheikh Braik Musallam Al Amri	Non-executive, independent & elected
Mr. Ali Mohammed Redha*	Non-executive, non-independent, nominated
Mr. John Michael Craig	Non-executive, non-independent & elected
Mr. Soren Sjostrand Jakobsen	Non-executive, non-independent & appointed
Brig. Sultan Saif Saud Al Akhzami	Non-executive, independent & elected
Mr. David Michael Guy**	Non-executive, non-independent, nominated

* Mr. Ali Mohammed Redha (representative of Ministry of Finance) demitted his office on 20th Feb. 2017.

** Mr. David Michael Guy has been nominated by ASYAD Group effective 16th Jan. 2018.

Board of Directors profile

H.E. Ahmed Bin Nasser Al Mahrizi is Chairman of the Company and joined the Board in August, 2013. He is the Minister of Tourism Government of Oman and previously held position of Chief of Eastern Europe, European Department of Oman Ministry of Foreign Affairs; Ambassador to Algeria and non-resident Ambassador to Ghana, Gabon, Burkina Faso and Niger; Ambassador to Kazakhstan and non-resident Ambassador to Kirghizia and Ambassador to the French Republic and non-resident Ambassador to Portugal.

Sheikh Braik Musallam Al Amri joined the Board in March 2013. He has done Masters in Business Administration and has twenty years of management experience. He is an Engineer and has also done diploma from Lloyds Maritime Academy. He has been engaged with the Port of Salalah for about 10 years. He has a very good exposure of the business and international practices, presently engaged with financial services sector.

Mr. John Michael Craig joined the Board in March 2016 and currently is, Vice President, Global Operations and Portfolio Manager in APM Terminals, The Hague, Netherlands. He holds a B.A. in Economics from Princeton University and received an executive MBA from The Mason School of Business at the College of William and Mary. He is an international business executive with over 20 years of leadership experience in the maritime industry (terminal operations, marine transportation, procurement, sales and account management, customer service, inland transportation, and supply chain management). An effective leader having successfully managed large business units and multinational organizations with a demonstrated ability to mentor people and work in complex organizations with multi-cultural environments.

Mr. Soren Sjostrand Jakobsen joined the Board in January 2017 and holds the position as Executive Director in the Africa, Middle East and South East Asia joint venture portfolio of APM Terminals. His portfolio responsibilities comprise 8 port terminals and 3 inland terminals. He furthermore holds a number of board position in other joint venture terminals where APM Terminals are partners. Prior to taking up the portfolio management position in Dubai in 2003, Soren was Global Head of Project Implementation based in the APM Terminals headquarter in The Hague, responsible for implementation of all new port investments of APM Terminals. Soren has been in the A.P. Moller – Maersk Group for more than 37 years and has worked with most business units in the Group, the last 13 years in APM Terminals. He has spent about 20 years outside of Denmark including postings in Panama, USA, The Netherlands and Dubai.

Brig. Sultan Saif Saud Al Akhzami joined the Board in March 2013. Presently he is working in Secretary General's Office Ministry of Defense. He is Masters in Business Administration and has held many senior positions in Finance, administration and human resources in Royal Air Force of Oman.

Mr. David Michael Guy joined the Board in January 2018. He is presently working as Group Chief Financial Officer of ASYAD Group Oman. He is a member of Institute of Chartered Accountants of England and Wales with over 20 years of experience in the power, water and infrastructure sectors. David graduated from Durham University in 1990 with BA Hons degree in Accountancy and Economics and qualified as a chartered accountant in 1993. He subsequently worked in number of entities in the power and water sectors and took part in various business sales and acquisition processes before taking the role of group CFO at an international water business with assets in South America, Africa and UK.

Management profile

Mr. Andrew Dawes is the CEO of the Company since 1st August 2017. He has extensive experience in a wide range of terminal operational functions with several global terminal operators over 20 years. Over the years, Andrew has held senior management positions and developed expertise in management and port operations with different organizations in North America, Europe, Middle East and Africa. Before moving to Port of Salalah, Mr. Dawes was holding the position of Chief Executive Officer in Intels Nigeria Ltd. Prior he was the managing director of APM Terminals Apapa, Nigeria. Mr. Dawes has a strong senior executive background at both local and international levels and with multiple sector exposure. He has the abilities to build and implement sophisticated plans with a proven track record explicitly supporting business needs to tight time scales and within budget. Mr. Dawes is very collaborative personal with good interpersonal skills to engage, motivate and encourage others through change.

Mr. Ahmed Ali Akaak is the Deputy CEO of the Company. He has been with the Port since January 2000 where he has worked in several key positions including Chief Corporate Officer and General Manager for Human Resources. He brings to the position broad industry knowledge and executive experience in all aspects of management, including strategic planning and organizational development both locally and nationally. His background includes a bachelor degree in Economics from the US and Master Degree in Human Resources management.

Mr. C. S. Venkiteswaran joined Port of Salalah on 15th September, 2013 as Chief Financial Officer. He is a Commerce graduate from Kerala University, Fellow member of the Institute of Chartered Accountants of India and Associate member of Institute of Company Secretaries of India with more than thirty years of extensive experience in managing financial affairs of industrial and port companies. He has been with A P Moller Maersk group for more than 20 years and held positions as Head of Finance at Gujarat Pipavav Port, Chief Financial Officer in Meridian Port Services, Tema, Ghana and CFO with Gateway Terminals India, Mumbai.

Mr. Jesse Damsky is Chief Commercial Officer of the Company since 1st November 2014. Jesse holds a B.S. degree in International Trade. Jesse joined the APMM Group in 2010 and comes to APMT with a background in freight forwarding but has also worked with project and contract logistics and heavy lift operations. He has previously worked with Dorian Drake International Inc. in the USA, as Project Manager, Agility Defense & Government Services and most recently as Program / Business Development Manager, Al-Elaf Group in Jordan

Mr. Ahmed Suhail Ali Qatan is the Chief Operating Officer –GCT of the Company with effect from January 1, 2016. He joined as Employment Manager with Port in 2005 and has held positions of Senior Manager HRGM-HR & GM GCT. He holds an MBA from Lurton University in UK. He has working experience of 27 years in the public sector that includes a director of field studies, director of coordination and director of hygiene in the local government in Dhofar region.

Mr. Mohammed Al Mashani is the General Manager for Corporate Affairs at Port of Salalah. He holds a BSc in Safety Management from Central Missouri State University and an MSc in Facilities Management and Asset Maintenance from Herriot-Watt University, Edinburgh. Over the last 15 years Mohammed has worked in different sectors: Oil and Gas where he worked in PDO in logistics and HSE. Petrochemicals, where he joined Aromatics Oman. For last 8 years at Port of Salalah where he started as HSE Senior manager, he has been through a CPMD program through APM Terminals in association with ESADE Business School and in 2015 was chosen for the first cohort of the Oman National CEO program.

Mr. Ali Kashoob is GM HR. He has been associated with Port since 2003. He is a Bachelor of Port Management and Operations from Arab Academy for science and technology with honor. He has varied experience in Port Operations, commercial and training and brings vast industry knowledge.

Mr. Douglas Wilson is acting Chief Operating Officer CT from 25th Oct, 2017 and has 15 years of industry experience most of which has been spent leading and optimizing business operations and providing productivity standards in high pressure environments, with strong results in global environment. His last appointment was with Patrick Port Botany, Sydney Australia Redevelopment Operations Manager.

Employment Contract

Salalah Port Services Company SAOG enters into a formal Contract of Employment with each employee and such contracts are in line with the regulation of Ministry of Manpower and Omani Labor Law.

During the financial year 2017 four Board meetings were held on the following dates:

- February 16, 2017
- May 11, 2017
- August 10, 2017
- November 9, 2017

Attendance of each Director at the Board Meeting, last Annual General Meeting, sitting fees paid and number of other Directorship of each Director in various Omani companies are as follows:

Name of Directors	Attendance Particular		Sitting fees (in RO)	No. of Directorship in other Omani SAOG Companies
	Board meeting	Last AGM		
H.E. Ahmed Bin Nasser Al Mahrizi	2	No	1,600	0
Sheikh Braik Musallam Al Amri	4	Yes	3,200	0
Mr. John Michael Craig	4	No	3,200	0
Mr. Soren Sjostrand Jakobsen	3	No	2,400	0
Brig. Sultan Saif Saud Al Akhzami	4	Yes	3,200	0

In accordance with the terms and conditions of the Management Agreement A. P. Moller Terminals & Co. LLC is the Manager of the Company with responsibility of operation and day-to-day management of the Company.

Audit and Other Committees

Audit Committee terms of reference:

Terms of reference of the Audit Committee are as per the guidelines set out by Capital Market Authority and include overseeing of financial reporting process, reviewing with the management the financial statements and adequacy of internal control system, reviewing the adequacy of internal audit function and discussion with Internal Auditor and external auditors on significant findings.

The members of the Audit Committee are governed by the provisions of liability stipulated in Article 109 of the Commercial Companies Law, without prejudice to their liabilities resulting from their membership of the Board of Directors. Following Directors are the members of the Audit Committee:

- Sheikh Braik Musallam Al Amri – Chairman
- Brig. Sultan Saif Saud Al Akhzami
- Mr. John Michael Craig

The majority of the Audit Committee members are independent and has knowledge of finance, accounts, company law and the shipping industry. The quorum for the audit committee is majority of independent directors of its membership are presented.

During the year 2017, four Audit Committee meetings were held. Following is the number of meetings attended by each member.

Member	No of meetings	Sitting fees (in RO)
Sheikh Braik Musallam Al Amri	4	2,000
Brig. Sultan Saif Saud Al Akhzami	4	2,000
Mr. John Michael Craig	4	2,000

The Audit Committee reviews and recommends for Board's approval of the quarterly un-audited and annual audited financial statements. The Audit Committee, on behalf of the Board has regularly reviewed the internal control environment of the Company. They meet the internal auditor on a regular basis to review the internal audit reports, recommendations and management comments thereupon. Audit Committee members have also met the external auditors to review audit findings and management letter. The Audit Committee has met the internal & external auditors in absence of Management as required under the code of Corporate Governance. The Audit Committee also briefs the Board about the effectiveness of internal controls in the Company. The Audit Committee and the Board are pleased to inform the shareholders that an adequate and effective internal control system is in place and that there are no significant concerns.

Tariff and Nomination and Remuneration Committee (TNRC):

TNRC has been established as a sub-committee of the board. This requirement is consistent with the Company's obligations under the Container terminal and general cargo terminal concession agreements and Code of Corporate Governance for Public listed companies issued by Capital Market Authority Oman in July 2015 (the Code).
TNRC is responsible:

- For recommending all the guidelines for negotiating tariff rates with the customers of the container terminal facility and general cargo terminal facility(the "facility") taking into account, amongst other matters:
    - The minimum rates imposed by the container terminal concession agreement;

- The service available to the customers;
- The rates payable in the competitive terminals; and
- The comparative cost advantages of the strategic location of the facility.
- Setting minimum levels of all charges, fees and levies to be paid by users of the port facility (excluding the facility) ("port charges")

- For in the nomination of proficient directors and the election the most fit for purpose. Moreover, the committee aims to assist the board in selecting the appropriate and necessary executives for the executive management and other related matters as per the Code of corporate governance.

Following Directors are the members of TNRC:

- Mr. John Michael Craig – Chairman
- Brig. Sultan Saif Saud Al Akhzami
- Mr. Soren Sjostrand Jakobsen

During the year 2017, two TNRC meetings were held on 10th Aug. 2017 and 9th Nov. 2017 as per details below:

Member	No of meetings	Sitting fees (in RO)
Mr. John Michael Craig – Chairman	2	1,000
Brig. Sultan Saif Saud Al Akhzami	2	1,000
Mr. Soren Sjostrand Jakobsen	2	1,000

Evaluation of the Board of Directors performance

KPMG has been appointed by the shareholders of the Company at the last annual general meeting to evaluate performance of the Board & its members in accordance with the approved criteria for the year 2017. KPMG had completed its evaluation and submitted the report to the Chairman of the Board of Directors which while commending the complied areas of governance also highlighted certain areas of improvement. The Board took note of the contents of KPMG's report and re-affirmed its commitment to continuous improvement and total compliance.

Process for nomination of Directors

In accordance with the amendment in Article 97 to the Commercial Companies Law, all Directors must be voted on to the Board using the cumulative voting process.

Notwithstanding the above provision, the Government of the Sultanate of Oman/ ASYAD Group has the power to nominate up to two members of the Board of Directors, who shall be representatives of the Government of the Sultanate of Oman, for so long as the Government of the Sultanate of Oman holds at least 10% of the issued share capital of the Company. If the Government of the Sultanate of Oman/ ASYAD Group does not own any shares in the Company or owns less than 10% of the issued share capital of the Company, it shall have the power to nominate one member of the Board of Directors only as its representative.

Where the Government/ ASYAD Group exercises its power to nominate a board member it shall not also be entitled to vote on the appointment of any other director.

General Shareholders' information

AGM: Date Time Venue	**March 22, 2018** 3:00 PM Salalah Hilton, Salalah
Financial Year	2017
Date of Book Closure	**March 22, 2018**
Dividend payment date	The dividend, if approved by the shareholders, will be paid within the statutory time limit.
Listing on Stock Exchange	Muscat Securities Market
Registrar and share transfer agents	Muscat Depository & Securities Registration Company
Market Price data	See Table 1 below
Distribution of shareholders	See Table 2 below
Ten major shareholders	See Table 3 below
Port Location	Port Salalah, about 20 km west of Salalah, Dhofar, and Sultanate of Oman.
Address of correspondence	Salalah Port Services Co. SAOG P.O. Box 105, PC 118, Al Sarooj, Way No. 2601, Beach One Building, Fourth Floor, Office 401, Muscat, Sultanate of Oman

Table 1 – Market price data

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year 2017
Shares price (RO)													
High	0.628	0.628	0.632	0.628	0.570	-	0.612	0.570	0.604	0.570	0.588	-	0.632
Low	0.628	0.628	0.632	0.628	0.570	-	0.570	0.570	0.604	0.570	0.588	-	0.570
Opening	0.628	0.628	0.632	0.628	0.570	-	0.570	0.570	-	0.570	0.588	-	0.628
Closing	0.632	0.632	0.632	0.632	0.632	-	0.604	0.604	0.604	0.604	0.604	-	0.604
Volume	330	1,050	50	4,000	50	-	125,910	1,050	-	1,000	1,770	-	135,210
Trade Value (RO)	208	659	32	2,521	29	-	75,972	598	-	570	1,042	-	81,631
Service Sector Index													
Opening	3018	3017	2897	2834	2761	2599	2508	2464	2572	2529	2572	2627	32395
Closing	3023	3008	2886	2821	2771	2600	2502	2470	2551	2545	2580	2643	32401

Table 2 – Distribution of shareholding as on December 31, 2017

No of Equity Shares held	No. of Shares Held	% of Total Shares	No. of Shareholders	% of Total Shareholders
01 to 100	30,453	0.02%	653	51.50%
101 to 500	96,073	0.05%	409	32.26%
501 - 1,000	38,748	0.02%	48	3.79%
1001 - 10,000	352,029	0.20%	103	8.12%
10,001 - 100,000	1,218,547	0.68%	33	2.60%
100,000 and above	178,101,550	99.03%	22	1.74%
Grand Total	**179,837,400**	100.00%	**1,268**	100.00%

Table 3 – Top 10 Shareholders as on December 31, 2017

S No	Name	No of Shares	%age
1	APM Terminal B.V.	54,180,000	30.13%
2	Oman Global Logistics Group (SAOC)	36,120,000	20.09%
3	HSBC A/C HSBC BK PLC A/C IB	25,778,730	14.33%
4	HSBC A/C Ministry of Defence Pension Fund	17,803,740	9.90%
5	The Public Authority for Social Insurance	11,584,330	6.44%
6	Dhofar International Development & Investment Co SAOG	10,790,244	6.00%
7	HSBC A/C MSL A/C QUANTUM EMEA FUND LTD	6,532,290	3.63%
8	The Civil Service Employees Pension Fund	5,876,972	3.27%
9	Internal Security Pension Fund	1,848,000	1.03%
10	Pension Fund Sultan's Special Force	1,806,000	1.00%
10	ROP Pension Fund	1,806,000	1.00%
	Total	174,126,306	96.824%

Annual General Meeting/Extra-ordinary General meeting

The details of AGMs and EGMs held by the Company during the previous years are as follows:

Year	Meeting	Location	Date	Time
2007	EGM	Hilton, Salalah	March 26, 2008	10.00 AM
2007	AGM	Hilton, Salalah	March 26, 2008	10.05 AM
2008	EGM	Hilton, Salalah	March 25, 2009	10.00 AM
2008	AGM	Hilton, Salalah	March 25, 2009	10.25 AM
2009	EGM	Hilton, Salalah	March 25, 2010	10.00 AM
2009	AGM	Hilton, Salalah	March 25, 2010	10.10 AM
2009	OGM	Hilton, Salalah	November 3, 2010	09.08 AM
2010	EGM	Hilton, Salalah	November 3, 2010	09.20 AM
2010	AGM	Hilton, Salalah	March 28, 2011	03.00 PM
2011	AGM	Hilton, Salalah	March 28, 2012	03.00 PM
2012	AGM	Hilton, Salalah	March 27, 2013	03.00 PM
2013	AGM	Hilton, Salalah	March 26, 2014	03.00 PM
2014	AGM	Crown Plaza, Salalah	March 26, 2015	03.00 PM
2015	AGM	Hilton, Salalah	March 28, 2016	05.00 PM
2016	AGM	Hilton, Salalah	April 26, 2017	03.00 PM

The shareholders passed all the resolution set out in the respective notices.

Communication with shareholders and investors

- Initial Unaudited Unapproved quarterly results are disclosed at Muscat Security Market website within 15 days of closure of quarter as per stipulated guidelines.
- The quarterly and annual results were published in local newspaper both in Arabic as well in English. These results can be obtained by shareholders either from our website http://www.salalahport.com/ or from MSM website.
- The company has made no presentations to the institutional investors or to the analysts during the year
- Management Discussion & Analysis Report forms part of the Annual Report

Remuneration

Details of the remuneration to Directors

The remuneration proposed to pay to the members of the Board besides sitting fees is RO 25,000 per member totaling to RO 128,500# for the year 2017 (Year 2016 – OMR 150,000).

includes pro-rata remuneration for one retired director during the year 2017.

Details of the remuneration paid to top 5 officers

During the year 2017 gross salary and compensation paid to top 5 executives of the Company including variable components is RO 546,773 (Year 2016 – RO 614,632).

Professional profile of Statutory Auditor

EY is a global leader in assurance, tax, transaction and advisory services. EY is committed to doing its part in building a better working world. The insights and quality services which EY delivers help build trust and confidence in the capital markets and in economies the world over.

The MENA practice of EY has been operating in the region since 1923 and employs over 6,700 professionals. EY has been operating in Oman since 1974 and is a leading professional services firm in the country. EY MENA forms part of EY's EMEIA practice, with over 4,500 partners and approximately 106,079 professionals. Globally, EY operates in more than 150 countries and employs 256,500 professionals in 728 offices. Please visit ey.com for more information about EY.

During the year 2017, EY rendered audit services to the Company at fees of RO 14,500 plus out of pocket expenses.

Compliances

Details of noncompliance by the Company, penalties, and strictures imposed on the Company by Muscat Securities Market or Capital Market Authority or any statutory authority, on any matter related to Capital Markets, during last three years:

Year	Particulars
2015	None
2016	Delay in disclosing unaudited quarterly financial statements (Quarter 3 of 2016). The Company paid a fine of RO 2,200. However the company has been regular in filing initial unaudited unapproved quarterly results within stipulated time limits with Muscat Securities market.
2017	None

On behalf of the Board of Directors, it is confirmed that

- The Financial Statements have been prepared in accordance with applicable standards and rules.
- The Board reviews the efficiency and adequacy of internal control procedures of the company.
- There are no material events that affect continuation of the company and its ability to continue its operations during the next financial year.

Ahmed Bin Nasser Al Mahrizi
Chairman of Board of Directors

22nd February, 2018.

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C.R. No. 1224013
PR No. HMH/15/2015; HMA/9/2015

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF SALALAH PORT SERVICES COMPANY SAOG

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Salalah Port Services Company SAOG (the "Company") and its subsidiary (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2017 and its consolidated financial performance and its consolidated 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 consolidated 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 consolidated 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 consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF SALALAH PORT SERVICES COMPANY SAOG (CONTINUED)

Key audit matters (continued)

Key audit matter	*How our audit addressed the key audit matters*
Revenue recognition Revenue comprises income earned from services rendered in connection with the facilities provided at Container and General Cargo Terminals, and is recognised when earned and when there are no significant uncertainties regarding recovery of the consideration due and associated costs. The Group also pays rebates to certain customers upon achievement of certain level of volumes based on contracts entered by the Group with the customers. We have considered this as a key audit matter as revenue requires special audit consideration and is material to the consolidated financial statements. Refer note 4(b) to the consolidated financial statements for the Group's disclosures of the related accounting policy.	Our audit procedures included, among others, the following: - Inspected significant contracts to assess the identification of all relevant services provided; - Performed substantive analytical procedures over the revenue streams by developing an expectation based on statistics received and tariff rates. Also, checked the data accuracy of statistics received and obtained an explanation for all the significant variances; - Tested transactions, on a sample basis, posted to ensure that revenue journals were approved and corroborated with supporting evidence. - Assessed sales transactions taking place before and after year-end to ensure that revenue was recognised in the appropriate period; - Checked the calculation of rebates on a sample basis and ensured that those are recorded in line with the contractual terms agreed with the customers; and - Assessed the appropriateness of the Group's revenue recognition accounting policies including those relating to rebates and assessing compliance with the policies in terms of applicable accounting standards.

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

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
SALALAH PORT SERVICES COMPANY SAOG (CONTINUED)

Other information included in the Group's 2017 Annual Report (continued)
In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated 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 consolidated financial statements
Those charged with governance are responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated 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.

Auditor's responsibilities for the audit of the consolidated financial statements
Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF SALALAH PORT SERVICES COMPANY SAOG (CONTINUED)

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

- Conclude on the appropriateness of those charged with governance's 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 consolidated 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 consolidated financial statements, including the disclosures, and whether the consolidated 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 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 consolidated 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 consolidated 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

Sanjay

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س.ت: ١٢٢٤٠١٣
ص.ب: ١٧٥٠ روي - ١١٢ ، سلطنة عمان
ERNST & YOUNG LLC
C.R. No. 1224013
P.O. Box 1750 - P.C. 112, Sultanate of Oman

Sanjay Kawatra
Muscat
22 February 2018

Audited consolidated statement of financial position
as at 31 December 2017

2016 US $'000	***2017 US $'000***		*Notes*	***2017 RO'000***	*2016 RO'000*
		ASSETS			
		Non-current assets			
173,843	**172,566**	Property and equipment	*11*	**66,371**	66,863
437	**400**	Intangible assets	*12*	**154**	168
772	**-**	Available-for-sale investments	*13*	**-**	297
39,000	**13,000**	Term deposits	*14*	**5,000**	15,000
214,052	**185,966**			**71,525**	82,328
		Current assets			
5,085	**5,603**	Inventories	*15*	**2,155**	1,954
28,760	**27,232**	Trade and other receivables	*16*	**10,490**	11,062
10,400	**13,000**	Term deposits	*17*	**5,000**	4,000
8,962	**30,191**	Cash and cash equivalents	*17*	**11,608**	3,447
53,207	**76,026**			**29,253**	20,463
267,259	**261,992**	**TOTAL ASSETS**		**100,778**	102,791
		EQUITY			
46,758	**46,758**	Share capital	*18(a)*	**17,984**	17,984
7,666	**7,666**	Share premium	*18(b)*	**2,949**	2,949
15,584	**15,584**	Legal reserve	*18(c)*	**5,994**	5,994
(1,292)	**(99)**	Hedging deficit	*26*	**(38)**	(497)
252	**-**	Fair value reserve		**-**	97
71,493	**75,691**	Retained earnings		**29,111**	27,498
140,461	**145,600**	**Equity attributable to equity holders of the parent company**		**56,000**	54,025
90	**94**	Non-controlling interests	*18(d)*	**35**	34
140,551	**145,694**	**TOTAL EQUITY**		**56,035**	54,059
		LIABILITIES			
		Non-current liabilities			
23,215	**-**	Loans and borrowings	*22*	**-**	8,929
15,434	**17,397**	Deferred tax	*25*	**6,691**	5,936
6,663	**7,468**	Employees' end of service benefits	*23*	**2,872**	2,563
345	**-**	Derivative financial instruments	*26*	**-**	133
45,657	**24,865**			**9,563**	17,561
		Current liabilities			
56,889	**68,119**	Trade and other payables	*24*	**26,213**	21,878
23,215	**23,215**	Loans and borrowings	*22*	**8,929**	8,929
947	**99**	Derivative financial instruments	*26*	**38**	364
81,051	**91,433**			**35,180**	31,171
126,708	**116,298**	**TOTAL LIABILITIES**		**44,743**	48,732
267,259	**261,992**	**TOTAL EQUITY AND LIABILITIES**		**100,778**	102,791
0.78	**0.81**	**Net assets per share (US $ / RO)**	*21*	**0.311**	0.300

These audited consolidated financial statements were approved and authorised for issue by the Board of Directors on 22 February 2018 and were signed on its behalf by:

Chairman — Chief Executive Officer — Chief Financial Officer

The attached notes 1 to 33 and schedules form part of these audited consolidated financial statements.

The parent company statement of financial position is presented as a separate schedule to the consolidated financial statements.

SALALAH PORT SERVICES COMPANY SAOG

Audited consolidated statement of comprehensive income
for the year ended 31 December 2017

2016 US $'000	***2017 US $'000***		*Notes*	***2017 RO'000***	*2016 RO'000*
142,667	**148,276**	Revenue	*28*	**57,028**	54,872
(89,402)	**(96,277)**	Direct operating costs	*5*	**(37,029)**	(34,385)
(18,342)	**(15,584)**	Other operating expenses	*6*	**(5,993)**	(7,055)
(19,409)	**(20,193)**	Administration and general expenses	*7*	**(7,767)**	(7,465)
-	**(520)**	Impairment of available-for-sale investments	*13*	**(200)**	-
4,267	**6,701**	Other income	*8*	**2,576**	1,641
19,781	**22,403**	**Profit from operations**		**8,615**	7,608
(2,878)	**(1,908)**	Finance costs	*9*	**(734)**	(1,107)
16,903	**20,495**	**Profit for the year before tax**		**7,881**	6,501
(2,015)	**(6,941)**	Income tax	*25*	**(2,670)**	(775)
14,888	**13,554**	**Profit for the year**		**5,211**	5,726
		Other comprehensive income			
		Items that are or may be reclassified to profit or loss			
-	**(252)**	Impairment of available for sale investments	*13*	**(97)**	-
648	**1,193**	Net movement in cash flow hedges		**459**	249
648	**941**	**Other comprehensive income for the year, net of tax**		**362**	249
15,536	**14,495**	**Total comprehensive income for the year, net of tax**		**5,573**	5,975
		Profit attributable to :			
14,884	**13,550**	Equity holders of the parent		**5,210**	5,725
4	**4**	Non-controlling interests		**1**	1
14,888	**13,554**			**5,211**	5,726
		Total comprehensive income attributable to :			
15,532	**14,491**	Equity holders of the parent		**5,572**	5,974
4	**4**	Non-controlling interests		**1**	1
15,536	**14,495**			**5,573**	5,975
0.08	**0.08**	**Basic earnings per share (US $ / RO)**	*19*	**0.029**	0.032

The attached notes 1 to 33 and schedules form part of these audited consolidated financial statements.

The parent company statement of comprehensive income is presented as a separate schedule to the consolidated financial statements.

SALALAH PORT SERVICES COMPANY SAOG

Audited consolidated statement of changes in equity

For the year ended 31 December 2017

	Attributable to equity shareholders of the parent company								
	Share capital **RO '000**	***Share premium*** **RO '000**	***Legal reserve*** **RO '000**	***Hedging deficit*** **RO '000**	***Fair value reserve*** **RO '000**	***Retained earnings*** **RO '000**	***Sub-total*** **RO '000**	***Non-controlling interest*** **RO '000**	***Total*** **RO '000**
Balance at 1 January 2016	17,984	2,949	5,994	(746)	97	25,369	51,647	33	51,680
Profit for the year	-	-	-	-	-	5,725	5,725	1	5,726
Other comprehensive income	-	-	-	249	-	-	249	-	249
Total comprehensive income for the year	-	-	-	249	-	5,725	5,974	1	5,975
Dividend paid (note 20)	-	-	-	-	-	(3,596)	(3,596)	-	(3,596)
Balance 31 December 2016	17,984	2,949	5,994	(497)	97	27,498	54,025	34	54,059
Balance at 1 January 2017	17,984	2,949	5,994	(497)	97	27,498	54,025	34	54,059
Profit for the year	-	-	-	-	-	5,210	5,210	1	5,211
Other comprehensive income	-	-	-	459	(97)	-	362	-	362
Total comprehensive income for the year	-	-	-	459	(97)	5,210	5,572	1	5,573
Dividend paid (note 20)	-	-	-	-	-	(3,597)	(3,597)	-	(3,597)
Balance 31 December 2017	**17,984**	**2,949**	**5,994**	**(38)**	**-**	**29,111**	**56,000**	**35**	**56,035**

The attached notes 1 to 33 and schedules form part of these audited consolidated financial statements.

The parent company statement of changes in equity is presented as a separate schedule to the consolidated financial statements.

Audited consolidated statement of changes in equity (continued)

For the year ended 31 December 2017

	Attributable to equity shareholders of the parent company								
	Share capital US $ '000	*Share premium US $ '000*	*Legal reserve US $ '000*	*Hedging deficit US $ '000*	*Fair value reserve US $ '000*	*Retained earnings US $ '000*	*Sub-total US $ '000*	*Non-controlling interest US $ '000*	*Total US $ '000*
Balance at 1 January 2016	46,758	7,666	15,584	(1,940)	252	65,957	134,277	86	134,363
Profit for the year	-	-	-	-	-	14,884	14,884	4	14,888
Other comprehensive income	-	-	-	648	-	-	648	-	648
Total comprehensive income for the year	-	-	-	648	-	14,884	15,532	4	15,536
Dividend paid (note 20)	-	-	-	-	-	(9,348)	(9,348)	-	(9,348)
Balance at 31 December 2016	46,758	7,666	15,584	(1,292)	252	71,493	140,461	90	140,551
Balance at 1 January 2017	46,758	7,666	15,584	(1,292)	252	71,493	140,461	90	140,551
Profit for the year	-	-	-	-	-	13,550	13,550	4	13,554
Other comprehensive income	-	-	-	1,193	(252)	-	941	-	941
Total comprehensive income for the year	-	-	-	1,193	(252)	13,550	14,491	4	14,495
Dividend paid (note 20)	-	-	-	-	-	(9,352)	(9,352)	-	(9,352)
Balance at 31 December 2017	**46,758**	**7,666**	**15,584**	**(99)**	-	**75,691**	**145,600**	**94**	**145,694**

The attached notes 1 to 33 and schedules form part of these audited consolidated financial statements.

The parent company statement of changes in equity is presented as a separate schedule to the consolidated financial statements.

Audited consolidated statement of cash flows

For the year ended 31 December 2017

2016 US $'000	2017 US $'000		2017 RO'000	2016 RO'000
		OPERATING ACTIVITIES		
16,903	**20,495**	Profit for the year before tax	**7,881**	6,501
		Adjustments for:		
22,345	**22,398**	Depreciation and amortisation	**8,622**	8,594
1,154	**1,136**	Accrual for employees' end of service benefits	**437**	444
(343)	**-**	Gain on sale of equipment	**-**	(132)
-	**520**	Impairment of available-for-sale investments	**200**	-
(1,812)	**(2,334)**	Interest income	**(898)**	(697)
2,790	**1,799**	Finance cost	**692**	1,073
41,037	**44,014**	**Operating profit before working capital changes**	**16,934**	15,783
(1,214)	**(518)**	Change in inventories	**(201)**	(464)
(8,340)	**1,528**	Change in receivables	**572**	(3,208)
1,468	**9,803**	Change in payables	**3,784**	562
32,951	**54,827**	**Operating profit after working capital changes**	**21,089**	12,673
(177)	**(331)**	Employees' end of service benefits paid	**(128)**	(68)
(3,008)	**(3,550)**	Tax paid	**(1,364)**	(1,157)
29,766	**50,946**	**Net cash from operating activities**	**19,597**	11,448
		INVESTING ACTIVITIES		
(9,951)	**(21,085)**	Acquisition of property and equipment	**(8,116)**	(3,828)
424	**-**	Proceeds from sale of property and equipment	**-**	163
1,812	**2,334**	Interest received	**898**	697
13,000	**23,400**	Decrease in term deposits	**9,000**	5,000
5,285	**4,649**	**Net cash from investing activities**	**1,782**	2,032
		FINANCING ACTIVITIES		
(23,215)	**(23,215)**	Prepayment of loans and borrowings	**(8,929)**	(8,928)
(9,348)	**(9,352)**	Dividend paid	**(3,597)**	(3,596)
(2,790)	**(1,799)**	Finance cost paid	**(692)**	(1,073)
(35,353)	**(34,366)**	**Net cash used in financing activities**	**(13,218)**	(13,597)
(302)	**21,229**	**Net change in cash and cash equivalents**	**8,161**	(117)
9,264	**8,962**	Cash and cash equivalents at the 1 January	**3,447**	3,564
8,962	**30,191**	**CASH AND CASH EQUIVALENTS AT 31 DECEMBER**	**11,608**	3,447

The attached notes 1 to 33 and schedules form part of these audited consolidated financial statements.

The parent company statement of changes in cash flows is presented as a separate schedule to the consolidated financial statements.

Notes
(Forming part of the consolidated financial statements)

1 Legal status and principal activities

Salalah Port Services Company SAOG ("the Company" or "the Parent Company) is registered as a joint stock company in the Sultanate of Oman under the Commercial Companies Law of Oman. The audited consolidated financial statement of the Company for the year ended 31 December 2017 comprises the consolidated financial statements of the Company and its subsidiary - Port of Salalah Development Company LLC ("POSDC") (together referred to as the Group). The Company is primarily engaged in leasing, equipping, operating and managing Container Terminal and General Cargo Terminal facilities in Salalah, Sultanate of Oman. POSDC is engaged in property related activities within the Port of Salalah premises. The Company's shares are listed in the Muscat Securities Market.

2 Basis of Preparation

(a) Statement of compliance
These audited consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") and comply with the relevant requirements of the Capital Market Authority and the Commercial Companies Law of 1974 of the Sultanate of Oman, as amended.

(b) Basis of measurement and presentation currency
These audited consolidated financial statements are presented in Rials Omani ("RO") and United States Dollars (''US$'') rounded off to the nearest thousands. The Group's functional currency is RO. The audited consolidated financial statements have been prepared under the historical cost basis except for derivative financial instruments and available for sale investments, which are stated at fair value. Exchange rate considered for conversion is RO 1 = USD 2.6 and US$ amounts are presented only for the convenience of readers.

(c) Use of estimates and judgements
The preparation of audited consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised and in any future years affected. In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the audited consolidated financial statements are described in note 32.

3 Significant agreements

The Company has entered into the following significant agreements:

(i) Concession agreement with the Government of the Sultanate of Oman to lease, equip, operate and manage Salalah Port Container Terminal facilities ("Container Terminal Facilities Agreement and Temporary Licenses") for a period of thirty years commencing from 29 November 1998 ("Concession Year"). In consideration for granting the concessions, the Company pays royalty fee to the Government of Sultanate of Oman and is calculated as follows:

- a fixed royalty fee of USD 255,814 per annum is payable for Berth 1-4, increasing at the rate of 3% per annum;

Notes
(Forming part of the consolidated financial statements)

3 Significant agreements (continued)

- a fixed royalty fee of USD 750,000 per annum is payable for Berth 5 from 2007 onwards and increasing at the rate of 3% per annum; and
- a fixed royalty fee of USD 750,000 per annum is payable for Berth 6 from 2008 onwards and increasing at the rate of 3% per annum; and
- a variable royalty fee calculated in accordance with the terms set out in the Container Terminal Facilities Agreement.

(ii) Management agreement for Container Terminal with AP Moller Terminals Co. LLC with the responsibility for day-to-day management of the Company and operations of the port on behalf of the Company. This agreement is effective for the Concession Year. In consideration of the services provided by the manager the Company pays a fee, which varies dependant on the operating revenue of the Container Terminal.

(iii) Concession agreements with the Government of the Sultanate of Oman to equip, operate, market and manage Salalah Port Conventional Terminal facilities ("General Cargo Terminal Facilities Agreement"). The agreement was executed on 11 March 2000, with retrospective effect from 1 October 1998. The agreement is effective for a Year co-terminus with the Container Terminal Facilities Agreement. In consideration for granting the concessions, the company pays royalty fee to the Government of Sultanate of Oman as follows:

- a fixed royalty fee of RO 49,900 per annum, payable from 2005 onwards and increasing at the rate of 3% per annum; and
- a variable royalty fee calculated in accordance with the terms set out in the General Cargo Terminal Facilities Agreement.

(iv) Management agreement for General Cargo Terminal with AP Moller Terminals Co. LLC with the responsibility for day-to-day management of the Company and operations of the port on behalf of the Company. The agreement is effective for the Concession Year. In consideration of the services provided by the manager the Company pays a fee, which varies dependant on the volumes handled by the General Cargo Terminal.

4 Significant accounting policies

The accounting policies set out below have been applied consistently by the Group and are consistent with those used in the previous year.

For the year ended 31 December 2017, the Group has adopted all of the following new and revised standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB that are relevant to its operations and effective for periods beginning on 1 January 2017.

- Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative
- Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses
- Annual Improvements Cycle - 2014-2016
- Amendments to IFRS 12 Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in IFRS 12

Notes
(Forming part of the consolidated financial statements)

4 Significant accounting policies (continued)

The adoption of those standards and interpretations has not resulted in significant changes to the Group's accounting policies and has not affected the amounts reported for the current and prior periods.

Details of the significant accounting policies followed by the Group are set out below:

(a) Basis of consolidation

The audited consolidated financial statements comprise those of Salalah Port Services Company SAOG and its subsidiary as at end of each reporting period. The financial statements of the subsidiary are prepared for the same reporting period as the Parent Company using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies which may exist.

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

All intercompany balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full. A change in the ownership interest of a subsidiary, without space a change of control, is accounted for as an equity transaction.

Losses are attributed to the non-controlling interest even if that results in a deficit balance.

If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary
- Derecognises the carrying amount of any non-controlling interest
- Derecognises the cumulative translation differences, recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss.

(b) Revenue

Revenue comprises income earned from services rendered in connection with the facilities provided at Container and General Cargo Terminals, and is recognised when earned. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due and associated costs. Revenue is recognised net of discounts and rebates, some of which are estimated based on volume incentives and other factors.

Notes
(Forming part of the consolidated financial statements)

4 Significant accounting policies (continued)

(c) Interest income
Interest income is recognised as the interest accrues using the effective interest rate method, under which the rate used exactly discounts, estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

(d) Employee benefits
Contributions to defined contribution retirement plan for Omani employees, in accordance with Oman Social Insurance Scheme, are recognised as expense in the profit or loss as incurred.

Provision for non-Omani employee terminal contributions, which is an unfunded defined benefit retirement plan, is made in accordance with Omani Labour Laws and calculated on the basis of the liability that would arise if the employment of all employees were terminated at the end of the reporting date.

(e) Foreign currencies
Transactions in foreign currencies are translated to Rials Omani at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the end of the reporting date are translated to Rials Omani at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation of monetary assets and liability are recognised in the profit or loss. Non-monetary assets and liabilities denominated in foreign currencies that are s at historical cost, are translated to Rials Omani at the foreign exchange rate ruling at the date of the transaction. The functional currency of all Group companies is same.

(f) Derivative financial instruments and hedging
The Company enters into derivative instruments mainly interest rate swaps to hedge its risks associated with interest rate fluctuations. At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. The fair values of derivative instruments are included in other receivables in case of favourable contracts and other payables in case of unfavourable contracts.

The fair value of interest rate swap contracts is calculated based on discounted cash flows using current forward interest rate for items with the same maturity.

The effective portion of the gain or loss on the hedging instrument is recognised directly as other comprehensive income, while the ineffective portion is recognised immediately in the profit and loss finance costs.

Amounts taken to other comprehensive income are transferred to the profit and loss when the hedged transaction affects the profit and loss, such as when the hedged financial income or financial expense is recognised or when a forecast sale occurs. Where the hedged item is the cost of a non-financial asset or non-financial liability, the amounts taken to other comprehensive income are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction or firm commitment is no longer expected to occur, amounts previously recognised in equity are transferred to the statement of comprehensive income. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in other comprehensive income remain in other comprehensive income until the forecast transaction or firm commitment occurs.

Notes
(Forming part of the consolidated financial statements)

4 Significant accounting policies (continued)

(g) Intangible asset

Expenditure incurred on initial studies for development of Salalah Port have been capitalised by the Company. Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses [refer accounting policy (m)]. Amortisation of development expenditure is charged to profit and loss on a straight line basis over the Concession Year. Other intangible assets principally include computer software. Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring into use specific software. These costs are amortised using the straight-line method over their estimated useful lives (three to five years).

(h) Property and equipment

(i) Recognition and measurement

Items of property and equipment are stated at historical cost less accumulated depreciation and impairment losses [refer accounting policy (m)]. Borrowing costs that are directly attributable to acquisition, construction or production of an asset are included in the cost of that asset. Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the item of property and equipment. All other expenditure is charged to the profit and loss during the financial year in which they are incurred. Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment and recognised within 'other income' in the profit and loss.

Capital work-in-progress

Capital work-in-progress is measured at cost less impairment, if any. Capital work-in-progress is not depreciated until such time the assets are ready for intended use and transferred to the respective category under property and equipment.

*(*ii) Depreciation

Depreciation is recognised in the profit and loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment as given below:

	Years
Leasehold improvements	3 – 5
Infrastructure improvements	10 – 15
Quay gantry cranes	6 – 25
Mobile harbour Cranes	15
Rubber tyre gantry cranes	15
Tractors and trailers	10 – 15
Forklifts and reach stackers	3 – 5
Marine equipment	15 – 30
Motor vehicles	3 – 5
Computer equipment	1 – 5
Furniture, fixtures and equipment	3 – 5
Mooring systems	7
Dry docking of vessels	3 – 5

Notes
(Forming part of the consolidated financial statements)

4 Significant accounting policies (continued)

(h) Property and equipment (continued)

(ii) Depreciation (continued)
Expenditure incurred to replace a component of an item of property and equipment that is accounted for separately is capitalised and the carrying amount of the component that is replaced is written off. Expenditure incurred to dry-dock a vessel is capitalised and is depreciated over its useful life of three to five years. Other subsequent expenditure is capitalised only when it increases future economic benefits of the related item of property or equipment. All other expenditure is recognised in the statement of comprehensive income as the expense is incurred.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted prospectively if appropriate.

(i) Available for sale investments
The Group's investments in equity securities are classified as available for sale investments. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, are recognised in other comprehensive income. The fair value of investments available for sale is their quoted bid price at the end of the reporting date. Available for sale investments are recognised / de-recognised by the Group on the date it commits to purchase/sell the investments. When an investment is derecognised the cumulative gain or loss in other comprehensive income is transferred to the profit and loss.

(j) Receivables
Receivables are stated at their cost less impairment losses.

(k) Inventories
Inventories are stated at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

(l) Cash and cash equivalents
Cash and cash equivalents comprise cash balances, balances with banks and short-term deposits with an original maturity of three months or less.

(m) Impairment of non-financial assets
The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit (CGU) fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate evaluation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

Notes
(Forming part of the consolidated financial statements)

4 Significant accounting policies (continued)

(m) Impairment of non-financial assets (continued)
The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's cash-generating units to which the individual assets are allocated. These Budgets and forecast calculations are generally covering a period of five years. For longer period, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations, including impairment on inventories, are recognised in the profit and loss in those expense categories consistent with the function of the impaired asset. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

(n) Dividends
Dividends are recommended by the Board of Directors and subject to approval by shareholders at the Annual General Meeting. Dividends are recognised as a liability in the year in which they are declared.

(o) Determination of Directors remuneration
The Board of Directors' remuneration is accrued within the limits specified by the Capital Market Authority and the requirements of the Commercial Companies Law of the Sultanate of Oman.

(p) Payables and provisions
Payables are stated at cost and provision is recognised in the statement of financial position when the Group has a present legal or constructive obligation that can be measured reliably as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax discount rate that reflects the current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(q) Interest bearing borrowings
Interest bearing borrowings are recognised initially at cost, less attributable transaction costs. Subsequent to initial recognition, interest bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the profit and loss over the period of borrowings on an effective interest rate basis.

Borrowing costs which are directly attributable to the acquisition, construction or production of qualifying assets is capitalised as part of the costs of that asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of the interest and other costs that the entity incurs in connection with the borrowing of funds.

(r) Operating lease payments
Payments made under operating leases are recognised in the statement of comprehensive income on a straight-line basis over the term of the lease, increasing at the rate of 3% per annum.

Notes
(Forming part of the consolidated financial statements)

4 Significant accounting policies (continued)

(s) Income tax
Income tax on the results for the year comprises deferred tax and current tax. Income tax is recognised in the profit and loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the reporting date.

Deferred tax is calculated in respect of all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the unused tax losses and credits can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(t) Earnings per share
The Company presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the Year.

(u) Fair value
A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on a number of accounting policies and methods. Where applicable, information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Notes

(Forming part of the consolidated financial statements)

4 Significant accounting policies (continued)

(u) Fair value (continued)
All assets and liabilities for which fair value is measured or disclosed in the consolidated statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for ide liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is sign value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

At each reporting date, the Group analyses the movements in the values of assets and liabilities which are required to be re-measured or re-assessed as per the Group's accounting policies. For this analysis, the Group verifies the major inputs applied in the latest valuation by agreeing the information in the valuation computation to contracts and other relevant documents.

The Group also compares each the changes in the fair value of each asset and liability with relevant external sources to determine whether the change is reasonable.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

(v) Royalty
Royalty is payable based on the respective concession agreements on accrual basis.

(w) New Standards and interpretations not effective yet

The following new standards and amendments have been issued by the International Accounting Standards Board (IASB) but are not yet mandatory for the year ended 31 December 2017:

- **IFRS 9 Financial Instruments**: In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments ("IFRS 9") that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. The Group plans to adopt the new standard on the required effective date and will not restate comparative information. During 2017, the Group has performed an impact assessment of all three aspects of IFRS 9. This assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Group in 2018, when the Group will adopt IFRS 9. Overall, the Group expects no significant impact on its statement of financial position and equity.

Notes
(Forming part of the consolidated financial statements)

4 Significant accounting policies (continued)

(w) New Standards and interpretations not effective yet (continued)

- **IFRS 15 Revenue from contracts with customers ("IFRS 15")**: IFRS 15 was issued in May 2014, and amended in April 2016, and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. The Group plans to adopt the new standard on the required effective date using the modified retrospective approach. The Group has performed an initial assessment and concluded that the impact is not material as in majority of the Group's contracts with customers, rendering of service is generally expected to be the only performance obligation and accordingly, adoption of IFRS 15 is not expected to have any significant impact on the Group's revenue and profit or loss. This assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Group.

- **IFRS 16 Leases ("IFRS 16")**: The IASB issued IFRS 16 Leases (IFRS 16), which requires lessees to recognise assets and liabilities for most leases. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). For lessors, there is little change to the existing accounting in IAS 17 Leases. The Group will perform a detailed assessment in the future to determine the extent. The new standard will be effective for annual periods beginning on or after 1 January 2019. Early application is permitted, provided the new revenue standard, IFRS 15, has been applied, or is applied at the same date as IFRS 16. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs. IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17. In 2018, the Group will continue to assess the potential effect of IFRS 16 on its consolidated financial statements.

5 Direct operating costs

2016 US $ '000	**2017** **US $ '000**		**2017** **RO'000**	2016 RO'000
48,477	**51,474**	Staff costs (note10)	**19,797**	18,645
20,353	**20,579**	Depreciation (note 11)	**7,915**	7,828
9,672	**9,474**	Repair and maintenance	**3,644**	3,720
7,844	**11,071**	Power and fuel	**4,258**	3,017
1,185	**1,385**	Marine services	**533**	455
972	**723**	Equipment leasing costs	**278**	374
899	**1,571**	System and communications	**604**	346
89,402	**96,277**		**37,029**	34,385

Notes
(Forming part of the consolidated financial statements)

6 Other operating expenses

2016 US $ '000	**2017 US $ '000**		**2017 RO'000**	2016 RO'000
9,177	**6,222**	Ground rent and royalty	**2,393**	3,530
4,810	**4,917**	Management fees	**1,891**	1,850
1,799	**1,678**	Depreciation (note 11)	**645**	692
1,366	**1,491**	Insurance	**574**	525
1,151	**1,239**	Terminal maintenance	**476**	443
39	**37**	Amortisation (note 12)	**14**	15
18,342	**15,584**		**5,993**	7,055

7 Administration and general expenses

2016 US $ '000	**2017 US $ '000**		**2017 RO'000**	2016 RO'000
15,686	**15,516**	Staff costs (note10)	**5,968**	6,033
959	**781**	Systems and communications	**300**	369
616	**914**	Travelling expenses	**351**	237
405	**244**	Sales and marketing	**94**	155
458	**449**	Directors remuneration and sitting fees	**173**	176
(25)	**236**	Provision / (write back) for impairment of receivables (note 16)	**91**	(10)
309	**244**	Office rent and land maintenance costs	**94**	119
286	**435**	Legal and professional fees	**167**	110
186	**187**	Corporate social responsibility	**72**	72
154	**104**	Depreciation (note 11)	**48**	59
148	**868**	Other claims	**334**	57
147	**139**	Postage, printing and stationery	**53**	56
56	**16**	Inventory obsolescence (note 15)	**5**	22
24	**60**	General administration expenses	**17**	10
19,409	**20,193**		**7,767**	7,465

Notes
(Forming part of the consolidated financial statements)

8 Other income

2016 US $ '000	**2017 US $ '000**		**2017 RO'000**	2016 RO'000
1,812	**2,334**	Interest income	**898**	697
1,295	**2,867**	Write back of provision for expenses made in prior years	**1,102**	498
666	**1,051**	Miscellaneous income	**404**	256
343	**-**	Gain on sale of property and equipment	**-**	132
151	**449**	Other finance income	**172**	58
4,267	**6,701**		**2,576**	1,641

9 Finance costs

2016 US $ '000	**2017 US $ '000**		**2017 RO'000**	2016 RO'000
2,790	**1,799**	Term loan interest	**692**	1,073
88	**109**	Other finance charges	**42**	34
2,878	**1,908**		**734**	1,107

10 Staff costs

2016 US $ '000	**2017 US $ '000**		**2017 RO'000**	2016 RO'000
51,693	**53,411**	Wages and salaries	**20,543**	19,883
8,038	**9,148**	Other benefits	**3,518**	3,090
3,278	**3,295**	Contributions to defined contribution retirement plan	**1,267**	1,261
1,154	**1,136**	Un-funded defined benefit retirement plan	**437**	444
64,163	**66,990**		**25,765**	24,678

Notes
(Forming part of the consolidated financial statements)

10 Staff costs (continued)

Salaries and related costs included in notes 5 and 7 are as follows

2016 US $ '000	**2017 US $ '000**		**2017 RO'000**	2016 RO'000
48,477	**51,474**	Direct operating costs	**19,797**	18,645
15,686	**15,516**	Administration and general expenses	**5,968**	6,033
64,163	**66,990**		**25,765**	24,678

11 Property and equipment

Details of property and equipment are set out in pages 73 ,74,75 and 76.

Buildings are situated on land leased up to the year 2028, from the Ministry of Transport and Communications. Lease rental for year ended 31 December 2017 amounted to RO 1.49 million (31 December 2016: RO 1.56 million) and increases based on contractual terms agreed with the Government.

The depreciation charge has been allocated in the audited consolidated statement of comprehensive income as follows:

2016 US $ '000	**2017 US $ '000**		**2017 RO'000**	2016 RO'000
20,353	**20,579**	Direct operating costs	**7,915**	7,828
1,799	**1,678**	Other operating expenses	**645**	692
154	**104**	Administration expenses	**48**	59
22,306	**22,361**		**8,608**	8,579

Notes
(Forming part of the consolidated financial statements)

12 Intangible assets

2016 US $ '000	**2017 US $ '000**		**2017 RO'000**	2016 RO'000
1,105	**1,105**	1 January	**425**	425
		Cumulative amortisation		
(629)	**(668)**	1 January	**(257)**	(242)
(39)	**(37)**	Additions	**(14)**	(15)
(668)	**(705)**	31 December	**(271)**	(257)
		Carrying amount		
476	**437**	1 January	**168**	183
(39)	**(37)**	Amortisation	**(14)**	(15)
437	**400**	31 December	**154**	168

13 Available-for-sale investments

2016 US $ '000	**2017 US $ '000**		**2017 RO'000**	2016 RO'000
772	**-**	Ordinary shares – quoted	**-**	297

At the beginning of the year, the Group held 200,000 shares of Dhofar University SAOC at a cost of RO 200,000 (US$ 520,000). The Group pursued various avenues to recover the cost of investment, but not successful. The Group anticipates no further returns from the investment and therefore has recorded an impairment of RO 200,000 (US$ 520,000) in its consolidated financial statements for the year ended 31 December 2017.

Movement in cumulative changes in fair values arising from available for sale investments during the year is as follows:

2016 US $ '000	**2017 US $ '000**		**2017 RO'000**	2016 RO'000
-	**(252)**	Impairment of available-for-sale investments	**(97)**	-

Notes
(Forming part of the consolidated financial statements)

14 Term deposits

2016 US $ '000	**2017 US $ '000**		**2017 RO'000**	2016 RO'000
13,000	**13,000**	Bank deposits – DSRA (i)	**5,000**	5,000
26,000	**-**	Bank deposits and others (ii)	**-**	10,000
39,000	**13,000**		**5,000**	15,000

(i) Under the terms of the debt financing agreement, the Group is required to maintain a debt service reserve amount (DSRA) equal to its next six months repayment instalment for the year till the final instalment of the term loan. Thus, at 31 December 2017, the fixed deposit constitutes DSRA of RO 4.46 million (US$ 11.61 million) [31 December 2016 – RO 4.46 million (US$ 11.61 million)] which are denominated in Rial Omani and the balance of RO 0.54 million (US$ 1.39 million) [December 2016 – RO 0.54 million (US$ 1.39 million)] is available for free use by the Group. The deposits carry effective annual interest rates of 3.25%.

(ii) The long term deposits were denominated in Rial Omani and were placed with a commercial bank in Oman and Bank Deposits and others carried effective interest rate of 4.50%.

15 Inventories

2016 US$ '000	**2017 US$ '000**		**2017 RO'000**	2016 RO'000
7,187	**7,721**	Spares and consumables	**2,969**	2,763
(2,102)	**(2,118)**	Less: provision for slow moving inventories	**(814)**	(809)
5,085	**5,603**		**2,155**	1,954

Movement in the provision for slow moving inventories is as follows:

2016 US $ '000	**2017 US $ '000**		**2017 RO'000**	2016 RO'000
2,046	**2,102**	1 January	**809**	787
56	**16**	Provided during the year	**5**	22
2,102	**2,118**	31 December	**814**	809

Notes
(Forming part of the consolidated financial statements)

16 Trade and other receivables

2016	**2017**		**2017**	2016
US $ '000	**US $ '000**		**RO'000**	RO'000
13,426	**7,699**	Receivables from related parties	**2,961**	5,164
12,478	**17,417**	Trade receivables	**6,714**	4,799
(466)	**(702)**	Less : provision for impairment	**(270)**	(179)
12,012	**16,715**		**6,444**	4,620
338	**322**	Receivables from the Government of Sultanate of Oman	**124**	130
2,329	**1,989**	Prepaid expenses	**766**	896
655	**507**	Other receivables	**195**	252
28,760	**27,232**		**10,490**	11,062

Terms and conditions relating to related party receivables are set out in note 27.

Movement for provision for impairment of trade receivables:

2016	**2017**		**2017**	2016
US $ '000	**US $ '000**		**RO'000**	RO'000
491	**466**	1 January	**179**	189
(25)	**236**	Provided / (write back) during the year	**91**	(10)
466	**702**	31 December	**270**	179

17 Cash and bank balances

2016	**2017**		**2017**	2016
US $ '000	**US $ '000**		**RO'000**	RO'000
3,081	**1,586**	Cash and bank balances	**610**	1,185
5,881	**28,605**	Call deposit accounts	**10,998**	2,262
8,962	**30,191**	Cash and cash equivalents	**11,608**	3,447

2016	**2017**		**2017**	2016
US $ '000	**US $ '000**		**RO'000**	RO'000
10,400	**13,000**	Short term deposits	**5,000**	4,000

Notes
(Forming part of the consolidated financial statements)

17 Cash and bank balances (continued)

At 31 December 2017, call and deposits are placed in US$ and RO with local commercial banks in Oman. Term deposits carry effective annual interest rates of 4.00% (2016: 4.25%) and call deposits carry an effective annual interest rate of 0.51% (2016: 1.06%) and 3.3% (2016: 2.5%) respectively.

18 Equity

(a) Share capital

	Authorised		Issued and fully paid	
	2017	2016	**2017**	2016
Shares of RO 0.100 each (RO '000)	**200,000**	200,000	**179,837**	179,837
Shares of RO 0.100 each (US$ '000)	**520,000**	520,000	**467,578**	467,578

In the extraordinary General Meeting held on 25 March 2009, approval was obtained to split the nominal value of the shares in the Parent company from RO 1 to Bzs 100 and then split each share into 10 shares.

(b) Share premium
Share premium of RO 2,948,569 represents premium on shares issued during the year 2000 and transferred to share premium account during the year 2001.

Shareholders of the Company who own 10% or more of the Company's shares, as at year end whether in their name, or through a nominee account, and the number of shares they hold are as follows:

	2017		2016	
	No. of shares	**%**	No. of shares	%
A.P. Terminals BV	**54,180,000**	**30**	54,180,000	30
Oman Global Logistics Group *	**36,120,000**	**20**	36,120,000	20
HSBC BK PLC a/c IB Account	**25,778,730**	**14**	25,778,730	14
HSBC A/C Ministry of Defense – Pension Fund	**17,803,740**	**10**	17,983,740	10

** Shares of Government of Oman (represented by Ministry of Finance) were transferred to Oman Global Logistics Group during 2016.*

(c) Legal reserve

The Commercial Companies Law of 1974 of the Sultanate of Oman as amended, requires that 10% of a Company's profit be transferred to a non-distributable legal reserve until the amount of legal reserve becomes equal to one-third of the Company's share capital. The reserve is not available for distribution. This having been achieved no further transfers were being made during the year.

Notes

(Forming part of the consolidated financial statements)

18 Equity (continued)

(d) Non-controlling interests

During 2007, the Company and Public Establishment for Industrial Estates ("PEIE") together formed an 80:20 venture "Port of Salalah Development Company LLC" to pursue the property related opportunities with a share capital of RO 150,000. Commercial operations of POSDC commenced in 2008.

19 Earnings per share

Basic earnings per share is calculated by dividing the profit for the year attributable to the ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year is as follows:

2016	**2017**		**2017**	2016
14,888	**13,554**	Profit for the year (US $ '000 / RO '000)	**5,211**	5,726
179,837	**179,837**	Weighted average number of shares outstanding at 31 December ('000)	**179,837**	179,837
0.08	**0.08**	Basic earnings per share (US $ / RO)	**0.029**	0.032

No figure for diluted earnings per share has been presented as the Company has not issued any instruments which would have an impact on earnings per share when exercised.

20 Dividends

The Board of Directors has proposed a cash dividend of RO 0.015 (2016: RO 0.020) [USD 0.0039 (2016: USD 0.052)] per share totalling to amount of approximately RO 2.698 million (2016: RO 3.596 million) [USD 7.014 million (2016: USD 9.348 million)] for the year ended 31 December 2017, which is subject to approval by the shareholders at the forthcoming Annual General Meeting. Withholding tax will be deducted and paid on the payment of the dividends to non-resident shareholders.

Shareholders approved cash dividend of RO 0.020 (USD 0.052) per share for 2016 totalling to RO 3,596 (USD 9.348 million) approving the board's proposal of RO 0.020 (USD 0.052) amounting to RO 3,596 (USD 9.348 million) in the Company's annual general meeting held in March 2017.

As per the directives of the Capital Market Authority (CMA), the amount of unpaid dividend which is outstanding for more than six months is required to be transferred to the Investors' Trust Fund established by the CMA. As on 31 December 2017, total amount of unclaimed dividend amounted to RO 22,467 (December 2016: RO 38,102). Any outstanding unpaid dividend more than six months has been transferred to the Investors' Trust Fund during October 2017.

Notes
(Forming part of the consolidated financial statements)

21 Net assets per share

Net assets per share is calculated by dividing the net assets attributable to the ordinary shareholders of the Company at the end of the year by the number of ordinary shares outstanding at 31 December as follows:

2016	**2017**		**2017**	2016
140,461	**145,600**	Net assets (US $ '000 / RO '000)	**56,000**	54,025
179,837	**179,837**	Shares outstanding at 31 December ('000)	**179,837**	179,837
0.78	**0.81**	Net assets per share (US $ / RO)	**0.311**	0.300

22 Loans and borrowings

The Company obtained syndicated long-term loan facilities, denominated in US Dollars, from financial institutions in the aggregate amount of approximately RO 42.3 million (USD 110 million). The facilities, comprise two tranches of RO 21.2 million (USD 55 million) each.

Tranche I of the term loan was repaid in full as at 31 March 2009. Tranche II of the term loan was repaid in full as at 31 December 2012.

The Company further obtained a long-term loan facility, denominated in US dollars, from financial institutions for a total amount of RO 63.8 Million (USD 165.8 million) and later downsized the same to RO 59.3 million (USD 154.2 million) during 2010. The facility comprises of two tranches (III and IV) of RO 25.3 million (USD 65.8 million) and RO 34.0 million (USD 88.4 million) respectively.

The secured lenders for the Company are Bank Muscat and Bank Dhofar. Bank Muscat is security agent and trustee for the secured lenders. They are also the facility agent for administration and monitoring of the overall loan facilities.

Tranche III of the term loan is repayable in 18 instalments of six-monthly intervals which commenced from March 2010. The Company has fixed the rate of interest through an interest rate swap agreement for 50% of its loan facility at an annual maximum interest rate of 4.895% (refer note 26).

Tranche IV of the term loan is repayable in 16 instalments of six-monthly intervals which commenced from December 2011. The Company has fixed the rate of interest through an interest rate swap agreement for 85% of its loan facility at an annual maximum interest rate of 3.350% (refer note 26).

The Company has repaid RO 8.92 million (USD 23.22 million) in 2017. Repayment of RO 3.81 million (USD 9.90 million) was made towards Tranche III and RO 5.12 million (USD 13.32 million) towards Tranche IV.

Notes

(Forming part of the consolidated financial statements)

22 Loans and borrowings *(continued)*

At 31 December 2017, the outstanding balances for the loans and borrowings are as follows:

	Total	*1 year or less*	*1 - 2 years*	*2 - 5 years*	*more than 5 years*
RO '000					
Tranche 3	**3,807**	**3,807**	-	-	-
Tranche 4	**5,122**	**5,122**			-
	8,929	**8,929**	-	-	-
US $ '000					
Tranche 3	**9,897**	**9,897**	-	-	-
Tranche 4	**13,318**	**13,318**	-	-	-
	23,215	**23,215**	-	-	-

At 31 December 2016, the outstanding balances for the loans and borrowings were as follows:

	Total	*1 year or less*	*1 - 2 years*	*2 - 5 years*	*more than 5 years*
RO '000					
Tranche 3	7,613	3,807	3,807	-	-
Tranche 4	10,245	5,122	5,122	-	-
	17,858	8,929	8,929	-	-
US $ '000					
Tranche 3	19,794	9,897	9,897	-	-
Tranche 4	26,636	13,318	13,318	-	-
	46,430	23,215	23,215	-	-

Transaction costs related to term loans are netted off against the value of the loan and are then recognised over the life of the term loans using the effective interest method.

The loan agreement contains certain restrictive covenants, which include, amongst others, restrictions over debt service, net worth limit, debt equity ratio, current ratio and security cover, certain restrictions on the pattern of shareholding, payment of dividends, disposal of property and equipment, and creation of additional security on assets under charge.

The term loan facilities carry an effective annual interest rate of 4.98% (31 December 2016: 4.37%) incorporating the effect of hedging instrument.

The facilities are secured by comprehensive first legal and commercial mortgages on all the assets of the Company.

23 Employees' end of service benefits

Movements in the liability recognised in the consolidated statement of financial position are as follows:

2016 US $ '000	**2017 US $ '000**		**2017 RO'000**	2016 RO'000
5,686	**6,663**	As at 1 January	**2,563**	2,187
1,154	**1,136**	Accruals during the year	**437**	444
(177)	**(331)**	End of service benefit paid	**(128)**	(68)
6,663	**7,468**	As at 31 December	**2,872**	2,563

24 Trade and other payables

2016 US $ '000	**2017 US $ '000**		**2017 RO'000**	2016 RO'000
45,542	**55,137**	Accrued expenses and other liabilities	**21,218**	17,514
2,100	**1,981**	Trade payables	**762**	808
4,841	**5,147**	Amounts due to related parties (note 27)	**1,980**	1,862
3,774	**5,202**	Current tax payable (note 25)	**2,002**	1,451
632	**652**	Amounts due to Government of Sultanate of Oman	**251**	243
56,889	**68,119**		**26,213**	21,878

25 Taxation

The Parent Company and its subsidiary are assessed separately for taxation. The tax rate applicable is 15% (2016: 12%). For the purpose of determining the tax expense for the year, the accounting profit has been adjusted for tax purposes relating to both income and expense items. After giving effect to these adjustments, the average effective tax rate is estimated to be 15% (2016: 11.92%).

Deferred tax has been computed at the tax rate of 15% (31 December 2016: 12%).

The assessment for the years from 2014 to 2016 have not been finalised with the Department of Taxation affairs. The Board of Directors are of the opinion that the additional taxes assessed, if any, would not be material to the Company's financial position as at 31 December 2017.

Notes
(Forming part of the consolidated financial statements)

25 Taxation *(continued)*

2016	**2017**		**2017**	2016
		Profit and loss		
3,525	**4,978**	Current tax - current year	**1,915**	1,356
(1,510)	**1,963**	Deferred tax - current year	**755**	(581)
2,015	**6,941**		**2,670**	775
		Tax provision		
3,255	**3,774**	As at 1 January	**1,451**	1,252
3,525	**4,978**	Charged during the year	**1,915**	1,356
(3,006)	**(3,550)**	Paid during the year	**(1,364)**	(1,157)
3,774	**5,202**	As at 31 December	**2,002**	1,451

Deferred tax liability comprises the following temporary differences:

		Deferred tax liability		
16,944	**15,434**	As at 1 January	**5,936**	6,517
(1,510)	**1,963**	Movement for the year	**755**	(581)
15,434	**17,397**	As at 31 December	**6,691**	5,936

Deferred tax adjustments relates to the following:

2016 US $ '000	**2017 US $ '000**		**2017 RO'000**	2016 RO'000
(131,526)	**(118,797)**	Net book value of property and equipment	**(45,691)**	(50,586)
2,909	**2,820**	Provisions and losses	**1,085**	1,119
(128,617)	**(115,977)**		**(44,606)**	(49,467)

Port of Salalah Development Company LLC:
Tax assessments have been completed up to tax year 2012.

26 Derivative financial instruments and hedging deficit

The term loan facilities of the Company bear interest at USD LIBOR plus applicable margins. In accordance with the term loan agreement, the Company has fixed the rates of interest applicable to the different Tranches through Interest Rate Swap agreements ("IRS").

At 31 December 2017, the USD LIBOR was approximately 1.828% (2016: 1.317%) per annum, whereas the Company had fixed interest on its long term borrowings at 4.895% on Tranche 3 and 3.350% on Tranche 4. Management had performed hedge effectiveness test as required under reporting standards.

Based on the interest rates gap over the life of the IRS on tranche 3 and 4, the indicative loss as at 31 December 2017 were assessed at RO 0.04 million (US$ 0.1 million) [2016: loss of RO 0.50 million (US$1.29 million)] by the counter parties to IRS. In case, the Company terminates the IRS at 31 December 2017, it may incur the above stated loss.

26 Derivative financial instruments and hedging deficit *(continued)*

In order to comply with International Accounting Standard 39 "Financial Instruments: Recognition and Measurement" fair value of the hedge instruments' indicative loss of RO 0.040 million (US$ 0.1 million) [2016: loss RO 0.50 million (US$1.29 million)] has been recorded as other comprehensive income and liability.

Interest rate swaps- Notional amounts by term to maturity

	Positive fair value	Negative fair value	Notional Amount	Within 1 Year	1 year to 5 years	Over 5 Years
	RO'000	RO'000	RO'000	RO'000	RO'000	RO'000
2017	-	**38**	**3,838**	**3,838**	-	-
2016	-	497	11,514	3,838	7,676	-
	US $ '000	**US $ '000**	**US $ '000**	**US $ '000**	**US $ '000**	**US $ '000**
2017	-	**99**	**9,979**	**9,979**	-	-
2016	-	1,292	29,937	9,979	19,958	-

As at 31 December 2017, the foreign currency forward contract commitment amounted to RO 0.75 million (2016 - RO 2.54 million) to purchase EURO. The aggregate fair value of the rights and obligations of the foreign currency forward contracts, which were in EURO at 31 December 2017 were insignificant and therefore were not recognised in the consolidated financial statements.

27 Related party transactions

The Company has entered into transactions with entities over which certain Directors and / or shareholders and companies over which they are able to exert significant influence. In the normal course of business, the Company provides and avails services from related parties on commercial terms and at arm's length. The terms of providing and receiving such services are comparable with those that could be obtained from third parties. The volumes of significant related party transactions during the year and with parties with a shareholding of 10% or more in the Company and / or related to Directors, were as follows:

	2017			2016		
	Purchases	**Services**	**Others**	Purchases	Services	Others
	RO '000	**RO '000**	**RO '000**	RO'000	RO '000	RO '000
Other related parties	**78**	**30,561**	**3,395**	128	26,229	2,258
	78	**30,561**	**3,395**	128	26,229	2,258
	USD '000	**USD '000**	**USD '000**	USD '000	USD '000	USD '000
Other related parties	**202**	**79,459**	**8,828**	333	68,195	5,871
	202	**79,459**	**8,828**	333	68,195	5,871

Notes
(Forming part of the consolidated financial statements)

27 Related party transactions *(continued)*

Compensation of key management personnel:

The key management personnel compensation and directors renumeration for the year comprises:

2016 US $ '000	**2017 US $ '000**		**2017 RO'000**	2016 RO'000
1,515	**1,355**	Short term benefits	**521**	583
83	**68**	End of service benefits	**26**	32
390	**390**	Remuneration of directors	**150**	150
68	**57**	Sitting fees of directors	**22**	26
2,056	**1,869**		**791**	791

Balances with related parties included in the statement of financial position are as follows:

	2017		2016	
	Trade and other receivables	**Trade and other payables**	Trade and other receivables	Trade and other payables
	RO '000	**RO '000**	RO'000	RO'000
Other related parties	**2,961**	**1,980**	5,164	1,862
	US $ '000	**US $ '000**	US $ '000	US $ '000
Other related parties	**7,699**	**5,147**	13,426	4,841

Amounts due from and due to the related parties are disclosed in notes 16 and 24 respectively. Amount due to related parties represents amount payable towards management fees.

Outstanding balances at the year-end arise in the normal course of business. Amounts due from related parties are not impaired and are estimated to the collectible based on the past experience.

28 Operating Segment information

For management purposes, the Company is organised into two major operating divisions – Container Terminal and General Cargo Terminal. The Container Terminal Division is engaged in leasing, equipping, operating and managing a Container Terminal. The General Cargo Terminal Division is engaged in providing stevedoring and other cargo related services to vessel and cargo operators. No operating segments have been aggregated to form the above reportable operating segment.

The two segments are organised on the basis of the classification of individual berths as set out in the two concession agreements with the Government of the Sultanate of Oman. As such, all operational revenues of berths which are classified as Container Terminal are classified within the Container Terminal segment, whether or not they constitute Container operations, and vice versa. The impact of the segmentation on royalty fees is currently under discussion with the government and the management believes that no significant adjustment on the basis of royalty fees calculation will be warranted.

28 Operating Segment information *(Continued)*

Management monitors the operating results of its business units separately for the purpose of making decisions about the resource allocation and the performance assessment. Segment performance is evaluated based on operating profit and loss.

	Container terminal		General cargo terminal		Total	
	2017	2016	**2017**	2016	**2017**	2016
	RO'000	RO'000	**RO'000**	RO'000	**RO'000**	RO'000
Revenue	**43,523**	40,915	**13,505**	13,957	**57,028**	54,872
Depreciation and amortisation	**(7,511)**	(7,351)	**(1,097)**	(1,243)	**(8,608)**	(8,594)
Net profit	**2,344**	3,050	**2,867**	2,676	**5,211**	5,726
Operating assets	**76,085**	81,498	**24,693**	21,293	**100,778**	102,791
Operating liabilities	**76,085**	81,498	**24,693**	21,293	**100,778**	102,791
Other disclosures						
Capital expenditure	**7,663**	3,787	**453**	41	**8,116**	3,828

	Container terminal		General cargo terminal		Total	
	2017	2016	**2017**	2016	**2017**	2016
	US $ '000	US $ '000	**US $'000**	US $ '000	**US $ '000**	US $ '000
Revenue	**113,161**	106,380	**35,115**	36,287	**148,276**	142,667
Depreciation and amortisation	**(19,529)**	(19,112)	**(2,832)**	(3,233)	**(22,361)**	(22,345)
Net profit	**6,097**	7,927	**7,457**	6,961	**13,554**	14,888
Operating assets	**197,789**	210,998	**64,203**	56,261	**261,992**	267,259
Operating liabilities	**197,789**	210,998	**64,203**	56,261	**261,992**	267,259
Other disclosures						
Capital expenditure	**19,925**	9,846	**1,160**	106	**21,085**	9,952

During the year, the Company has allocated common marine and IT assets used for Container terminal and General cargo terminal segment as per the policy approved by Board of Directors.

Notes
(Forming part of the consolidated financial statements)

28 Operating Segment information *(Continued)*

Inter-segment revenue are eliminated on consolidation. Capital expenditure consists of additions of property, plant and equipment. A geographical analysis of revenue by the location of the customer is set out below:

2016	**2017**		**2017**	2016
US $ '000	**US $ '000**		**RO'000**	RO'000
45,085	**46,232**	Oman	**17,781**	17,340
95,043	**99,149**	Europe	**38,134**	36,555
1,817	**2,318**	Other Asia	**891**	699
722	**577**	Africa	**222**	278
142,667	**148,276**		**57,028**	54,872

29 Commitments and contingencies

29.1 State audit findings

During the year 2015, State Audit Institution observations were received relating to the Company's financial and administrative matters for the period 2005 to 2013 highlighting alleged deviations from the terms of concession and commercial agreements. The Company replied in consultation with its legal advisors confirming that the Company has not caused any violations and the commercial decisions were well authorised.

The State Audit Institution as per letter received in January 2016 suggested that the company to constitute a neutral committee to study the state audit observations and recommendations and take suitable actions arising therefrom.

The Board of Directors of the Company are of the opinion that the appropriate commercial decisions were taken in the best interests of the Company considering the market conditions and have communicated the same to the state audit team.

29.2 Capital expenditure commitments

2016	**2017**		**2017**	2016
US $'000	**US $'000**		**RO'000**	RO'000
8,318	**9,970**	Capital expenditure commitments	**3,834**	3,199
8,318	**9,970**		**3,834**	3,199

Notes
(Forming part of the consolidated financial statements)

29 Commitments and contingencies *(Continued)*

29.3 Operating lease commitments

The Company entered into a lease agreement with the Government of the Sultanate of Oman in November 1998 for Container Terminal and in March 2000 (with retrospective effect from 1 October 1998) for General cargo terminal, which grants a lease of the land and infrastructure in respective facilities to the Company for a term consistent with its thirty year Concession Year. Future lease payment commitments are as follows:

2016 US $'000	**2017 US $'000**		**2017 RO'000**	2016 RO'000
4,795	**5,246**	Not later than one year	**2,018**	1,844
20,664	**28,688**	Between one and five years	**11,034**	7,948
42,596	**21,728**	After five years	**8,357**	16,383
68,055	**55,661**		**21,408**	26,175

29.4 Claims

Various claims against the Company have been made by suppliers and customers which the company does not acknowledge as liabilities based on agreed terms. The total value of such claims against the company not acknowledged as liabilities amounts to RO 1.3 million (USD 3.4 million) [RO 1.3 million (USD 3.4 million)].

30 Financial risk management

The Company's activities exposes it to variety of risks from its use of financial instruments:
- credit risk
- liquidity risk
- market risk

The Company has established a risk policy whose administration is vested with the Chief Executive Officer. The Chief Financial Officer is nominated as the Risk Champion and a body consisting of departmental Managers constitutes the Risk Management Committee. The working of the Risk management framework as above is coordinated through the Audit Committee.

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers. The carrying amount of financial assets represents the maximum credit exposure.

Trade and other receivables: Credit is extended to customers only with an objective of optimizing the Company's profits and the prime responsibility for providing credit to customers and the timely collection of all debts rests with the functional manager. Credit has a cost to the business and necessary controls and procedures are established to manage the Company's credit risk and its working capital. It is therefore Company's policy to have effective credit control systems in place which are flexible enough to respond to changing market needs yet rigorous enough to ensure that customer credit limits are established and regularly updated on the basis of reliable up-to-date information.

Notes
(Forming part of the consolidated financial statements)

30 Financial risk management *(continued)*

This is an aggregate of our transactions with many customers and the risk profiles vary with their composition from time to time. Generally, the Company deals with the customers based on cash or guarantees from reputed banks. In the case of major customers who have been provided credit status, their credit worthiness has been thoroughly evaluated in advance and their credit terms are governed by their respective contracts with the Company. The Company has an approved credit policy forming part of its financial policies and procedures. In case of exceptions provisions are created as appropriate.

The ageing of the trade and related parties receivables and receivables from government at the reporting date was:

2016 US $ '000	**2017** **US $ '000**		**2017** **RO'000**	2016 RO'000
19,074	**19,220**	Within credit period	**7,407**	7,336
2,478	**3,432**	Past due 31-60 days	**1,320**	953
1,937	**1,470**	Past due 61-90 days	**566**	745
2,056	**809**	Past due 90-180 days	**311**	791
1,638	**(195)**	More than 180 days	**(75)**	630
27,183	**24,736**		**9,529**	10,455

The movement in allowance for impairment in respect of trade receivables during the year was as follows:

2016 *US $ '000*	***2017*** ***US $ '000***		***2017*** ***RO'000***	*2016* *RO'000*
491	**466**	At 1 January	**179**	189
(25)	**236**	Provision / (write back) for the year	**91**	(10)
466	**702**	At 31 December	**270**	179

Exposure to credit risk for trade and related parties receivables and receivables from government at the end of the reporting date by geographic region:

2016 US $ '000	**2017** **US $ '000**		**2017** **RO'000**	2016 RO'000
6,217	**4,269**	Oman	**1,642**	2,392
20,923	**20,350**	Europe	**7,842**	8,048
43	**117**	Other & Asia	**45**	15
27,183	**24,736**		**9,529**	10,455

Notes
(Forming part of the consolidated financial statements)

30 Financial risk management *(continued)*

Exposure to credit risk for trade and related parties receivables and receivables from government at the end of reporting date by the type of customer:

2016 US $ '000	**2017 US $ '000**		**2017 RO'000**	2016 RO'000
20,932	**21,125**	Shipping lines	**8,140**	8,051
6,251	**3,611**	Others	**1,389**	2,404
27,183	**24,736**		**9,529**	10,455

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due which are settled either by delivering cash or another financial asset. The Company's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Trade and other payables: The Company prepares periodical forecast cash flows to assess the liquidity requirements from time to time which forms the basis for allocation of available "cash and cash equivalent" resources.

Financial obligations: The Company through an agreement with its lenders has an arrangement to place a fixed deposit of an amount equivalent to the next instalment (which is not less than six months at any point of time) which ensures that adequate care is accorded.

The table below summarises the maturities of the Group's undiscounted non-derivative financial liabilities based on contractual payment dates:

	31 December 2017				
	Less than 3 months	***3 to 6 months***	***6 to 12 months***	***more than 12 months***	***Total***
	RO'000	**RO'000**	**RO'000**	**RO'000**	**RO'000**
Trade and other payables	**21,251**	**190**	**2,292**	**500**	**24,233**
Loans and borrowings	**-**	**-**	**-**	**9,186**	**9,186**
Amount due to related parties	**1,980**	**-**	**-**	**-**	**1,980**
	23,231	**190**	**2,292**	**9,686**	**35,399**
	US $'000	**US $'000**	**US $'000**	**US $'000**	**US $'000**
Trade and other payables	**55,218**	**495**	**5,958**	**1,301**	**62,972**
Loans and borrowings	**-**	**-**	**-**	**23,782**	**23,782**
Amount due to related parties	**5,147**	**-**	**-**	**-**	**5,147**
	60,365	**495**	**5,958**	**25,083**	**91,901**

Notes

(Forming part of the consolidated financial statements)

30 Financial risk management *(continued)*

	31 December 2016				
	Less than 3 months	3 to 6 months	6 to 12 months	more than 12 months	Total
	RO'000	RO'000	RO'000	RO'000	RO'000
Trade and other payables	13,528	202	1,868	4,418	20,016
Loans and borrowings	-	4,852	4,743	9,170	18,765
Amount due to related parties	1,862	-	-	-	1,862
	15,390	5,054	6,611	13,588	40,643
	US $'000	US $'000	US $'000	US $'000	US $'000
Trade and other payables	35,175	525	4,859	11,489	52,048
Loans and borrowings	-	12,616	12,332	23,841	48,789
Amount due to related parties	4,841	-	-	-	4,841
	40,016	13,141	17,191	35,330	105,678

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Currency risk*:* The Group's income is generally based in US dollars to which the local currency Omani Rial, is pegged. Therefore, the effect on the financial statements is minimal. However, it affects the alternative currency purchases. This is partly mitigated by opting for purchase of alternate currencies when such requirements can be forecasted well in advance. Depended on emerging scenarios the Company may opt for appropriate risk mitigating measures, such as entering into forward exchange contracts.

Interest rate risk: Variance in interest rates affects the financial statements of the Group. With a view to minimising this effect the Group has adopted policy of hedging outstanding loans at specific interest rates swaps. At 31 December 2017, approximately 43% of the outstanding loans are at fixed rate of interest (2016: 64%).The following table summarises the impact of interest rate changes.

31 December 2016	**31 December 2017**		**31 December 2017**	31 December 2016
US$ '000	**US$ '000**		**RO '000**	RO '000
100	**100**	Increase in basis points	**100**	100
(165)	**(49)**	Effect on profit before tax	**(19)**	(63)
100	**100**	Decrease in basis points	**100**	100
165	**49**	Effect on profit before tax	**19**	63

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased / (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for December 2017.

Notes
(Forming part of the consolidated financial statements)

30 Financial risk management *(continued)*

	Profit or loss		Equity	
	100 bps Increase RO'000	**100 bps decrease RO'000**	**100 bps increase RO'000**	**100 bps decrease RO'000**
31 December 2017				
Interest rate swap	**19**	**(19)**	**4**	**(4)**
31 December 2016				
Interest rate swap	63	(63)	63	(63)

		Profit or loss		Equity
	100 bps Increase USD'000	**100 bps decrease USD'000**	**100 bps increase USD'000**	**100 bps decrease USD'000**
31 December 2017				
Interest rate swap	**49**	**(49)**	**10**	**(10)**
31 December 2016				
Interest rate swap	165	(165)	129	(129)

Investments: The Company generally does not invest in stock markets. The Company has an investment in 200,000 equity shares of face value RO 1.000 in Dhofar University SAOC, which has been impaired fully during the year ended 31 December 2017.

Capital management: The Company recognises the importance of maintenance of a strong capital base which would assist in maintenance of investor, creditor and market confidence. With this end in view, the Company has in place adequate mechanisms to monitor return on capital, shareholder value creation, etc.

The Board of Directors monitors the return on equity, which the Company defines as profit divided by total shareholders' equity. The Board of Directors also monitors the level of dividends to ordinary shareholders.

There were no changes in the Company's approach to capital management during the year. The Company and its subsidiary's capital requirements are determined by the requirements of Capital Market Authority and by the Commercial Companies Law of 1974 of the Sultanate of Oman, as amended.

31 Fair values of the financial instruments

Financial instruments comprise financial assets, financial liabilities and derivatives.

Financial assets consist of cash and bank balances, term deposits, available for sale investments and receivables. Financial liabilities consist of payables, term loans and loans and borrowings. Derivatives consist of interest rate swap arrangements entered by the Company.

The fair values of the financial assets, financial liabilities and derivatives at the end of the reporting date are not materially different from their carrying values:

Notes
(Forming part of the consolidated financial statements)

31 Fair values of the financial instruments *(continued)*

The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

- Cash and short-term deposits, trade and related parties receivables, trade payables, and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

- Long-term fixed-rate and variable-rate borrowings are evaluated by the Group based on parameters such as interest rates, specific country risk factors and individual creditworthiness of the customer and the risk characteristics of the financed project. Based on this evaluation, allowances are taken to account for the expected losses of these receivables. As at 31 December 2017, the carrying amounts of such receivables, net of allowances, are not materially different from their calculated fair values.

- Fair value of quoted instruments is based on price quotations at the reporting date.

- Interest rate swaps are fair valued on the valuation provided by the counter parties.

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Notes
(Forming part of the consolidated financial statements)

31 Fair values of the financial instruments *(continued)*
Fair value hierarchy *(continued)*

Liabilities measured at fair value	**31 December 2017**	**Level 1**	**Level 2**	**Level 3**
	RO '000	**RO '000**	**RO '000**	**RO '000**
Interest rate swap	**38**	-	**38**	-
	US $ '000	**US $'000**	**US $ '000**	**US $ '000**
Interest rate swap	**99**	**-**	**99**	-

Assets measured at fair value at 31 December 2016

	31 December 2016	Level 1	Level 2	Level 3
	RO '000	RO '000	RO '000	RO '000
Available-for-sale investments	297	-	-	297
	US $ '000	US $'000	US $ '000	US $ '000
Available-for-sale financial assets	772	-	-	772
Liabilities measured at fair value				
	RO '000	RO '000	RO '000	RO '000
Interest rate swap	497	-	497	-
	US $ '000	US $'000	US $ '000	US $ '000
Interest rate swap	1,292	-	1,292	-

During the year ended 31 December 2017, there were no transfers between Level 1 and Level 2 fair value measurements. However, available-for-sale investments amounting to RO 297 K (US$ 772 K) were transferred from level 1 to level 3 during the prior year.

Notes
(Forming part of the consolidated financial statements)

32 Key sources of estimation uncertainty

Useful lives of property, plant and equipment
The Group's management determines the estimated useful lives of its property, plant and equipment for calculating depreciation. This estimate is determined after considering the expected usage of the asset and physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates.

Impairment of trade receivable
An estimate of the collectible amount of trade receivable is made when collection of the full amount is no longer probable. For individually significant amounts, this estimation is performed on an individual basis. Amounts which are not individually significant, but which are past due, are assessed collectively and a provision applied according to the length of time past due, based on historical recovery rates.

At the end of the reporting date, gross trade and other related party receivable were approximately RO 9.68 million (US$ 25.12 million) [Dec 2016 – RO 9.97 million (US$ 25.90 million)] and the provision for impairment was made RO 0.27 million (US$ 0.70 million) [Dec 2016 - RO 0.18 million (US$ 0.47 million)]. Any difference between the amounts actually collected in future years and the amounts expected will be recognised in the statement of comprehensive income.

Impairment of inventories
Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on historical selling prices.

At the end of the reporting date, gross inventories were approximately RO 2.97 million (US$ 7.7 million) [Dec 2016 – RO 2.8 million (US$ 7.19 million)] and provisions for old and obsolete inventories was RO 0.8 million (US$ 2.1 million) [Dec 2016 – RO 0.8 million (US$ 2.1 million)]. Any difference between the amounts actually realised in future years and the amounts expected will be recognised in the statement of comprehensive income.

Taxes
Uncertainties exist with respect to the interpretation of tax regulations and the amount and timing of future taxable income. Given the wide range of business relationships and nature of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of finalisation of tax assessments of respective Group companies. The amount of such provisions is based on various factors, such as experience of previous tax assessments and differing interpretations of tax regulations by the taxable entity and the responsible tax authority.

Notes
(Forming part of the consolidated financial statements

33 Comparative amounts

Certain corresponding figures for year ended 31 December
confirm to the presentation for the current year. Such reclassifications were made within the same notes to the financial statements and do not affect previously reported profit or shareholder's equity.

Notes
(Forming part of the consolidated financial statements)

Schedule 1 Property and equipment *for the year ended 31 December 2017*

	Leasehold improvements RO '000	*Quay gantry cranes RO '000*	*Rubber tyre gantry cranes RO '000*	*Tractors and trailors RO '000*	*Forklifts and reach stackers RO '000*	*Marine equipment RO '000*	*Motor vehicles RO '000*	*Computer equipment and software RO '000*	*Furnitures, fixtures and equipment RO '000*	*Capital work in progress RO '000*	*Total RO '000*
Cost											
1 January 2017	7,396	68,706	37,825	7,506	3,013	15,011	383	3,100	4,142	1,499	148,581
Additions / recognition	130	260	-	757	64	6,125	-	180	394	206	8,116
Disposal / derecognition	-	(220)	-	(280)	(18)	-	(96)	-	-	-	(614)
31 December 2017	7,526	68,746	37,825	7,983	3,059	21,136	287	3,280	4,536	1,705	156,083
Accumulated depreciation											
1 January 2017	(5,058)	(33,262)	(22,452)	(5,575)	(2,299)	(6,531)	(263)	(2,815)	(3,463)	-	(81,718)
Depreciation for the year	(410)	(2,927)	(2,356)	(577)	(215)	(1,618)	(19)	(222)	(264)		(8,608)
Disposal / derecognition	-	220	-	280	18	-	96				614
31 December 2017	(5,468)	(35,969)	(24,808)	(5,872)	(2,496)	(8,149)	(186)	(3,037)	(3,727)	-	(89,712)
Carrying amounts											
31 December 2017	**2,058**	**32,777**	**13,017**	**2,111**	**563**	**12,987**	**101**	**243**	**809**	**1,705**	**66,371**
31 December 2016	2,338	35,444	15,373	1,931	714	8,480	120	285	679	1,499	66,863

Notes
(Forming part of the consolidated financial statements)

Schedule 1 Property and equipment *for the year ended 31 December 2017* *(continued)*

	Leasehold improvements US $ '000	Quay gantry cranes US $ '000	Rubber tyre gantry cranes US $ '000	Tractors and trailors US $ '000	Forklifts and reach stackers US $ '000	Marine equipment US $ '000	Motor vehicles US $ '000	Computer equipment and software US $ '000	Furnitures, fixtures and equipment US $ '000	Capital Work in progress US $ '000	Total US $ '000
Cost											
1 January 2017	19,226	178,634	98,348	19,517	7,834	39,033	998	8,055	10,775	3,891	386,311
Additions / recognition	337	676	-	1,969	166	15,926	-	468	1,007	536	21,085
Disposal / derecognition	-	(574)	-	(730)	(47)	-	(251)	-	-	-	(1,602)
31 December 2017	19,563	178,736	98,348	20,756	7,953	54,959	747	8,523	11,782	4,427	405,794
Accumulated depreciation											
1 January 2017	(13,145)	(86,482)	(58,374)	(14,498)	(5,974)	(16,980)	(684)	(7,322)	(9,010)	-	(212,469)
Depreciation for the year	(1,065)	(7,611)	(6,125)	(1,501)	(560)	(4,207)	(49)	(577)	(666)	-	(22,361)
Disposal	-	574	-	730	47	-	251	-	-	-	1,602
31 December 2017	(14,210)	(93,519)	(64,499)	(15,269)	(6,487)	(21,187)	(482)	(7,899)	(9,676)	-	(233,228)
Carrying amounts 31 December 2017	**5,353**	**85,217**	**33,849**	**5,487**	**1,466**	**33,772**	**265**	**624**	**2,106**	**4,427**	**172,566**
31 December 2016	6,081	92,152	39,974	5,019	1,860	22,053	314	733	1,766	3,891	173,843

Notes
(Forming part of the consolidated financial statements)

Schedule 1 Property and equipment *for the year ended 31 December 2016*

	Leasehold improvements	Quay gantry cranes	Rubber tyre gantry cranes	Tractors and trailors	Forklifts and reach stackers	Marine equipment	Motor vehicles	Computer equipment and software	Furnitures, fixtures and equipment	Capital work in progress	Total
	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000	RO '000
Cost											
1 January 2016	7,225	68,706	37,825	6,839	2,831	14,117	285	3,075	3,992	793	145,688
Additions / recognition	171	-	-	702	182	1772	120	25	150	706	3,828
Disposal / derecognition	-	-	-	(35)	-	(878)	(22)	-	-	-	(935)
31 December 2016	7,396	68,706	37,825	7,506	3,013	15,011	383	3,100	4,142	1,499	148,581
Accumulated depreciation											
1 January 2016	(4,654)	(30,263)	(20,023)	(5,113)	(2,212)	(5,928)	(257)	(2,537)	(3,083)	-	(74,070)
Depreciation for the year	(404)	(2,999)	(2,429)	(494)	(87)	(1,481)	(28)	(278)	(380)	-	(8,579)
Disposal / derecognition	-	-	-	32	-	878	22	-	-	-	931
31 December 2016	(5,058)	(33,262)	(22,452)	(5,575)	(2,299)	(6,531)	(263)	(2,815)	(3,463)	-	(81,718)
Carrying amounts											
31 December 2016	2,338	35,444	15,373	1,931	714	8,480	120	285	679	1,499	66,863
31 December 2015	2,571	38,443	17,802	1,726	619	8,189	28	538	909	833	71,618

Notes
(Forming part of the consolidated financial statements)

Schedule 1 Property and equipment *for the year ended 31 December 2016*

	Leasehold improvements US $ '000	Quay gantry cranes US $ '000	Rubber tyre gantry cranes US $ '000	Tractors and trailors US $ '000	Forklifts and reach stackers US $ '000	Marine equipment US $ '000	Motor vehicles US $ '000	Computer equipment and software US $ '000	Furnitures, fixtures and equipment US $ '000	Capital Work in progress US $ '000	Total US $ '000
Cost											
1 January 2016	18,780	178,634	98,348	17,783	7,360	36,708	743	7,991	10,385	2,058	378,790
Additions / recognition	446	-	-	1,825	474	4,608	311	64	390	1,833	9,951
Disposal / derecognition	-	-	-	(91)	-	(2,283)	(56)	-	-	-	(2,430)
31 December 2016	19,226	178,634	98,348	19,517	7,834	39,033	998	8,055	10,775	3,891	386,311
Accumulated depreciation											
1 January 2016	(12,095)	(78,685)	(52,059)	(13,296)	(5,748)	(15,413)	(667)	(6,599)	(8,021)	-	(192,583)
Depreciation for the year	(1,050)	(7,797)	(6,315)	(1,284)	(226)	(3,850)	(73)	(723)	(988)	-	(22,306)
Disposal	-	-	-	82	-	2,283	56	-	-	-	2,421
31 December 2016	(13,145)	(86,482)	(58,374)	(14,498)	(5,974)	(16,980)	(684)	(7,322)	(9,010)	-	(212,469)
Carrying amounts 31 December 2016	6,081	92,152	39,974	5,019	1,860	22,053	314	733	1,766	3,891	173,843
31 December 2015	6,685	99,949	46,259	4,487	1,612	21,295	76	1,392	2,364	2,058	186,207

Schedule to the audited consolidated financial statements

SALALAH PORT SERVICES COMPANY SAOG (Parent company)

Statement of comprehensive income

For the year ended 31 December 2017

31 December 2016 US $ '000	**31 December 2017 US $ '000**		**31 December 2017 RO'000**	31 December 2016 RO'000
142,592	**147,990**	Revenue	**56,718**	54,843
(89,365)	**(96,277)**	Direct operating costs	**(37,029)**	(34,371)
(18,335)	**(15,555)**	Other operating expenses	**(5,983)**	(7,052)
(19,404)	**(20,174)**	Administration and general expenses	**(7,760)**	(7,463)
4,267	**6,181**	Other income	**2,376**	1,641
19,755	**22,165**	**Profit from operations**	**8,523**	7,598
(2,878)	**(1,908)**	Finance costs	**(734)**	(1,107)
16,877	**20,257**	**Profit for the year before tax**	**7,789**	6,491
(2,015)	**(6,893)**	Income tax	**(2,651)**	(775)
14,862	**13,364**	**Profit for the year**	**5,138**	5,716
		Other comprehensive income		
		Items that are or may be reclassified to profit or loss		
-	**(252)**	Fair value change of investments	**(97)**	-
648	**1,193**	Net movement in cash flow hedges	**459**	249
648	**941**		**362**	249
648	**941**	Other comprehensive income for the year, net of tax	**362**	249
15,510	**14,305**	**Total comprehensive income for the year, net of tax**	**5,500**	5,965
0.09	**0.08**	**Basic earnings per share (US $ / RO)**	**0.031**	0.033

Schedule to the audited consolidated financial statements

SALALAH PORT SERVICES COMPANY SAOG (Parent company)

Statement of financial position

As at 31 December 2017

31 December 2016 US $ '000	**31 December 2017 US $ '000**		**31 December 2017 RO'000**	31 December 2016 RO'000
		ASSETS		
		Non-current Assets		
173,465	**172,236**	Property and equipment	**66,244**	66,717
445	**406**	Intangible assets	**156**	168
772	**-**	Available-for-sale investments	**-**	297
312	**312**	Investment in a subsidiary	**120**	120
39,000	**13,000**	Term deposits	**5,000**	15,000
213,994	**185,954**		**71,520**	82,302
		Current assets		
5,085	**5,600**	Inventories	**2,154**	1,954
28,760	**26,988**	Trade and other receivables	**10,380**	11,062
10,400	**13,000**	Short term deposits	**5,000**	4,000
8,801	**30,020**	Cash and cash equivalents	**11,546**	3,385
-	**-**	Assets classified as held for sale	**-**	-
53,046	**75,608**		**29,080**	20,401
267,031	**261,562**	**TOTAL ASSETS**	**100,600**	102,703
		EQUITY		
46,758	**46,758**	Share capital	**17,984**	17,984
7,666	**7,666**	Share premium	**2,949**	2,949
15,586	**15,586**	Legal reserve	**5,994**	5,994
(1,292)	**(99)**	Hedging deficit	**(38)**	(497)
252	**-**	Fair value reserve	**-**	97
71,403	**75,411**	Retained earnings	**29,003**	27,462
140,373	**145,322**	**TOTAL EQUITY**	**55,892**	53,989
		LIABILITIES		
		Non-current Liabilities		
23,215	**-**	Loans and borrowings	**-**	8,929
15,434	**19,288**	Deferred tax	**7,419**	5,936
6,663	**7,466**	Employees' end of service benefits	**2,872**	2,563
345	**1**	Derivative financial instruments	**0**	133
45,657	**26,755**		**10,291**	17,561
		Current liabilities		
56,839	**66,172**	Trade and other payables	**25,451**	21,860
23,215	**23,215**	Loans and borrowings	**8,929**	8,929
947	**98**	Derivative financial instruments	**38**	364
81,001	**89,485**		**34,418**	31,153
126,658	**116,240**	**TOTAL LIABILITIES**	**44,709**	48,714
267,031	**261,562**	**TOTAL EQUITY AND LIABILITIES**	**100,600**	102,703
0.78	**0.81**	**Net assets per share (US $/ RO)**	**0.311**	0.300

Schedule to the Audited consolidated financial statements

SALALAH PORT SERVICES COMPANY SAOG (Parent company)

Statement of changes of equity

For the year ended 31 December 2017

	Attributable to equity shareholders of the parent company						
	Share capital RO '000	Share premium RO '000	Legal reserve RO '000	Hedging Deficit RO '000	Fair value reserve RO '000	Retained earnings RO '000	Total RO '000
Balance at 1 January 2016	17,984	2,949	5,994	(746)	97	25,342	51,620
Profit for the year	-	-	-	-	-	5,716	5,716
Other comprehensive income	-	-	-	249	-	-	249
Total comprehensive income	-	-	-	249	-	5,716	5,965
Dividend paid	-	-	-	-	-	(3,596)	(3,596)
Balance at 31 December 2016	17,984	2,949	5,994	(497)	97	27,462	53,989
Balance 1 January 2017	17,984	2,949	5,994	(497)	97	27,462	53,989
Profit for the year	-	-	-	-	-	5,138	5,138
Other comprehensive income	-	-	-	459	(97)	-	362
Total comprehensive income	-	-	-	459	(97)	5138	5,500
Dividend paid						(3,597)	(3,597)
Balance at 31 December 2017	**17,984**	**2,949**	**5,994**	**(38)**	**-**	**29,003**	**55,892**

Schedule to the Audited consolidated financial statements

SALALAH PORT SERVICES COMPANY SAOG (Parent company)

Statement of changes of equity (Continued)

For the year ended 31 December 2017

	Attributable to equity shareholders of the parent company						
	Share capital US $ '000	**Share premium US $ '000**	**Legal reserve US $ '000**	**Hedging deficit US $ '000**	**Fair value reserve US $ '000**	**Retained earnings US $ '000**	**Total US $ '000**
Balance at 1 January 2016	46,758	7,666	15,586	(1,940)	252	65,889	134,211
Net profit for the year	-	-	-	-	-	14,862	14,862
Other comprehensive income	-	-	-	648	-	-	648
Total comprehensive income	-	-	-	648	-	14,862	15,510
Dividend paid	-	-	-	-	-	(9,348)	(9,348)
Balance at 31 December 2016	46,758	7,666	15,586	(1,292)	252	71,403	140,373
Balance 1 January 2017	46,758	7,666	15,586	(1,292)	252	71,403	140,373
Net profit for the year	-	-	-	-	-	13,364	13,364
Other comprehensive income	-	-	-	1,193	(252)	-	941
Total comprehensive income	-	-	-	1,193	(252)	13,364	14,305
Dividend paid	-	-	-	-	-	(9,352)	(9,352)
Balance at 31 December 2017	**46,758**	**7,666**	**15,586**	**(99)**	**(0)**	**75,411**	**145,322**

Schedule to the Audited consolidated financial statements

SALALAH PORT SERVICES COMPANY SAOG (Parent company)

Statement of cash flows

For the year ended 31 December 2017

31 December 2016 US $ '000	**31 December 2017 US $ '000**		**31 December 2017 RO'000**	31 December 2016 RO'000
		Operating activities		
16,877	**20,257**	Profit for the year before tax	**7,789**	6,491
		Adjustments for:		
21,814	**22,370**	Depreciation and amortisation	**8,604**	8,403
1,154	**1,135**	Accrual for employees' end of service benefits	**437**	444
(343)	**-**	Gain on sale of equipment	**-**	(132)
(1,812)	**(2,334)**	Interest income	**(898)**	(697)
2,790	**1,459**	Finance cost	**562**	1,073
40,480	**43,407**	**Operating profit before working capital changes**	**16,693**	15,582
(1,214)	**(518)**	Change in inventories	**(199)**	(464)
(8,340)	**1,775**	Change in receivables	**683**	(3,208)
2,013	**9,893**	Change in payables	**3,782**	772
(7,541)		**Operating profit after working capital changes**		(2,900)
(177)	**(322)**	Employees' end of service benefits paid	**(128)**	(68)
(3,008)	**(3,500)**	Tax paid	**(1,346)**	(1,157)
29,754	**50,655**	**Net cash from operating activities**	**19,484**	11,457
		Investing activities		
(9,951)	**(21,312)**	Acquisition of property and equipment	**(8,197)**	(3,838)
424	**-**	Proceeds from sale of property and equipment	**-**	163
1,812	**2,334**	Interest received	**898**	697
13,000	**23,400**	Increase / (decrease) in other term deposits	**9,000**	5,000
5,285	**4,422**	**Net cash from / (used in) investing activities**	**1,701**	2,022
		Financing activities		
(23,215)	**(23,213)**	Repayment of loans and borrowings	**(8,928)**	(8,928)
(9,348)	**(9,352)**	Dividend paid	**(3,597)**	(3,596)
(2,790)	**(1,459)**	Finance cost	**(562)**	(1,073)
(35,353)	**(34,024)**	**Net cash used in financing activities**	**(13,086)**	(13,597)
(314)	**21,058**	**Net change in cash and cash equivalents**	**8,099**	(118)
9,115	**8,962**	Cash and cash equivalents at 1 January	**3,447**	3,503
8,801	**30,020**	**Cash and cash equivalents at 31 December**	**11,546**	3,385


Port of Salalah
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